

“The Challenge of Russia for U.S. Policy”

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Mr. Chairman, and members of the Committee, thank you for this opportunity to speak with you about developments in Russia and the implications for U.S. policy.

For my contribution to this discussion, I will cover four topics today. First, I consider political developments in Russia as a basis for understanding the country’s medium term policies and interests. Second, I address the specific issue of HIV/AIDS in Russia as both a factor in the country’s potential, and as an indicator of the challenges that its society and government face as the country copes with this global pandemic. Third, I outline the main tendencies in Russian foreign policy. Finally, I offer some thoughts about the implications for U.S. policies and engagement with Russia.

Russian politics

The key to Russian politics today is that they are not really about politics today: they are about the presidential elections in 2008. That politics in the present are about the next election is not unique to Russia, and in fact is usually a sign of a well-functioning democracy, because elections are the core mechanism for holding elected officials accountable to society.

But in Russia today, the maneuvering about the 2008 elections is not about who will stand to compete in free and fair elections: it is about whom will be chosen to succeed President Vladimir Putin with near certainty in a political process that is neither free nor fair. It is about choosing the figure that will advance to effectively uncontested elections through a campaign process that has none of the features of a well-functioning democracy: that is, competing national political parties, civil society oversight and monitoring of campaigns and elections procedures, and reporting by independent media.

This means two things. First, politics in Russia is not about public contestation and competition; it is about elite insider relationships and associations. The constituency you need to satisfy and serve is a constituency of your elite peers and associates. The public is not completely irrelevant, and the fact of President Putin’s relatively strong (though weakening) approval ratings helps. It means the leadership can stop short of true authoritarian control and simply satisfice with what it calls “managed democracy.”

Second, that means the contenders prize control above all. No outside forces -- whether those are social or civic groups, human rights organizations, alternative political

parties, independent intellectuals or scholars, or journalists – can have the right or resources to affect the process of politics from the outside. Everything needs to be controlled, managed, and orchestrated. This is what makes “managed democracy” work: Russia lacks the effective checks and balances of political competition and investigative journalism which – while perhaps annoying to all leaderships in power – keep government’s accountable and honest. Without societal oversight, Russia’s leaders answer to no one. It can pursue its policies, for good or ill, with relative impunity.

In the past few years, the Russian leadership has achieved a greater degree of control in Russian political, social, and economic life. In addition to the erosion of competing political parties, it has made the upper house of parliament, the Federation Council, subordinate to the presidential administration through the power of appointment, and this method of eliminating political independence has now been extended to the governors of Russia’s 89 regions. The chances for the development of independent political parties to challenge the leadership’s hold on power has been further crippled with the passage of new regulations on parties that make it virtually impossible for new parties to register, let alone to attract enough of a national following to win seats in the lower house of parliament, the Duma.

The Putin leadership argues that it has sought control for good reasons: for stability and an effective state. In contrast to the chaos of the 1990s and the hijacking of the Russian state to the interests of greedy oligarchs, Russia is now run by security professionals with the goal and capacity to pursue economic growth, improvement in social conditions, and Russia’s status as a respected great power in the world.

Thus, the argument of Russia’s leadership – and even many in U.S. policy and business circles – is that Russia’s retreat from liberal democracy is necessary for stability, and that developments in Russia away from the institutions of democracy (independent political parties, independent judiciary, independent civil society, independent media, independent legislature, and independent regional and local governments) have been necessary to corrects for the excesses of the 1990s, in which the state was effectively captured by narrow selfish interests which weakened it and stole national assets.

This is the context in which to best understand the Khodorkovsky case which has attracted so much attention and commentary since he was arrested in October 2003 and now convicted in May 2005. Whether because he was developing his own political ambitions and political party ties, or because he was criticizing and trying to influence government policy (notably, whether a Russian oil pipeline would go to China or to the far eastern coast), or because he had created his own foundation supporting non-governmental organizations, or because he was negotiating foreign ownership of Yukos and thus putting part of the country’s strategic assets outside of the government’s control, Mikhail Khodorkovsky failed to heed the key to Russian politics today: state control and the impermissibility of independent influence or interests.

