

How the Obama Administration Should Engage Russia

Ariel Cohen, Ph.D.,
Senior Research Fellow,
Russian and Eurasian Studies and International Energy Security
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How the Obama Administration Should Engage Russia

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President Barack Obama has expressed a desire to constructively engage Russia and has also expressed concerns over Russia’s increasingly truculent behavior and the threat it poses to the current international system. These concerns are valid and the threat of a resurgent Russia is palpable.¹ Moscow’s efforts at carving out a “sphere of privileged interests” in Eurasia and rewrite the rules of European security have negative implications for U.S.–Russia relations, international security, the autonomy of the independent former Soviet states, and Europe’s independence.

Despite these circumstances, the Obama Administration seems to be rushing ahead with a “carrots-and-cakes” approach to the Kremlin, judging by Vice President Joe Biden’s recent speech at the annual Munich international security conference. In this speech, the Vice President outlined the Obama Administration’s foreign policy vision for the first time on the world stage and suggested that America push “the reset button” on relations with Russia.² Notably absent from this speech was any mention of any recent events in Eurasia.

While in Moscow, U.S. Under Secretary of State for Political Affairs William Burns mirrored this approach. Burns stated that the U.S. was willing to review “the pace of development” of its missile defense shield in Europe in exchange for Russian cooperation on dissuading Iran from pursuing a nuclear weapon, and downplayed the importance of a U.S. air base in Kyrgyzstan from which the U.S. military has just received an eviction notice.³ Other diplomatic efforts to thaw U.S.–Russian relations are underway as well.

According to *The New York Times*, President Obama sent a “secret,” hand-delivered letter to President Dmitry Medvedev one month ago. The letter reportedly suggests that if Russia cooperated with the United States in preventing Iran from developing long-range nuclear-missile

¹Ariel Cohen, “The Russian-Georgian War: A Challenge for the U.S. and the World,” Heritage Foundation *WebMemo* No. 2017, August 11, 2008, at <http://www.heritage.org/research/RussiaandEurasia/wm2017.cfm>; Ariel Cohen, and Owen Graham, “European Security and Russia’s Natural Gas Supply Disruption,” Heritage Foundation *WebMemo* No. 2194, January 8, 2009, at <http://www.heritage.org/research/RussiaandEurasia/wm2194.cfm>; Ariel Cohen, “U.S.–Russian Relations After Manas: Do Not Push the Reset Button Yet,” Heritage Foundation *WebMemo* No. 2286, February 10, 2009, at <http://www.heritage.org/Research/RussiaandEurasia/wm2286.cfm>.

²Joseph R. Biden, “Speech at the 45th Munich Security Conference,” February 7, 2009, at http://www.securityconference.de/konferenzen/rede.php?menu_2009=&menu_konferenzen=&sprache=en&id=238 & (February 27, 2009).

³Ross Colvin, “U.S. May Moderate Shield Plan if Russia Helps on Iran,” Reuters, February 13, 2009, at <http://uk.reuters.com/article/usTopNews/idUKTRE51C5GN20090213> (February 27, 2009).

capabilities, the need for a new missile defense system in Europe would be eliminated—a *quid pro quo* that President Obama has denied. The letter proposes a “united front” to achieve this goal.⁴ Responding to the letter, Medvedev appeared to reject the offer and stated that the Kremlin was “working very closely with our U.S. colleagues on the issue of Iran’s nuclear program,” but not in the context of the new missile defense system in Europe. He stated that “no one links these issues to any exchange, especially on the Iran issue.” Nevertheless, Medvedev welcomed the overture as a positive signal from the Obama Administration.⁵

Secretary of State Hillary Clinton met with Sergei Lavrov, Russia’s foreign minister, in Geneva on March 6, following a gathering of NATO foreign ministers in Brussels.⁶ As a token, Secretary Clinton brought a yellow box with a button and the words “reset” on both sides in English and Russian. Apparently, the State Department got the Russian word for “reset” wrong and instead it said “overload.” This is highly symbolic, as haste and incompetence in foreign affairs are the enemies of wisdom, or as the Russian proverb goes, “Measure seven times before cutting”.

