



Schlesinger Working Group
on Strategic Surprises

Russia Resurgent? Challenges and Consequences of Shifting Geopolitical Dynamics in Eurasia

SCHLESINGER WORKING GROUP REPORT, SPRING 2009

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THE SCHLESINGER WORKING GROUP

The Institute for the Study of Diplomacy (ISD) of Georgetown University established the Schlesinger Working Group in 1999. This program recognizes the distinguished public career of Dr. James R. Schlesinger and his remarkable contributions to national security policymaking and strategic thought. The project is based on a multi-year working group initiative with a mandate to review and assess a range of possible scenarios that contain significant potential for strategic surprises and for unanticipated outcomes. The Schlesinger Working Group relies on a permanent core membership of generalists from the policy-making and research communities and academia (see page 2) who are sometimes joined by respected authorities on specific regional or functional topics under consideration. The meetings are chaired by Schlesinger Professor of Strategic Studies Chester A. Crocker and Visiting Professor and ISD Senior Research Fellow Casimir A. Yost.

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I. OVERVIEW

During the spring of 2009, the Schlesinger Working Group examined possible scenarios that may arise as a result of shifting political and economic conditions in Russia and their implications for the United States. During the February 23 meeting, participants focused on the political and economic conditions within Russia and explored how these factors could affect Moscow's relationships with its neighbors in the "near abroad" and beyond. The session also examined the interplay of internal and external factors driving Russian policy and identified potential surprise scenarios of significance for Russia's relations with western nations. At the April 27 meeting, participants focused on the potential implications for U.S. foreign policy and explored possible recommendations to mitigate or exploit these scenarios.

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. It is also a much more nationalistic and assertive country. The brief Russian military campaign in Georgia in August 2008 and the more recent natural gas standoff with Ukraine, which was in part aimed at punishing and destabilizing Ukraine for seeking membership in the North Atlantic Treaty Organization (NATO), are two examples of Moscow's reasserting its regional position. According to Arkady Ostrovsky, "The idea of a resurgent Russia has been at the heart of

Vladimir Putin's social contract, generating alarm abroad but admiration at home."¹

But the global economic crisis that erupted on Wall Street in 2008 has now engulfed Russia, too. Russia has been hit hard by the crisis. Even Vladimir Putin, who first boasted of Russia's resiliency against the West's financial meltdown, admitted in his speech at Davos, Switzerland, on January 28, 2009, that "[t]he crisis has exposed the problems we have."² In April 2009, Russia's Finance Minister Alexei Kudrin characterized the rate of economic decline as worse than expected, and in May 2009, the Kremlin's new security strategy acknowledged that "preservation of a natural resource export-based model of development" is a critical strategic risk for Russia.³

Concern about the economic issues is bringing about a gradual politicization of the previously quiescent Russian population. The Kremlin is acutely aware that civil unrest could trigger instability, especially in the ethnic Muslim republics in the North Caucasus, particularly Chechnya, Ingushetia, and Dagestan. Participants concluded that Russia is facing a critical turning point. How Russia's leaders respond to this crisis could have huge implications not only for the country's medium- to long-term outlook but also for the Eurasian region as a whole.

The Schlesinger Working Group agreed on three potential scenarios Russia could experience as a result of the economic crisis. The group characterized these end points as the following: (1) **system continuation through liberalization**; (2) **system continuation through increased state control**

¹ Arkady Ostrovsky, "Reversal of Fortune," *Foreign Policy* (March–April 2009).

² "Putin's Speech at Davos World Economic Forum," *Russia Today*, January 28, 2009, available at www.russiatoday.com.

³ "Russia Sees Threat in Economy and Energy," *Moscow Times*, May 15, 2009.