This is not to argue that Yukos had not been acquired and built during the 1990s through insider practices and possible illegal practices that warranted investigation and legal redress (although the question arises why other massive, wealthy Russian companies acquired and created in the same way have not been the target of Russian justice). It is to argue that the case ought to be understood in light of other political uses of the legal system to punish or prevent independent forces in politics and society. Or another way to put it: Analysts of Russia are often asked why we should feel sorry for

Mikhail Khodorkovsky, a man who became wealthy through illegal schemes. Perhaps we should not. But there are plenty of victims of the Russian leadership's use of the legal system to control and prevent dissent and competition: Igor Sutyagin, the international relations scholar sentenced to 15 years in prison for writing a research paper using non-classified and open-source materials on Russian submarines. Or the physicist Valentin Danilov who in November 2004 was convicted of spying for China (after being acquitted but then having his verdict overturned by Russia's Supreme Court) and sentenced to 14 years in prison. International governmental and non-governmental organizations (Amnesty International, Freedom House, Human Rights Watch, and the Council of Europe's Commissioner for Human Rights among them) have documented a pattern of use of the Russian legal system to limit and imprison independent political, social, scientific, and media activities, not merely the high profile prosecution of a billionaire.

Other aspects of the Yukos case point to state control as the overwhelming motivating factor in Russian politics today. To pay the back taxes claim resulting from the investigation, the Russian state seized Yuganskneftegaz, a valuable subsidiary of Yukos, and announced an auction. When Gazprom, the privatized Russian natural gas monopoly (owned in part by the Russian state) could not raise the financing necessary to successfully bid on the auction, an unknown new company, Baikal Finance Group, won the government tender, and then was promptly bought by Rosneft, a Russian government-owned oil company chaired by Igor Sechin, deputy head of the Presidential administration. With one of the most valuable assets of Yukos now owned by the Russian state, the wealth it produced cannot be used by an independent businessman, nor can an important energy company be sold to foreign investors.

Meanwhile, the Russian natural gas monopoly Gazprom (the chairman of which is Dmitry Medvedev, head of the Presidential administration) recently bought Russia's largest independent national newspaper Izvestia. And then this week at its shareholders' meeting, Gazprom will agree to a Russian-government purchase of Gazprom shares which will give the Russian state 51% ownership and thus control of the single most important sector of the Russian economy.

The problem is that the Putin leadership has created a state that may be strong in silencing independent voices and in preventing independent activities, but it is a state that increasingly cannot effectively govern a modern 21st century Russia in a complex global environment. A state has to be strong to defend the country against external threats, and to insure domestic peace, security, and rule of law. A state has to have the strength and enforcement power of a strong fist, and the Russian state has that in good measure.

But a state cannot be all-fist if it is to govern a country effectively: a state has to be a hand as well as a fist, with the dexterity and flexibility of fingers and thumbs to manage social and economic challenges, to implement policies as well as decree them.

The Russian state is very good at stamping out dissent and defeating independent political, social, and economic forces. But it is virtually helpless in advancing economic reforms that would create a promising investment climate on a national scale outside of the energy sector (and the state has even failed to attract serious investment in the energy sector, as evidenced in problems with stalling production in 2005). The state has not had the dexterity to use the oil prices windfall of the past 6 years to spark growth and innovation for small and medium enterprises, and in modern industrial sectors where

Russia's enormous human capital of highly educated scientists and engineers could make the country a global competitor.

Instead, the Russian leadership has spent the past few years using the fist of state power to acquire unquestioned control of the energy sector, to insure that businessmen get the message that their assets are theirs only as long as they do not act independently, and to stamp out any outside oversight that might question the state's role in re-dividing the spoils of the 1990s among current political leaders.