President Obama is also likely to meet President Medvedev in London at the G-20 summit in April.⁷ This meeting will build on the progress made in Geneva and on other initiatives such as those in the secret letter. These meetings will also occur in a context where both the Obama Administration and Russia want a new legally binding treaty for limiting strategic nuclear arms. Ostensibly, this new treaty will be designed to replace the 1991 Strategic Arms Reduction Treaty (START).⁸ START is scheduled to expire late this year, unless it is extended, which the Obama Administration sees as problematic.

Russian media leaks seem to reciprocate American overtures and suggest that the Kremlin may not deploy its Iskander short-range missiles in Kaliningrad; various speeches and comments by President Medvedev, and Prime Minister Vladimir Putin’s statements in Davos on January 28 that “great powers need to cooperate to find an exit from the current global economic crisis” may be signals that Moscow is exploring ways to improve relations with Washington, albeit driven by the plummeting economy at home.⁹

While an improvement in U.S.–Russian relations is certainly desirable, haste is ill advised for the Obama Administration, which has not yet announced its key officials concerning Russia, nor conducted a comprehensive assessment of U.S.–Russian relations. Such an

⁴Peter Baker, “Obama Offered Deal to Russia in Secret Letter,” *The New York Times*, March 2, 2009, at <http://www.nytimes.com/2009/03/03/washington/03prexy.html?partner=rss&emc=rss> (March 3, 2009), and “Russian President to Face Questions Over US letter,” *International Herald Tribune*, March 3, 2009, at <http://www.ihf.com/articles/ap/2009/03/03/europe/EU-Spain-Medvedev.php> (March 3, 2009).

⁵Peter Baker, “Russian President Reacts to U.S. Offer on Iran,” *The New York Times*, March 3, 2009, at http://www.nytimes.com/2009/03/04/washington/04russia.html?_r=1&hp (March 3, 2009).

⁶Sue Fleming, “Clinton Plans Meeting with Russian Minister,” Reuters, February 13, 2009, at <http://www.reuters.com/article/vcCandidateFeed1/idUSTRE51C3T620090213> (February 27, 2009).

⁷“Obama, Medvedev Likely to Meet in London,” United Press International, February 14, 2009, at http://www.upi.com/Top_News/2009/02/14/Obama_Medvedev_likely_to_meet_in_London/UPI-18201234647724/ (February 27, 2009).

⁸Baker Spring, “Concerns on Proposed Reduction of U.S. Nuclear Stockpile to 1,000 Weapons,” Heritage Foundation *WebMemo* No. 2274, February 5, 2009, at http://www.heritage.org/research/nationalsecurity/upload/wm_2274.pdf.

⁹“Russia: Missile Plans Depend on U.S.,” *International Herald Tribune*, February 6, 2009, at <http://www.ihf.com/articles/ap/2009/02/06/europe/EU-Germany-Security-Conference-Missile-Defense.php> (February 27, 2009).

improvement cannot come at the expense of defending the U.S. and our allies from the threat of Iranian missiles; the independence and sovereignty of countries in the region; or the acceptance of a purported Russian sphere of influence. Foremost, the Obama Administration must not allow Moscow to rewrite the geopolitical map of Europe or to pocket the gains that it has recently made in Georgia, including expanding and building military bases on Georgian territory and evicting the U.S. from Kyrgyzstan.

Privileged Sphere of Influence

Since the watershed war with Georgia last August, Russia has been on the offensive across Eurasia and has been seeking to re-impose itself over much of the post-Soviet space. The Kremlin is so concerned with the expansion of its exclusive sphere of influence that even the severe economic crisis—which has sent the ruble plunging 50 percent against the dollar and dropped Moscow stock market capitalization 80 percent—has not slowed Russia’s push into the “near abroad.”

Currently, Russia has a number of military bases in Europe and Eurasia. The Russian military recently announced the establishment of three military bases in the secessionist Abkhazia and is building two more in South Ossetia: a naval base in Ochamchire; the Bombora air base near Gudauta; an alpine Special Forces base in the Kodori Gorge; and the two bases in South Ossetia: in Java; and in the capital Tskhinvali.¹⁰ Not only do these deployments violate the spirit and the letter of the cease-fire¹¹ negotiated by French President Nicolas Sarkozy after the 2008 Russo–Georgian war, but they extend Russia’s power projection capabilities into the Southern Caucasus, threatening the already precarious strategic position of Georgia and the East–West energy and transportation corridor of oil and gas pipelines and railroads from the Caspian Sea to Turkey and Europe.¹²

More recently, Washington received an eviction notice for the U.S. military from Kurmanbek Bakiyev, president of Kyrgyzstan. With Russian President Dmitry Medvedev at his side, Bakiyev announced in Moscow last month that he wants the U.S. to leave Manas Air Base, a key military cargo hub at the airport of the Kyrgyz capital Bishkek that has been used by NATO and U.S. troops in Afghanistan since 2001.¹³ With this move, the Kremlin signaled the West that to gain access to Central Asia, Western countries must first request permission from Moscow and pay the Kremlin for transit.