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and renationalization; and (3) **system decline through state–society breakdown**. Examples of triggers identified that could push for either a positive or negative shift include *external factors*, such as the long-term continuation of falling oil prices (or the reverse) and the long-term continuation of the global economic downturn (or the reverse); *internal factors*, such as a sharply deteriorating security situation in the North Caucasus, the rise of a middle class, the existence of a highly nationalistic population, and the start of an intra-elite debate over resources and financial assets resulting in a reversion to a single pole of power (be it Vladimir Putin or Dmitri Medvedev coming out on top); and *long-term chronic problems*, such as dysfunctional public services, thriving corruption, a failing infrastructure system, environmental degradation, rising xenophobia, and an aging, unhealthy, and shrinking workforce.

II. REVERSAL OF FORTUNE: A CHOICE MUST BE MADE

Participants agreed that the Russian government's power and legitimacy had been 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. Between 1999 and 2007, Russia experienced annual growth rates of 7 percent, persistent budget surpluses, and an accumulation of \$598 billion of reserves. Putin relied primarily on energy receipts to drive Russia's wealth and to finance his social bargain by co-opting Russia's elites, bribing the population, and repressing the disobedient. During the energy boom, Putin was able to build a highly personalized and weakly institutionalized system of governance where the critical decisions were made behind the scenes between competing factions. It is a system in which power and property are intertwined and where there is a vast gulf between state and society. Politics is played by the elites at the center, and the system relies on popular passivity. Moreover, out of the chaos and weakness of the 1990s, Putin was able to restore a sense of pride and instill a strong sense of nationalism, especially in the younger generation.

Group members noted that, despite high oil prices, Russia's oil and gas production stagnated during the energy boom due to lack of investment and high levels of corruption and renationalization. National infrastructure projects and social programs were largely ignored. Debt levels also increased as both Russian oligarchs and state corporations took advantage of the glut of cheap credit available through the international financial system (in total over \$490 billion in foreign debt). Overall, participants agreed that though Putin restored the Russian state, he did so in a manner that left it highly vulnerable to external shocks, especially a collapse of global energy prices and internal pressures. Several members also agreed that this fragility was only made more acute when Putin installed Medvedev as president, thereby creating a dual power system. Several members pointed out that dual power relationships have historically been destabilizing for Russia.

The resiliency of Putin's system was put to the test in 2008 as global energy prices collapsed and international capital markets seized up. Several members argued that Russia is facing an economic perfect storm. One member of the working group also pointed out that this is the first time Russia has had a serious encounter with a flailing international financial system. In the past, the country's lack of integration kept Russia's economy isolated from global economic downturns. Nevertheless, in 2008, Russia experienced a budget deficit amounting to 4 percent of gross domestic product (GDP), and between May 2008 and September 2008 Russia's stock market fell by 80 percent. In December 2008, Russia's GDP fell by 1 percent, and industrial production (down 16 percent in January 2009), overall exports (down 26 percent in December 2008), and real incomes (down 7 percent in January 2009) are plummeting.⁴ According to Zeljko Bogetic, the World Bank's chief economist for Russia, unemployment in Russia could reach 12 percent by the end of 2009.⁵ Unemployment is hitting the hardest in the most vulnerable regions outside of Moscow and St. Petersburg and the monocities,⁶ which are spread all across the Russian heartland, but most notably in the southern districts bordering and including the

⁴ Russian State Federal Statistics Service, available at <http://www.gks.ru/>.

⁵ "Russia Economic Report 18: Refocusing Policy on Households," The World Bank, March 30, 2009, available at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/RUSSIANFEDERATIONEXTN/0,,contentMDK:22120857~menuPK:305605~pagePK:2865066~piPK:2865079~theSitePK:305600,00.html>.

⁶ Monocities: the Stalin-era practice of depending on one factory to employ workers, heat apartments, and support small businesses.

republics of the North Caucasus.