The Russian state-as-fist has failed where you would expect: where fingers and dexterity are required. It has failed to broker a compromise of domestic energy prices, a necessary condition for joining the World Trade Organization. It failed to develop an effective reform of the country's social benefits programs, a reform vital to Russia's future fiscal health, social equity, and economic competitiveness. By failing to engage local leaders, social groups, and non-governmental experts in its plan for overhaul of the social benefits programs, the government failed to anticipate the mass protests across the country which resulted from its unilateral announcement of a reform that was perceived by society as unfair and a threat to the poor and vulnerable.

So, the problem with the Russian state is not only that it is too centralized, too impervious to society, too unrestrained by constitutional checks and balances. The problem for Russia – and for the United States – is that in the end a fist cannot do very much other than flatten both genuine threats, and also genuine dissent. Although the United States should be concerned about the excessive strength of the Russian state relative to Russian society, media, and independent political forces, the United States needs to be every much as concerned that it is ineffective. Russia needs a state that can grasp problems or challenges. It needs a political system to craft policies that meet the challenges and solve the problems. And Russia needs to be able to use the fingers of an effective bureaucracy, regional and local government, civil society groups, a professional media, and an engaged business community to implement and manage rules of the game that create a healthy market economy that can compete in the real 21st century global environment.

HIV/AIDS in Russia

Russia's HIV/AIDS is a perfect example of such a challenge for which a strong state is not enough, and in which Russia is vulnerable precisely because of its centralized, insulated political system.

Russia does not have the world's the highest prevalence rate, nor the largest number of people living with AIDS. Compared to large population countries such as China or India, Russia (with a population of 145 million) is unlikely to contribute dramatically to the global burden of tens or even hundreds of millions of victims living with and dying of AIDS.

But for the past few years, Russia has had the sad distinction of having one of the highest rates of growth of HIV infection in the world. At the end of 1999, there were 31,000 officially registered HIV infected Russians. By February 2005, Russia's Federal AIDS Center reported 305,000 officially registered HIV infected persons. Arguably, while the growth rates could be viewed as a statistical artifact (any increase from a low number will result in a high growth rate), the spread of the disease in Russia over the last

decade has been explosive. Although reliable numbers are impossible to come by, credible professional estimates are that the true number of HIV infected Russians is in the range of 1 million. That means that about 1% of the adult population is HIV infected, a standard benchmark for an HIV pandemic poised to be a generalized national health crisis, not one concentrated merely in high risk groups such as injection drug users (IDUs) or men who have sex with men (MSM).

And the signs are becoming clear that the disease is spreading from limited high-risk groups to the general population. In 2001, 93% of new infections were IDU-related. In 2003, the figure had fallen to 63%. In 2001, non-IDU related heterosexual transmission was reported in 4.7% of new cases: in 2003 it was 20.3%. In addition to clear trends to non-IDU related heterosexual transmission, the spread of the disease from limited high risk groups to the general population is suggested by evidence of increasing numbers of HIV-infected women giving birth. In 2000, there were 374 new cases of HIV infected children born to HIV infected mothers. In 2003, the number of new cases was 3111.

The trend toward heterosexual transmission also means the feminization of HIV/AIDS in Russia. In 2000, one in five of newly infected Russians were women; in 2002 one in four, and in 2003, one in three. Given that Russia's HIV demographics also are characterized by a high concentration in younger age cohorts (80% of registered HIV infected Russians are between 15 and 29), the potential societal impact of a growing rate of HIV infection among young Russian women is substantial.

Russian and international experts understand the HIV/AIDS situation and threat it poses to Russia's future quite well. Russian scientists, activists, and health officials have been working to prevent the spread of HIV within high risk groups and from such groups to the general population for years. Select regional and local governments, the appropriate UN agencies, and international foundations and NGOs have launched pilot programs for the study and prevention of HIV's spread. Many devoted and brilliant people have labored for years in their determination to spare Russia the experience of denial and inattention that plagued countries like the United States some 20 years earlier.