NATO’s desire to cooperate with Moscow is understandable in view of what’s going on with Afghanistan and Iran. However, part of the problem was “Made in Moscow”: After the “Yankee Go Home” announcement by the Kyrgyz, Moscow offered to use its cargo planes and

¹⁰Ariel Cohen, “Swords and Shields: Russia’s Abkhaz Base Plan,” *Georgian Daily*, February 4, 2009, at <http://www.heritage.org/Press/Commentary/ed020409a.cfm>; Ariel Cohen, “Russia Regains Key Air Base to Project Power in Caucasus,” *United Press International*, February 5, 2009, at http://www.upi.com/Security_Industry/2009/02/05/Russia_regains_key_air_base_to_project_power_in_Caucasus/UP-81131233856206/ (February 27, 2009).

¹¹U.S. State Department, “Russian Bases in Georgia,” February 6, 2009, at <http://www.state.gov/r/pa/prs/ps/2009/02/116247.htm> (February 27, 2009).

¹²Svante E. Cornell, “Pipeline Power: The War in Georgia and the Future of the Caucasian Energy Corridor,” *Georgetown Journal of International Affairs*, Vol. 10, No. 1 (Winter/Spring 2009), at <http://www.isdp.eu/files/publications/scornell/GJIA-2009.pdf> (February 27, 2009).

¹³Cohen, “U.S.–Russian Relations after Manas: Do Not Push the Reset Button Yet.”

air space to resupply Afghanistan. And it is refusing to compromise on Iran. This is Tony Soprano geopolitics: “Use my trucks and my garbage dumps—or you can’t do business on my turf.”

Closing Manas Air Base for the U.S. military will complicate efforts to send up to 30,000 more troops to Afghanistan—a key objective of the Obama Administration. Russia’s pressure on the Kyrgyz government to evict the U.S. from this base raises questions about long-term strategic intentions of the Moscow leadership, and its willingness to foster a NATO defeat in Afghanistan.

Russia may mistakenly believe that, together with China and Iran, it would be able to pick up the pieces in Afghanistan and prevent the Taliban from extending their influence over allies in Central Asia and the Caucasus. However, radical Islamists—not America—are the long-term systemic threat toward the “soft underbelly” of Russia’s south—a threat for which Moscow lacks answers.

Russia has taken additional steps to secure its clout from Poland to the Pacific. It initiated a joint air-and-missile defense system with Belarus, which may cost billions, and initiated a Collective Security Treaty Organization’s (CSTO) Rapid Reaction Force (RRF), intended to match the forces of NATO’s Rapid Response Force. The CSTO’s RRF not only could be used to fight external enemies, but is likely to be available to put down “velvet revolutions” and quell popular unrest.¹⁴ Russia also announced the creation of a \$10 billion stabilization fund for the seven countries which are the members of the Eurasian Economic Community (EEC), most of which (\$7.5 billion) Moscow will front.¹⁵ The reason for the spending spree is simple: Money and weapons consolidate control over allies.

Russia’s effort to secure a zone of “privileged interests” is consistent with policies formulated almost two decades ago by Yevgeny M. Primakov, leader of the Eurasianist school of foreign policy, Boris Yeltsin’s spy chief, later a foreign minister, and then prime minister. In 1994, under Primakov’s direction, the Russian Foreign Intelligence Service published a report calling for Russian domination of the “near abroad”—referring to the newly independent states that emerged from the rubble of the collapsed Soviet empire.

Since the Iraq war, the Kremlin championed the notion of “multipolarity,” in which U.S. influence would be checked by Russia, China, India, and a swath of authoritarian states. Today, Putin and Medvedev are calling for a new geopolitical and economic architecture—not only in Europe but throughout the entire world—based on massive spheres of influence.