The Kremlin's initial response has been mixed. Action by the Russia's economic liberals to defend the ruble was applauded by most economists. However, rather than making deep cuts in the budget to match lower revenues, the Kremlin decided it would fund its record deficit—7.4 percent of GDP in 2009—out of reserves. Policies to defend the currency and run budget deficits have depleted the reserve cushion, which now totals \$385 billion. Though the remaining reserves will allow the government to put off difficult budget cuts for the short term, should the global economic crisis persist beyond 2010, Russian leadership is going to face far graver economic and political challenges than it has had to face in more than a decade. Group members agreed that the extent and duration of the economic downturn is the key variable for the scenarios and that 2010 is the pivotal year. If by 2010 there is a clear sign of global recovery for Russia, so much the better; if not, so much the worse.

Should the global economic downturn deepen, trust in Russia's economic liberal technocrats who have been managing the crisis thus far will waiver. And as financial resources become scarcer, group members agreed that the Kremlin may have to choose between maintaining the status quo through violence and repression or addressing the crisis through continued economic liberalization. Working group members were divided over which option the Kremlin would take. Several argued that it is possible that Russia could return to the liberal economic reform agenda that Putin abandoned in 2003. On the other hand, some members pointed to recent events as evidence that the regime will resort to increasingly authoritarian measures to maintain control. They pointed to the February 2009 decision to expand Russia's nonmilitary security forces. It is clear that the Kremlin fears rising public unrest and will prioritize the development of security services that could be used to deter or quash popular discontent and regional unrest.

Several members argued that neither option guarantees success. In fact, they argued that either could result in a system decline scenario similar to that which occurred during the 1990s. Economic ills aside, Russia has a host of other chronic issues (all of which will only be compounded by the global economic crisis). Alter-

natively, should external factors reverse in terms of rising oil prices and a global economic recovery, Russia's situation could improve dramatically over the mid- to long term, as money would again flow into the Kremlin's coffers.

III. RUSSIA'S CHALLENGES

In addition to Russia's economic situation, other factors, both internal and external, are impacting the country's stability. *Externally*, group members noted that though oil prices are improving (in April 2009, the price per barrel averaged \$49), it is unlikely that prices will reach their peak (\$150 per barrel in July 2008) over the short term.⁷ Without the petro-income and the robust national reserves required to support Putin's system of governance, Russia's ability to project power externally will be limited. Over the eight-year economic boom, Putin had transformed Russia into a major global economic player with its wealth and its own sovereign wealth funds. Part of Putin's success in regaining influence in the "near abroad" was through financial assistance packages to countries like Kyrgyzstan, Kazakhstan, Belarus, and Ukraine (as well as assistance to South Ossetia and Abkhazia). With petrodollars on the decline, Russia's leverage in these countries may weaken. Some participants questioned whether Russia will be able to follow through on its commitment of aid to Kyrgyzstan to "buy" the closure of the U.S. Manas Air Base there.

Russia's actions in the South Caucasus this past August also contributed to a sharp decline in foreign direct investment. After the war, foreign investors withdrew about \$74 billion of capital, \$16 billion alone in the week of the invasion. As the price of oil dropped, and western credit dried up, Russian oil companies have had to turn elsewhere to secure funds. Like many countries, Russia is turning to China for cash. Recently, Beijing agreed to extend \$25 billion in loans to Russian state oil producers in return for a secure supply of oil over the next two decades.

Several participants argued that rising oil prices alone are not sufficient to key Russia's economic recovery. Should oil prices go back up too rapidly, it will negatively impact major oil-consuming countries like the United States and China, which are going to be the main drivers of the global economic recovery. What Russia needs in addition to an oil price recovery is an overall

The Schlesinger Working Group extends a special thanks to those core members and guest presenters whose opening remarks laid the groundwork for the series' discussion. The group would also like to thank all guest participants who contributed both their highly relevant experience and their personal perspectives to the overall discussion.

Core members of the Schlesinger Working Group were not asked to approve this Report. The Report, however, relies heavily on the discussions of the group. As such, this document reflects the general ideas of working group members, but is not a consensus document and cannot be ascribed to any individual member.