However, in the context of Russia's post-Soviet transition, HIV/AIDS is just one of many pressing political, economic, social, and health problems. It is not easy to convince national leaders that HIV requires more attention and resources when other health crises such as a shrinking population due to cardiovascular disease and alcoholism appear to be a more immediate and tangible threat to the country's future. It requires truly visionary leadership to devote political and financial resources to a disease that is perceived to be a problem of socially "maladapted" and marginal people when Russia's children attend crumbling schools and are taught by underpaid teachers. And while it is true that Russia's economy has been growing the past few years, it is important to note that the explosive growth in HIV infection began in the 1990s, when the economy was still suffering from a 50% reduction in GDP, near-hyperinflation, and low real incomes.

As a result, Russia, like so many – too many – countries before it, has been terribly slow to confront the problem of HIV and take effective action to prevent its spread to the general population. Although President Vladimir Putin has made reference in several speeches to the problem of Russia's demographic and health decline, he has publicly mentioned HIV/AIDS in this context only once, in May 2003. Russia faces many challenges in mounting an effective response to the problem of HIV, but none is

more important than the failure of the country's national leadership to fully grasp the essence of the problem, which is the first step to mounting a national policy to prevent Russia from becoming a high prevalence country. The key to a national response lies in the Kremlin, which has been silent.

Because of the vertical nature of the HIV/AIDS health services structure in Russia and the ambiguous connection between the regional and city AIDS centers and the remainder of the Ministry of Health and Social Development, there is an internal debate about the accuracy and significance of the national HIV/AIDS numbers. The uncertainty and unreliability of government figures hampers effective efforts to characterize the scope and shape of the challenge facing Russia in the coming years. These structural and statistical ambiguities command a lot of attention of Russians and foreigners alike and – while they may not be a direct obstacle to an effective national response, they certainly do not contribute to its framing. The credibility of outside experts who points to higher projected numbers in the coming years is undermined by the unreliability of the basic numbers that the projections are based upon. By the same token, more sanguine assessments are no more credible since they are based upon official numbers which are the result of an inadequate public health surveillance system.

Russia's HIV/AIDS problem must also be understood in the context of its broader demographic problems. Russia's population is shrinking: the combination of falling birth rates and rising death rates from chronic and infectious disease means that Russia is losing approximately 400,000 to 840,000 people each year. By 2025, Russia's population is projected to fall from about 145 million to between 125 to 135 million. Some studies project that by 2050 Russia's population could fall to less than 100 million.

These projections are based on Russia's low fertility rate and high rates of cardiovascular and alcohol-related disease. These projections do not include the effects of a generalized AIDS pandemic. Taking into account AIDS is difficult given the unreliability of current numbers: one can project that by 2020 Russia will have anywhere between 5 million to 15 million excess deaths from AIDS. Specific numbers are less important than the trends: with Russia already suffering a fertility rate too low to replace the current population, and suffering from high levels of other diseases that will increase the burdens on the health system, AIDS will have a destabilizing effect on a weak, not a healthy, Russia. In particular, AIDS will strike at Russia's labor force and at women in their childbearing years, undermining the country's future.

A widely reported World Bank study projects that in the absence of an effective HIV prevention campaign, the effects of HIV/AIDS on Russia's economy will be substantial. Because of a smaller and less productive labor force and because of the diversion of societal resources to cope with a generalized pandemic, Russian GDP would be up to 4.15 percent lower by 2010, and 10.5 percent lower by 2020, than it would be in the absence of HIV infections and AIDS deaths in Russia. More fundamentally, if trends in the spread of HIV in Russia continue without effective public policy intervention, the effects of the disease will be to reduce Russia's annual growth rate by 1 percentage point by 2020.

These are the kinds of projections that should grab the attention of national leaders, but they have not in Russia. There are several possible reasons: the perception that those sick and likely to die are undesirable "socially maladapted" drug users whose loss is not perceived as a national problem, the low priority of HIV as a social or health

problem given more immediate crises such as poverty, crumbling infrastructure, and health problems that already afflict the general population. But among the reasons cited was also the uncertainty of the numbers used in such projections. That is, the projections lack credibility because officials focus on the aforementioned officially registered numbers of 305,000 with declining rates of incidence reported in the past few years.