One such sphere is Iran. Russia’s interests in Iran are commercial and geopolitical and militate against substantial cooperation or any potential “grand bargain.” The so-called bargain would involve the U.S. delaying or canceling plans for European missile defense, scaling back relations with Russia’s “near-abroad” and overlooking Russia’s domestic human rights situation

¹⁴“Russia, Belarus to Create Joint Air Defense System,” *International Herald Tribune*, February 3, 2009, at <http://www.ihf.com/articles/ap/2009/02/03/europe/EU-Russia-Belarus.php> (February 27, 2009); Vladimir Isachenkov, “7 Ex-Soviet Nations to Form Rapid Reaction Force,” Associated Press, February 4, 2009, at http://www.google.com/hostednews/ap/article/ALeqM5i9hq6TxHN5DC7kp04b_XqkNHcywwD964OOVG0 (February 27, 2009).

¹⁵Sergei Blagov, “Russia Pledges to Rescue Post-Soviet Economies,” *Eurasia Daily Monitor*, February 13, 2009, at http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34510 (February 27, 2009). EEC includes Russia, Belarus, and the five Central Asian republics.

in exchange for Russian cooperation on preventing Iran from going nuclear. Any such bargain is doomed to failure.

Russia's commercial interests in Iran are well known and span from billions in arms sales and sales of nuclear technology to lucrative oil and gas contracts for Russian companies on- and offshore. Yet, while profitable, these commercial interests often have a geopolitical angle as well. While the Kremlin ostensibly seeks to help the West in stopping Iran from enriching uranium, it also supports Iran's nuclear program, knowing that sanctions will help to keep Iran in Russia's commercial sphere of influence. This serves the dual purpose of keeping the U.S. and its allies preoccupied and preventing Western companies from helping Iran to send its gas west through the proposed Nabucco gas pipeline.

Beyond this, Russia sees Iran as a key platform to revive its regional and international influence and block or challenge U.S. influence at the same time.¹⁶ Russia uses Iran as a geopolitical battering ram or wedge against the U.S. in the Gulf region. Therefore, Russian arms sales to Iran are not only an economic and export issue, but a geopolitical one. It is necessary to understand that Russia and Iran favor a strategy of what their leaders call "multipolarity," both in the Middle East and worldwide. Thus, the Kremlin believes that it is not in Russia's national interest to have a "pro-Western" Iran on its soft underbelly. In addition to these factors, any effort to enter such an arrangement will demand an excessively high price from Moscow that will continue to rise; it will also undercut America's friends and allies.¹⁷ These factors must be taken into account when considering any version of a "grand bargain."

Global Revisionism

Despite the economic crisis that provided a reality check for Moscow, Russia is doing its best to continue to pursue a broad, global, revisionist foreign policy agenda that seeks to undermine what it views as a U.S.-led international security architecture. Russia's rulers want to achieve a world order in which Russia, China, Iran, Syria, and Venezuela will form a counterweight to the United States. Moscow is doing so despite the dwindling currency reserves and a severe downturn in its economic performance due to plummeting energy and commodity prices.¹⁸

In December 2008, the Russian navy conducted maneuvers in the Caribbean with Venezuela, while the Russian air force's supersonic Tupolev TU-160 "Blackjack" bombers and the old but reliable TU-95 "Bear" turboprop bombers flew patrols to Venezuela, as well as close to U.S. air space in the Pacific and the Arctic.¹⁹

A top Russian Air Force general recently announced that the Kremlin is considering a Venezuelan offer to base strategic bombers on a military airfield on La Orchila island off the

¹⁶ Leon Aron, "Why Obama's First Outreach to Russia Is Bound to Fail," *USA Today*, March 10, 2009, at http://aei.org/publications/filter.all.pubID.29517/pub_detail.asp (March 16, 2009).

¹⁷ David Kramer, "No Grand Bargain," *The Washington Post*, March 6, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/2009/03/05/AR2009030502825.html?hpid=opinionsbox1> (March 16, 2009); Stephen Blank, "Russia and Iran's Missiles," *World Politics Review*, February 9, 2009, at <http://www.worldpoliticsreview.com/Article.aspx?id=3269> (March 16, 2009).