⁷ "Weekly All Countries Spot Price FOB Weighted by Estimate Export Volume (Dollars Per Barrel)," Energy Information Administration, available at <http://tonto.eia.doe.gov/dnav/pet/hist/wtotworldw.htm>.

The working group agreed that tension between Putin and Medvedev might have been inevitable under any circumstances, and they also agreed that a situation of crisis would only exacerbate the strain.

recovery of the global economy to help drive up demand for raw commodities.

Internally, loss of oil revenues and declining national reserves will result in a general depletion of resources that the central government has at its disposal to deal with central power brokers and regional elites. With fewer resources available, the Kremlin will have a diminished ability to co-opt and pacify rival cliques at the center and to buy off regional barons, which will encourage greater independence and regional autonomy. What makes this situation even more problematic is the existing diarchy in the central government. The working group agreed that tension between Putin and Medvedev might have been inevitable under any circumstances, and they also agreed that a situation of crisis would only exacerbate the strain. Several argued that the situation is more acute now because there is a need for a strong and coherent policy, and having two centers of powers tends, in the Russian context, toward incoherence. Most members agreed that should the crisis persist past 2010, there will be pressure in Russia to return to a single pole of power. One member stated that the process of this transition is more important than the outcome. If Putin comes out on top, it does not guarantee the scenario of increased state control. Over the past eight years, Putin has surrounded himself with conservatives, nationalists, and those who were more liberal.

If Medvedev emerges on top, it does not guarantee the scenario of increased liberalization. Though liberal-leaning elites tend to gravitate toward Medvedev, he will not be able to build a governing coalition around the liberals. The fundamental point is that the system that Putin built is based more on personal power than on ideology, and the elites are going to look for tangible advantages for themselves. Therefore, the sharper the struggle between the dual powers, the more likely it is for the process to spill out beyond the elites in the central government and into regional power brokers. This situation would increase the probability of instability in the regions (especially the North Caucasus) and the probability of the scenario of a weak Russian state, one that cannot control its borders, import-export trade, and weapons—basically a return to the Russia of the 1990s.

Adding to this perfect storm, several group members pointed to the relationship between the

Russian state and society. The economic crisis is beginning to chip away at popular passivity, which is critical to the regime's stability. In March 2009, the Levada public opinion organization reported that 23 percent of Russians said they would take part in mass protests against falling living standards. In a similar poll in September 2008, 18 percent said they would take part.⁸ In December, Vladivostok was rocked by protests triggered by the Kremlin's decision to raise tariffs on imported cars. The local police refused to deploy against the protestors (as local elites feared that they would pay a price for aligning with the Kremlin's heavy-handed policies). This forced the central government to send in its national riot police—Special Designation Police Detachments (OMON). Presently, there are fifteen thousand OMON available to deploy (though the Kremlin is expanding the force to twenty thousand).⁹ If protests spread across the country and local authorities do not respond, the central government will have few instruments available, given current force constraints.

Other participants addressed Russia's internal fundamentals in terms of human resources and environmental stress. A dramatically declining population is one of the most serious problems facing Russia today. The country's official population, now around 142 million, is shrinking by seven hundred thousand every year. By 2050, the country's population could be as low as 120 million, some experts predict.¹⁰ The main factors contributing to the population decline are a very low birth rate, very high mortality rate, and short life expectancy. According to Russia's chief epidemiologist, Gennadi Onishchenko, alcoholism is a large factor in Russia's declining population and is responsible for the large gender gap in the mortality rates. Russia's human capital is also suffering from an HIV epidemic. Many experts believe Russia has the fastest-growing HIV rate in the world, with new cases doubling every twelve months. Environmental degradation is also affecting the health of Russia's population, and with a declining economy the government will be less inclined to support costly measures to improve conditions. Even if the economy recovers, Russia faces a historically unique task of supporting economic growth rates despite a decline in population, particularly in working-age groups. The labor force will decline in overall size, and the de-

⁸ "Russia: Dissatisfaction Spreads over Living Standards," *Oxford Analytica* (March 6, 2009).