It is difficult to escape the conclusion that the problem of unreliable numbers and a non-functioning surveillance system is key to the challenge of an effective Russian public policy to prevent a generalized HIV/AIDS pandemic. Much of the effectiveness of any national response to HIV/AIDS - in any country - depends on political and other factors usually well beyond the control of health policymakers and technical experts. And, of course, having accurate information on the spread and impact of HIV/AIDS is not sufficient to ensure an effective response in the absence of addressing related societal issues. However, there is little doubt that accurately measuring aspects of the spread and impact of HIV/AIDS can contribute immensely to the effectiveness of a society's control efforts once the decision to mount such a response has been made. In the current situation, important information necessary to craft an effective comprehensive response is out of date or otherwise lacking. The ability of Russians and foreigners alike to act effectively will be handicapped until at least some of these issues are addressed.

The government of Russia has been reluctant to discuss, let alone confront, the fact of its HIV epidemic. The predominant mindset has been that HIV is a problem of developing countries, not industrial powers like Russia, and that Russia is properly seen as an international donor helping to solve the global AIDS problem rather than as a country suffering from it. It is emblematic that President Putin has mentioned HIV/AIDS to a domestic Russian audience on only a very few occasions, even while he has engaged U.S. President Bush as a partner on the issue many times on the international stage. Russia has pledged USD 20 million to the Global Fund while allocating only USD 4-5 million per year from its federal budget to its own targeted fight against HIV/AIDS. A handful of government agencies, particularly some related to law enforcement, remain hostile to established international norms in the fight against HIV. Russia still has no dedicated national strategy to tackle its epidemic. No public figure has emerged as the kind of spokesperson who might de-stigmatize the virus and catalyze the formation of a coordinated national effort.

Preventing HIV and coping with AIDS is a challenge for any country and political system, and Russia is by no means unique in responding slowly and ineffectively. However, after several years of interviewing and working with Russian and international experts on the disease in Russia I am convinced that Russia is particularly vulnerable to a generalized HIV/AIDS crisis because of the nature of the political system I outlined earlier. Russia suffers many vulnerabilities common to other countries dealing with AIDS (including the U.S.) such as limited financial resources, a failure to embrace programs with proven effectiveness for prevention (including health education and needle exchange). But Russia's greatest vulnerabilities to HIV/AIDS today are political: the excessive centralization of government relative to regional and local authorities and the failure of federal ministries to coordinate and cooperate for a comprehensive public policy response that involves the health, justice, interior, defense, education, finance, and economic ministries. And more than anything, responsible officials in Russia are waiting for President Putin to signal it is ok to act. On a trip earlier this year I was told time and

again that given how socially sensitive HIV/AIDS is as an issue, no one wants to risk taking the initiative only to find themselves the target of the Presidential Administration's fist for charting an unwelcome independent policy course, however important or well-conceived.

By creating a state in which independent initiative can land you in jail, the Putin leadership has increased Russia's vulnerability to HIV/AIDS.

Russian foreign policy

Russian foreign policy under President Vladimir Putin, like Russian foreign policy under President Boris Yeltsin before it, involves participation in the global economy in order to stimulate growth. Unlike Yeltsin's foreign policy, however, which sought global economic integration for leverage in reforming the domestic political economic system, the role of economic growth in Putin's foreign policy has a different immediate primary objective. Economic growth and international integration as a means to Russian development and national security and well-being remains the core of foreign policy, but the Russian government is no longer as vulnerable as it had been. However, economic interests do not stand alone in defining Russian foreign and security policy: they stand alongside strategic interests in how Russia defines its security and status, that is, Russia as an influential, autonomous, and accepted great power.