¹⁸ Catherine Belton, "Russian Economy: The Putin Defense," *The Financial Times*, December 28, 2008, at <http://www.ft.com/cms/s/0/95f1c0d4-d501-11dd-b967-000077b07658,s01=1.html> (February 27, 2009).

¹⁹ "Russian Strategic Bombers Land in Venezuela," *Novosti*, September 10, 2008, at <http://en.rian.ru/russia/20080910/116695660.html> (February 28, 2009).

coast of Venezuela. The Russian government is also considering basing bombers out of Cuban territory, where there are four or five airfields with 4,000-meter-long runways. The Air Force official remarked that “if the two chiefs of state display such a political will, we are ready to fly there.”²⁰

Russia is also developing the Syrian ports of Tartus and Latakia in order to manage an expanded Russian naval presence in the Mediterranean, and may possibly revive an anchorage in Libya and Yemen.²¹ These are only some examples of how Moscow is implementing its global agenda. While some of these moves may be mostly symbolic, combined with a \$300 billion military modernization program they signal a much more aggressive and ambitious Russian global posture. Russia is also overtly engaging the Hezbollah and Hamas terrorist groups.

If Moscow’s vision were to be realized, given the large cast of state and non-state “bad actors” currently on the international stage, Russia’s notion of “multipolarity” would engender an even more unstable and dangerous world. Additionally, the very process of trying to force such a transition risks destabilizing the existing international system and its institutions while offering no viable alternatives.

Russia’s Strategic Energy Agenda

On the energy front alone, the Obama Administration will face a multiplicity of challenges emanating from Moscow. The Bush Administration signed a “123 agreement” on civilian nuclear cooperation and non-proliferation with Russia in May 2008, before the war in Georgia. The 123 agreement, so called because it falls under section 123 of the U.S. Atomic Energy Act, is necessary to make nuclear cooperation between the countries possible. The agreement would facilitate Russia’s foray into international nuclear waste management and reprocessing business by potentially providing Russian access to U.S. commercial technologies.²²

The agreement, however, ran into severe congressional opposition: Representative John Dingell (D–MI), then-chairman of the Energy and Commerce Committee, announced that, “Even without Russia’s incursion into Georgia, Russian support for Iranian nuclear and missile programs alone is enough to call into question the wisdom of committing to a 30-year agreement to transfer sensitive nuclear technologies and materials to Russia.”²³ As the Obama Administration is signaling a new thaw in the relationship, senior Russian officials hope that the Administration will revive the agreement, which could bring billions of dollars to the lean Russian coffers.²⁴

Europe’s dependence on Russian gas. The Europeans, especially the Germans, are

²⁰ Ellen Barry, “Russia Is Weighing 2 Latin Bases, General Says,” *The New York Times*, March 15, 2009, at <http://www.nytimes.com/2009/03/15/world/europe/15russia.html> (March 16, 2009).

²¹ David Eshel, “Russian Mediterranean Naval Build-Up Challenges NATO Sixth Fleet Domination,” undated, http://defense-update.com/analysis/analysis_091207_navy.htm (February 28, 2009).

²² Guy Faulconbridge, “Russia Hopes U.S. Congress Will Pass Nuclear Pact,” Reuters, February 19, 2009, <http://www.reuters.com/article/politicsNews/idUSTRE51140320090219> (March 9, 2009)

²³ Steven Lee Myers and Brian Knowlton, “U.S. Backs Off Civilian Nuclear Pact With Russia,” *The New York Times*, September 9, 2008, at http://www.nytimes.com/2008/09/09/washington/09nuclear.html?_r=2&pagewanted=print (March 9, 2009).

²⁴ Faulconbridge, “Russia Hopes U.S. Congress Will Pass Nuclear Pact.”

concerned with carbon emission reductions, while downplaying nuclear energy and coal as alternative sources of energy to natural gas. Russia is the primary source of Europe's gas habit. Thus, an environmental concern becomes a major geopolitical liability. Bulgaria, Slovakia, and Finland depend on Russian gas for up to 100 percent of their imports, and are not pursuing alternatives, such as liquefied natural gas (LNG). Germany depends on Russian gas for 40 percent of its consumption, a share that is set to increase to 60 percent by 2020.