⁹ "Russia: Kremlin Strengthens Security Apparatus," *Oxford Analytica* (February 13, 2009).

¹⁰ "The Incredible Shrinking People," *The Economist*, November 27, 2008.

One member pointed out that one of the positive developments of Russia's economic boom was the development of a middle class of small business and self-employed professionals. It would be in their interests to press for liberal economic reforms.

cline will be concentrated at the young end of the labor force.¹¹

The economic downturn in Russia is also leading to increased xenophobia as frustrations and unemployment rise. The crisis is negatively impacting the amount of remittances flowing to countries like Tajikistan and Kyrgyzstan. Both of these countries are significantly dependent on remittances (37 percent and 31 percent of GDP, respectively), having been exporting labor to Russia since 2001, and both have already felt the initial shocks of that money drying up. Should remittances continue to decline, instability could spread across the region.

IV. SCENARIOS

Given the extreme economic peril and challenges facing Russia today, Schlesinger Working Group members proposed three broad futures for Russia. The extent and duration of the economic downturn is the key variable for the scenarios, but not the only one. The quality and direction of the national leadership also will be a determining factor.

(1) System continuation through liberalization: In this scenario, participants agreed that the central government would realize it can no longer sustain the status quo and returns to a more liberal economic reform agenda. Major components of this return would be a deregulated economy, increased private property rights, and anticorruption measures. One member pointed out that one of the positive developments of Russia's economic boom was the development of a middle class of small business and self-employed professionals. It would be in their interests to press for liberal economic reforms. Some members stated that there is a chance that political liberalization and enhanced international integration would follow. These members also stressed that the Kremlin is coming to realize it may need international financial support should the recession continue after Russia has exhausted its reserve cushion.

However, others were quick to point out that it does not guarantee improved relations with the West. As Ostrovsky argues, "There is nothing more misleading than to portray Russia as a liberal-minded society suppressed by a nasty bunch of former KGB agents."¹² Moreover, if liberalization fails to turn the situation around, there is also a risk of system decline.

(2) System continuation through increased state control and renationalization: In this scenario, participants agreed that the central government would continue its current course toward state control and renationalization. Reliance on repression and nationalism would continue, and Russia would grow more assertive toward the West. However, unless energy prices and the global economic crisis reverse, this scenario could result in system decline.

(3) System decline: Group members agreed that both of the aforementioned scenarios may result in this worst-case scenario. Given the vast number of external and internal challenges facing Russia, several participants argued that there is a risk of a state decline similar to that which occurred after the fall of the Soviet Union in the early 1990s. The global financial crisis exposed the cracks in Putin's system and only made more acute the chronic problems already facing the central government. Additionally, left unaddressed, Russia's systemic problems, including a collapsing infrastructure and a declining workforce, could also result in system decline.

V. STRATEGIC SURPRISES

After laying out these scenarios, group members identified several surprise developments that could trigger or influence their prospects:

Strategic Surprise 1: Crisis in the Caucasus—Rise of Nationalism

If civil unrest erupts into a full-scale civil conflict in Russia's ethnic Muslim republics, it could trigger the country's already evident centrifugal tendencies. Stability in the North Caucasus region has been based on elaborate patronage networks, with the Kremlin at the center providing the money to circulate through the veins of these systems. For example, after two wars in Chechnya, Ramzan Kadyrov, a local baron whom Putin installed as president, has been keeping the lid on the conflict. A steady flow of money and complete carte blanche for Kadyrov to run his republic as he sees fit removed much of the incentive for fighting. But without the petrodollars required to feed this system, this scenario could change, several participants pointed out. Violence could spread across the North Caucasus from Chechnya, Ingushetia, and Dagestan. Tur-

¹¹ "National Human Development Report: Russia Facing Demographic Challenges" (New York, New York: United Nations Development Program), 2009.