The enmeshing of this core economic and strategic national interest is perfectly expressed in phrases from Putin's May 26, 2004 "state of the Union" address to the Russian Federal Assembly: "Now, for the first time in a long time, Russia is politically and economically stable. It is also independent, both financially and in international affairs, and this is a good result in itself." "We want high living standards and a safe, free and comfortable life for the country... We want to strengthen Russia's place in the world." "We must grow faster than the rest of the world if we want to take the lead within today's complex rules of global competition. We must be ahead of other countries in our growth rate, in the quality of our goods and services and level of our education, science, and culture. This is a question of our economic survival. It is a question of ensuring that Russia takes its deserved place in these changing international conditions."

That is, Russia's is not a foreign policy driven by economic growth for economic growth's sake. This is a foreign policy driven by economic growth for the sake of power, autonomy, and global position. Economic interests do not drive Russian foreign policy, although they are important to Russian foreign policy. Russian interests in expanding its energy exports explains its relations with Europe, its increasing interest in CIS neighbors, its attention to Japan and China, its commercial relations with Iran, its concerted efforts to nurture and increase commercial arms sales (which amounted to over \$5.5 billion in 2003). Foreign trade, particularly in the energy sector, is very much in the commercial and economic interests of its business people, and through general growth in the economy, its citizens.

What this meant for foreign policy was a change in tone, direction, mode, and tactics. The US remains important, but it is not all encompassing. More importantly, US preferences and criticism matter far less to a Putin government that can pay its own bills and count on domestic support. The reduced focus on the US, and the increased appreciation of the power and economic value of energy assets and transit corridors,

contributed to a greater, and more strategic, focus on Europe, Asia, and the newly independent countries on Russia's borders. Russia's interest in international trade and business is not limited to interest and activity in the west, but applies as much to relations with the countries of what Russia continues to conceptualize as the Commonwealth of Independent States.

Russia's foreign policy strategy by 2005, therefore, is internationalist, but it is also statist, and most certainly not liberal. Rising trade is fine, foreign ownership of Russian oil or gas is not, because the globalization of international business brings transparency and the primacy of commercial interests to policy. International summits and modern global media technologies are useful benefits of the globalization of technology and communication, but only if their message is controlled by the Russian state. Opportunities for great power partnership to address global security and political challenges such as transnational terrorism, proliferation, and trafficking are part of Russia's proper status as a great power member of the UN Security Council and the G8, but the international community is not welcome to offer its views on whether Russia's elections are free and fair, or to play any role in the resolution of conflicts in the countries of the former Soviet Union. High profile international conferences involving leading western scholars and policy figures are welcome in Russia, but Russian NGOs and civil society groups are suspect if they receive funding from international foundations.

The result is a foreign policy that is active but not expansionist, sensitive to asserting prerogatives but cautious in exerting Russia's still quite limited power. Most importantly, it is a foreign policy based on a strategy of growth through international trade, but with the increasing role of the state in controlling the economy, society, and globalization's influences.

One effect of the great power focus of Putin's internationalist foreign policy has been the rise of geopolitics in Russian strategy and priorities. As essentially a 19th century European great power approach to security and diplomacy, Putin's foreign policy is more attuned to the value of regional bilateral relationships for their security, political, and economic value. While trade with any country is important if it increases Russian economic well-being, trade with regional powers such as China and Iran is all the more important for the political relationships it helps to build. While good relations with the United States is important as part of the Russian goal for membership in the World Trade Organization and the economic benefits membership brings, economic growth cannot trump Russian understanding of its need for strategic stability and security in Eurasia. Expecting Russia, for example, to trade close economic and political ties with Central Asia or Ukraine for WTO membership is fruitless, because both are high priority components of Russia's strategy for re-building and reinforcing itself as a great power.

Therefore, to understand Russian foreign policy in 2005 it is necessary to understand both the great power concerns and methods that form the overall objectives and strategy, as well as Russia's tangible experience with what is truly not merely a 21st century emerging threat environment, but a real world immediate threat environment. The Russian leadership understands and responds to 21st century threats in a great power and geopolitical framework in which the re-establishment of Russian power through economic growth and political relationships is paramount.