Russia strives to dominate Europe, particularly Eastern and Central Europe, including Germany, through its quasi-monopolistic gas supply and its significant share of the oil market and of other strategic resources. Russia controls a network of strategically important pipelines and is attempting to extend it by building the Nord Stream pipeline along the bottom of the Baltic Sea to Germany; the South Stream pipeline across the length of the Black Sea; and even control gas pipelines from North Africa to Europe.

Russia has shown a pattern of using revenues from its energy exports to fuel its strategic and foreign policy agendas. It grants selective access to Russian energy resources to European companies as a *quid pro quo* for political cooperation and government lobbying on the Kremlin's behalf. It has selectively hired prominent European politicians, such as the former German Chancellor Gerhard Schroeder and former Finnish Prime Minister Paavo Lipponen, to promote Russian interests and energy deals and has offered positions and lucrative business deals to other European political heavyweights, such as the former Italian Prime Minister Romano Prodi.

Russian energy giant Gazprom has been on a shopping spree, acquiring European energy assets. Europe is projected to be dependent on Russia for over 60 percent of its gas consumption by 2030, with some countries already 100 percent dependent on Gazprom.²⁵ Russia has shown a willingness to use this dependency and its energy influence as a tool of foreign policy, shutting down or threatening to shut down the flow of gas to countries perceived to be acting against Moscow's interest, as in the cases of Ukraine, Georgia, and Azerbaijan.

Russia is in the process of creating an OPEC-style gas cartel with Iran, Qatar, and other leading gas producers, to be headquartered in Moscow. This cartel would allow Moscow and Tehran to dictate pricing policy, weigh in on new projects, and oppose any new pipelines they want. This may bring about even greater domination of Europe's gas supply than they currently enjoy, and eventually, domination of the global LNG markets as well.²⁶ Any EU dependence on such a cartel will diminish its ability to support gas-exporting countries whose pipelines bypass Russia, will challenge EU energy liberalization and gas deregulation policies, and may have dire foreign policy consequences.

The U.S. certainly should explore all available diplomatic avenues to curb Russian anti-American policies, yet the new Administration must be prepared for the contingency that the United States may have no choice but to counter Russian revisionism through disincentives, rather than limiting itself to persuading the Kremlin to embrace the international system.

²⁵Jeffrey Mankoff, *Eurasian Energy Security* (Washington, D.C.: Council on Foreign Relations Press, 2009), p. 12, at http://www.cfr.org/content/publications/attachments/Eurasia_CSR43.pdf (February 18, 2009).

²⁶Ariel Cohen, "OPEC Redux: Responding to Russian-Iranian Gas Cartel," Heritage Foundation *WebMemo* No. 2118, October 27, 2008, at <http://www.heritage.org/research/energyandenvironment/wm2118.cfm>.

The Rule of Law: Backsliding to “Legal Nihilism”²⁷

The Obama Administration should not neglect the deterioration of the rule of law in Russia, which has been taking place for the past six years. The rule of law is necessary to foreign and domestic investment in Russia; to protect the rights of investors, including property rights; and to facilitate the development of civil society and human rights. Russia’s track record of the rule of law under the communist regime was abysmal, and even before that was problematic at best. Under President Medvedev, originally a law professor, there will hopefully be some change for the better.

Under the Administration of Boris Yeltsin (1992–1999), the Russian courts, despite their corrupt practices and lack of judicial sophistication, slowly but surely were becoming more independent. In 2002–2003, however, a reversal began to take place. Specifically, the state increasingly used so-called telephone justice—a practice in which senior officials of the executive branch call upon judges or their staff, including in the Supreme Court system, and tell them how to decide cases.²⁸ The state also began interfering more heavily even in relatively small disputes under the guise of protecting “paramount state interests.” Russia’s judges are dependent on the state for their careers and social benefits, such as appointments, apartments, cars, vacations, promotions, etc. Thus, the state yet again has brought the courts under its control and subjugated the judicial branch to the executive.

State officials have been increasingly involved in hostile takeovers and appropriations ranging from intellectual property in film (even cartoons); to lucrative trademarks, such as the Stolli vodka; and most of all, to companies developing natural resources.²⁹

The Watershed. The first YUKOS case (2003–2004), in which the most successful and transparent Russian oil company was taken over, was a watershed in the downturn of Russian rule of law, and symbolizes its demise. YUKOS was broken up based on trumped-up tax charges, although many government officials clearly stated that its owner, Mikhail Khodorkovsky, was perceived as a political threat, because he supported liberal political parties, Internet projects, and institutions of civil society, among other reasons.³⁰

The persecution of YUKOS undermined the notion of justice being universal because it selectively targeted a politically inconvenient corporation. Other Russian oligarchs, who were often involved in unsavory business practices but were politically loyal to the regime, were not prosecuted.