¹² Arkady Ostrovsky, "Reversal of Fortune," *Foreign Policy* (March–April 2009)

One of Putin's legacies is that he has nurtured not only a strong nostalgia for the lost Soviet empire but also a new wave of anti-western and nationalistic emotions.

moil in the South Caucasus, specifically in South Ossetia and Abkhazia, may also result if Moscow fails to follow through on its aid packages. Group members agreed that instability in the Caucasus could trigger the central government to implement a severe crackdown, or it may weaken the federation where security breaks down to the point at which Russia can no longer control its vast borders. Both events would have huge impacts on the overall security of Eurasia.

Strategic Surprise 2: Labor Protests

Similar to the first surprise, if more labor protests and mass action occur throughout Russia placing strains on the OMON, it could trigger any of the above end points. Some participants argued that if the protests are civil society-based, this could result in more liberal reforms. Other members debated this position, arguing that a liberal renaissance is highly unlikely. One of Putin's legacies is that he has nurtured not only a strong nostalgia for the lost Soviet empire but also a new wave of anti-western and nationalistic emotions. Group members agreed that widespread protests across Russia's monocities, which are home to about 12 percent of the country's population, could also lead to system decline. At a minimum, such protests will trigger debate within the elite about how far the public should or can be controlled through coercive means. This may contribute to simmering tensions between Medvedev and Putin should their political styles and emphases become increasingly distinct.

Strategic Surprise 3: Rise in Energy Prices and Global Economic Recovery

If global energy prices increase and the global economy recovers over the short-to-medium term, Russia's immediate economic troubles may reverse. However, several participants argued that the current crisis has exposed problems in the regime that must be addressed in order to ensure its long-term stability. Higher oil prices will also do little to improve Russia's other chronic issues, including environmental degradation and population decline.

Strategic Surprise 4: Liberal Russia

If Russia's leaders choose liberalization, there is a chance of improved relations with the West, some members argued. The logic of this argument is simple—a cash-strapped Russia would need western finance and technology to develop its energy fields. Similarly, the United States has real interests

in wanting to work cooperatively with Russia: the United States needs help in curtailing Iran's nuclear ambitions; NATO needs more supply routes to Afghanistan; and there is room to compromise on NATO expansion to Ukraine and Georgia as well as the plan to station missile-defense facilities in Poland and the Czech Republic.

Strategic Surprise 5: Sino-Russian Alliance

If oil prices remain low, some members argued that Russia's leaders may take steps further to improve relations with China in order to secure funds. Several group members noted that Sino-Russian relations improved during the Putin era with the rise of trade, arms sales, and the Shanghai Cooperation Organization. As two authoritarian powers, China and Russia share common interests and may work together to win a larger voice in the global structure. If Russia and the West continue to diverge on fundamental issues, the Kremlin may turn to Asia for more than energy sales, seeking common ground with China on an expanding range of issues. China may want a solid hedge in its relationship with the United States.

On the other hand, several members believed that such a Sino-Russian alliance is unlikely. They argued that Russia is naturally oriented toward the West and that the level of distrust, racial enmity, and lack of mutual comprehension on both sides would prohibit a Sino-Russian rapprochement. These members also argued that the Chinese have a very sober understanding of their relationship with Russia, viewing it as an "axis of convenience." Some participants also noted the potential risk of Chinese population pressures in parts of Russian Siberia.

Strategic Surprise 6: Russia Backs the United States on Iran

Regardless of the Kremlin's decision on whether to pursue liberal policies or to continue state control, if the Iranian mullahs overplay their hand, and if Moscow believes that Tehran is contributing to instability in Russia's "near abroad," the Kremlin could conceivably back U.S. efforts to end Iranian pursuit of nuclear weapons, several members argued.