Specifically, Russia's approach to the foreign policy challenges of terrorism, proliferation, international criminal networks, and other aspects of the "emerging threats"

environment is geopolitical and filtered through the leadership's great power objective. This means that while Russia's concern about transnational terrorism is genuine, the concern is not only to prevent 9/11-type or Beslan-type attacks, but also to maintain its prerogatives to act with a high degree of autonomy in regions around its borders, not to mention with full autonomy within its borders. It means that while the Russian leadership has no interest in seeing countries like North Korea or Iran obtain or expand their WMD capabilities, it does have a very strong interest in both profiting from sales of technology to Iran and maintaining strong political relations with its leadership given the multiple political and security challenges in the region. It means that while Russia has little to gain from China's rise as a military power with potential designs on Russian territory or with the capacity to counterbalance Russian influence in Asia, it does have a very strong interest in selling energy and arms to the Chinese leadership, and in joining with China to try to balance U.S. influence in Asia and to insist that the U.S. live within the rules and constraints of international law.

In this context, the Russian leadership has unfortunately increasingly seen U.S. policies as part of the problem it faces in its objectives to establish itself as a great power with geopolitical advantages in an environment that looks highly threatening. Instead of viewing U.S. perspectives on the non-traditional nature of the "emerging threats" of transnational terrorism in Eurasia and the problem of proliferation as a genuine 21st century perspective, the Putin leadership views it through a geopolitical and traditional 19th century great power perspective and imputes that perspective to what, in the Russian view, must be the true basis for U.S. policies and actions. In this perspective, the establishment of U.S. political-military relationships in Eurasia, for example, is rooted not in an effort to respond to transnational terrorist and criminal networks that can intersect as well with proliferation vulnerabilities. Russian leaders assume a great power and geopolitical framework in U.S. policy, so instead they see the net of U.S. relationships in Eurasia as a form of neo-containment meant to restrict Russian power and influence.

Similarly, Russia's response to U.S. involvement in transatlantic efforts to support free and fair presidential elections in Ukraine in fall 2004 was related to its assumption that the stakes were geopolitical and related to its relative status as a great power, rather than accepting that U.S. policy was genuinely motivated by the U.S. belief that the establishment of democracies throughout Europe and Eurasia serves the long-term goal of undermining the sources of emerging threats – weak, corrupt, and failed states. There are other important reasons for Russia's self-defeating and failed policy on Ukraine in late 2004 – not least the closed and non-democratic nature of its political system – but in thinking about future U.S.-Russian interactions in Europe and Eurasia it is most important to understand (if not to agree with or condone) the Russian leadership's suspicions that the U.S. is primarily motivated by a great power strategy meant to enfeeble and constraint Russia in its own backyard.

U.S. policies and engagement with Russia

Nothing in what I have outlined contradicts the importance of U.S. engagement with Russia. Russia remains one of the most important countries for the U.S., as both a

potential partner, and as a potential challenge. The reasons for engagement with Russia are very well-understood by the members of this committee, and by the U.S. government. Securing Russia's active cooperation in coping with the multiple threats of WMD proliferation remains as vital as it was when the U.S. Congress created the Cooperative Threat Reduction Program with the leadership of Senator Sam Nunn and Senator Richard Lugar. Expanding Russia's energy production and participation in global energy markets will help to improve and diversify energy supplies. Cooperating for security and development in Russia as well as Ukraine, Georgia, Kyrgyzstan, and the other countries of the region is necessary for long-term global security. In the short to medium term, Russia's geopolitical location and its own interests mean that effective cooperation in counterterrorism continues to hold great promise for meeting what has become a prime security challenge of the 21st century.

None of this has changed, and with the ups and downs in U.S.-Russian relations it is too easy to lose sight of these fundamentals. National interests and geopolitical realities do not change that quickly, and a responsible U.S. policy will be best served by a commitment to a long-term strategy of engaging Russia in order to secure American security and economic interests in Eurasia and the region's global importance. Given Russia's importance in the region and its impact of vital global issues such as energy, proliferation, and terrorism, Russia must continue to be among the United States' most important foreign partners.