²⁷ “Medvedev calls for strengthened fight against corruption in Russia”, *International Herald Tribune*, January 22, 2008, at <http://www.iht.com/articles/ap/2008/01/22/europe/EU-POL-Russia-Medvedev.php>.

²⁸ Alena Ledeneva, Telephone Justice in Russia, *Journal of Post-Soviet Affairs*, Bellwether Publishing, Volume 24, Number 4 (October-December 2008), pp. 324-350.

²⁹ Andrew E. Kramer, “Former Russian Spies Are Now Prominent in Business,” *The New York Times*, December 18, 2007, at <http://www.nytimes.com/2007/12/18/business/worldbusiness/18kgb.html>.

³⁰ Artyom Liss, “Yukos Trial Raises New Questions,” BBC News Service, June 1, 2005, at <http://news.bbc.co.uk/2/hi/business/4598239.stm>.

YUKOS property was sold at auction to the state oil company Rosneft at prices considerably lower than the market value. Rosneft is controlled by President Putin's confidantes and political allies. It is hardly accidental that after the YUKOS affair, Russian and Western oil companies came under tremendous pressure from the Russian state, which used the bureaucracy, such as tax and environmental protection agencies, to strip them of their property rights. The victims of this policy included Exxon, Shell, British Petroleum, William Browder's Hermitage Capital, and the Russian companies Rusneft and Metchel, to mention a few.

Having targeted Khodorkovsky, the richest and most successful man in the country, the executive branch demonstrated that it can do anything to anybody – all the oligarchs and politicians quickly got the message that, in the words of Star Trek's The Borg, "Resistance is futile."

Today, Khodorkovsky is facing a new trial scheduled to begin around April 1—around the same time Presidents Obama and Medvedev meet in London for the first time. The trial is widely believed to be a political vendetta and to have no legal merit. As the new trial gets underway, the only hope expressed by Russian experts is that President Medvedev, who spoke about the "legal nihilism" which is plaguing Russia, may order an impartial trial, or pardon Khodorkovsky afterwards—a long shot indeed.³¹

Journalists Murdered. Unfortunately, President Medvedev seems not to be excessively concerned about the October 2006 murder of crusading journalist Anna Politkovskaya, whose killers were acquitted by a Moscow jury this past February.³² Moreover, the prosecutors never presented the court with the names of those suspected of ordering her murder, nor that of the suspected gunman, while an internal security service colonel closely connected to the conspiracy was never put on trial for her murder.

Nor has Medvedev pressed to find the killers of human rights lawyer Stanislav Markelov, who was gunned down a stone's throw from the Kremlin together with another journalist, Anastasia Baburova, this past February.³³

Nothing was done to solve the murders of other journalists, including defenestration of *Kommersant Daily's* military correspondent Ivan Safronov, the poisoning of Yuri Shchekochikhin, Deputy Editor of *Novaya Gazeta*,³⁴ where Politkovskaya and Baburova worked, or the fatal 2004 shooting of Paul Klebnikov, an American of Russian descent who was editor in chief of *Russian Forbes*.³⁵ It took an intervention by Mikhail Gorbachev to stop, at least for now,

³¹ "New trial of jailed oligarch could reveal Medvedev's true intentions" *The Sunday Herald*, March 15, 2009, at <http://www.sundayherald.com/international/shinternational/display.var.2495517.0.0.php>.

³² "Politkovskaya suspects acquitted," *BBC News*, February 19, 2009, at <http://news.bbc.co.uk/2/hi/europe/7899472.stm> (March 17, 2009).

³³ "В центре Москве убит адвокат Станислав Маркелов и тяжело ранена сотрудница," ("In the Center of Moscow, the Attorney Stanislav Markelov murdered and a colleague severely wounded", *Новая газета (Novaya Gazeta)*, January 19, 2009, at <http://www.novayagazeta.ru/news/387201.html> (March 17, 2009).

³⁴ "Interview--Russian newspaper fights on for fallen comrades," *Reuters*, March 10, 2009, at <http://www.reuters.com/article/latestCrisis/idUSL92709> (March 17, 2009).