VI. POLICY IMPLICATIONS

Geographically, Eurasia is a critical center of gravity in the world, and it is also the region where serious challenges to U.S. interests are found. Members agreed that western policymakers must establish good relations with Russia in

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order to secure their interests in Iraq, Afghanistan, Pakistan, China, Central Asia, and Eastern Europe. Though leaders in both Washington and Moscow have made encouraging statements recently suggesting a new commitment to improving relations, participants agreed that a gap exists between the current U.S.-Russian relationship and the level of cooperation that is needed in order to advance vital U.S. interests. Beyond rhetorical “reset buttons,” group members argued that both sides need to develop effective structures that allow for frank and comprehensive dialogue on compatible interests and also exploration of possible cooperative projects and coordinated implementation of leadership decisions.

Other members cautioned that cooperation is not guaranteed, nor is it a panacea. They argued that Russia will be a difficult partner at best, and should the economic crisis persist, hard-liners in the Kremlin may see an opportunity to revert back to hard-power tactics in search of a foreign policy victory to distract from domestic political pressures. Even if economic conditions improve, Russia will continue to use its economic strength to acquire more assets around Eurasia to increase its geopolitical leverage against the West.

A central theme that emerged during both meetings is the asymmetry between U.S. and Russian values, interests, and agendas. For Russia, the main priorities are respect and equal treatment from the United States, participants concluded. They argued that the Kremlin desperately wants to be the U.S.’ top foreign policy priority, and it desires a Westphalian international system that ignores domestic political organization and respects Russia’s interests in its “near abroad.” As part of this, Russia strongly opposes NATO expansion to Ukraine and Georgia and is vehemently against any plan to station missile-defense facilities in Poland and the Czech Republic.

For the United States, participants agreed that Russia is not the U.S.’ top foreign policy priority. Rather, Russia is seen as either “part of the solution” or a “spoiler” to the U.S.’ most important priorities, which include halting Iran’s nuclear weapons ambitions and preventing Afghanistan’s slide back into a haven for terrorists and Islamic extremism. Participants suggested that neither of these issues are necessarily foreign policy priorities for the Kremlin. In terms of arms control, there are some compatible interests that may drive cooperation, and future bilateral dynamics could be driven to some degree by early exchanges on strategic nuclear issues, a topic high on the agenda

of the Obama administration. The Strategic Arms Reduction Treaty (START) is set to expire in 2009, and both sides have a stake in extending the treaty or developing a successor agreement. Success in harvesting such apparently “low-hanging fruit” could open the way for broader nuclear cooperation (e.g., on Nuclear Non-Proliferation Treaty [NPT]-related challenges and an internationalized nuclear fuel cycle). 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, several group members argued that it will take imagination and sustained comprehensive engagement from both sides to make this possibility a reality. Other participants pointed out that though negotiating on START is very important for Russia, they are not convinced the Kremlin necessarily desires an agreement.

Should the economic crisis persist past 2010, however, group members argued that U.S. policymakers will face difficult choices vis-à-vis Russia. If the Russian economy fails to recover and the Kremlin responds by increasing oppression at home and furthering coercive pressures on its neighbors, U.S. policymakers will have to choose whether or not to confront Russia. Some members argued that any form of confrontation would only play into the hands of the ultranationalists, but few members supported turning a blind eye to such behavior. Alternatively, if the global economic crisis persists and Russian liberalization fails, U.S. policymakers will have to choose whether or not to assist in stabilizing the Russian economy.

Most members agreed that the challenge for U.S. foreign policymakers will be to identify and selectively engage on issues of common interest, manage inevitable conflicts, and build the basis for what eventually could lead to a real U.S.-Russian rapprochement that could weather a global economic crisis that persists through 2010. This is an approach premised on a dialogue that is grounded in a realistic understanding of both sides’ different interests, values, and goals. This will also mean balancing the drawbacks of Kremlin engagement with the possible gains: reducing nuclear arms, bolstering nonproliferation of weapons of mass destruction, stabilizing Afghanistan, and dealing with Iran. It will mean sustaining a close and continued dialogue with a difficult counterpart at a time of serious challenges to the attention span and strategic imagination of both Moscow and Washington. ■

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