The analysis I offered above matters for its implications on how to engage Russia, and for an assessment on how well Russia will be able to engage with the United States.

In the short term, the United States is confronted with engaging a Russian leadership that is quite internally pre-occupied. A visit to Moscow results in long conversations with Russian experts focused on speculation about various scenarios by which President Putin may stand for a third term (considered by most not very likely), or the process by which his hand-picked successor will be identified and positioned to win in 2008. Speculation also centers on whether the results of the Khodorkovsky trial will create some stability in state-business relations, or whether the ongoing maneuvering for control of assets by key political figures will continue, further complicating the investment climate.

The United States is also confronted with a leadership that is likely going to be increasingly in a crisis management mode, because of the weaknesses of its government institutions for effectively managing public policy challenges, and the build-up of unsolved social and economic challenges. I have outlined the HIV/AIDS challenge, but it is only one among many serious problems that have not been dealt with effectively and which cannot be avoided for much longer. Others include Russia's crumbling infrastructure (roads, utilities, and public works systems), the unresolved reforms and modernization of the Russian defense forces, and the effects of underinvestment in education and the scientific-research institutions that were a backbone of Russia's relative economic capabilities, even through the difficult years of the post-socialist transition.

As a result, Russia's leadership is likely to be focused on internal challenges and short-term objectives in the coming years. That matters for the United States, because a longer term strategy and commitment is necessary in nearly every area the U.S. could and should seek cooperation and engagement with the Putin leadership. Accepting painful

and controversial requirements for WTO accession, for example, requires a strategic focus on the long-term benefits of freer trade and global integration. That will be difficult for a Russian state that has proven itself ineffective in social reform. Cooperation in controlling WMD technology requires a long term commitment in the face of short-term commercial interests in maximizing sales.

The challenge for the United States is to recognize the limitations on Russia's capacity as an effective state, maintain its principled and practical stand on the importance of democracy and human rights as a way to *strengthen* the effectiveness of Russia as a country, and to solve practical problems in the short term with a Russian leadership that views such a stand as a pretext for weakening Russia.

Under these circumstances, probably the best the United States can do is to continue to work on practical programs and policies with a proven record of successful engagement, which means primarily cooperative threat reduction and related programs for professional exchange and training. It means engaging and working with those ministries and departments of the Russian government that are interested in and capable of effective policy, including in counterterrorism, military exercises, and scientific research.

However, because of the limited capacity of the Russian state and because over the long run Russia will be successful, secure, and prosperous only if Russian society contributes to its country's programs and policy, the United States should not shy away from engaging Russian society and independent civic institutions. Although support for NGOs may be a sensitive issue for the Russian leadership, this is one area where it is important for the United States to take a long term approach to engagement. The United States would do Russia no favors in bowing to the Putin leadership's views on centralization and the illegitimacy of independent thought and activities on the part of its citizens, because as I have argued that is exactly what is weakening Russia's capacity for effective policy and development. Russian NGOs, scientists, students, and businesspeople are eager for engagement and cooperation with the U.S., on both official and non-official levels, and that kind of engagement, as we saw in Ukraine, has long-term beneficial consequences.

In sum, the United States needs to find a balance in its policies of holding to principles of the importance of democracy in Europe and Eurasia with the practical engagement in global economic growth and security cooperation with the Putin leadership. The United States needs to think in terms of a long term commitment and strategy in its Russia policy, and avoid the cycles of excessive optimism through rose-colored glasses to lows of bitter recrimination and failure to appreciate Russia's challenges and limitations. The next three years will probably define the kind of Russia that the United States will be dealing with over the next few decades. Decisions on investment, health and demographics, and economic reform will define Russia's ability and willingness to cooperate reliably on the global stage. Trends in the past year are not promising, but Russia is not the Soviet Union of the height of the Cold War. It is more open to the world, and has a sense of the benefits of global engagement, if not always the right answers on how to do so. Through a consistent and principle policy, the U.S. can cope with a challenging Russia in the short-term while building on strengths in the relationship and within Russia itself for the long-term.