³⁵ Heidi Brown, "Who Killed Paul Klebnikov?" *Forbes*, June 5, 2006, at <http://www.forbes.com/forbes/2006/0605/038a.html> (March 17, 2009).

threats against Yulia Latynina, a brave writer and investigative journalist. Violations of Russian law and constitution tragically continue, despite all the talk of restoring legal norms and fighting corruption. No progress was reported in the mysterious poisoning. No progress was reported in the Russian cooperation over the mysterious assassination of Alexander Litvinenko, a Russian former secret service officer poisoned in the United Kingdom with the help of the radioactive element polonium. It is still unclear who authorized, ordered, and supervised this assassination. In fact, the suspected assassin is running for the mayor of the Russian Olympic town of Sochi.³⁶

Yet, without a fundamental legal reform, a fight against corruption, and return to judiciary independence, Russia will linger at the bottom of the Transparency International Corruption Index, and the Heritage Foundation's Index of Economic Freedom.³⁷ If Russia does not return to internationally recognized legal practices, investment inflows are likely to slow down, and capital will continue to flee. According to a recent study, the Russian courts acquit 1-2 percent of the accused, whereas, for comparison, even under the Soviet dictator Joseph Stalin, Soviet courts acquitted 10-12 percent of those accused, and in Europe, the acquittal rates are 20-40 percent. This is hardly a picture of the rule of law.³⁸

Russia Policy for the Obama Administration

To meet today's challenges and preserve the security of Europe and Eurasia, the Obama Administration should conduct a comprehensive assessment of U.S.–Russian relations and then prepare a detailed foreign policy agenda that protects American interests; checks the growing Russian influence in Europe, the Middle East, and Eurasia; deters aggression against the U.S., its allies, and its strategic partners; encourages Russia to adhere to the rule of law at home and abroad; and to act as a responsible player in the international system.

Specifically, the Obama Administration should use its political capital to maintain and expand transatlantic unity by showing leadership within NATO. Russia is seeking to divide the United States and its European allies, not only through energy sources, but also by exploiting existing differences over missile defense, the Iraq war, and other issues. In its attempt to undermine the global posture of the U.S. and its allies, the Kremlin offers incentives for European powers to distance themselves from the United States. Germany, with its growing dependence on Russian natural gas and its opposition to further NATO enlargement and missile defense deployment in Central Europe is a good example. Essentially, in order for Russia to successfully carry out its foreign policy agenda it needs to delay and thwart any strong, unified energy-policy response from the United States and its allies. Moscow is seeking to gain power and influence without being countered by any significant challenge. The National Security Council and the U.S. State Department should develop a mechanism for regular consultation

³⁶ “Alexander Litvinenko murder suspect bids for control of Russian Olympic city of Sochi” Times Online, March 13, 2009, <http://www.timesonline.co.uk/tol/news/world/europe/article5902256.ece> (March 18, 2009).

³⁷ Terry Miller and Kim R. Holmes, *2009 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009), at <http://www.heritage.org/index>.

³⁸ Анастасия Корня, “Сажают все больше,” (Anastasia Kornia, “They Arrest More and More”), *Vedomosti*, March 16, 2009, at <http://www.vedomosti.ru/newspaper/article.shtml?2009/03/16/186255> (March 17, 2009).

with our allies with regards to Russia, with coordinated initiatives toward regional conflicts, institutional enlargement, conventional weapons control, and energy policy.³⁹

The Obama Administration should refrain from resubmitting the 123 nuclear agreement with Russia for congressional approval until Russia meets the following three conditions:

1) Russia discontinues its support of Iran's military nuclear energy program and provides full disclosure. Indeed, it is Russian nuclear fuel that undermines Iran's claim that it needs uranium enrichment. Russia must discontinue any efforts that advance Iran's heavy-water-reactor program, enrichment activities, spent-fuel reprocessing programs, missile technology transfer, or engineer and scientist training for nuclear and missile technology. Russia must disclose its past activities in support of the Iranian program, as well as what it knows about any third party assistance. Russia should work with the United States and other nations to compel Iran to discontinue any fuel enrichment or spent-fuel reprocessing, which would give Iran access to bomb-grade material. The U.S. should use the prospect of the 123 agreement as an incentive to halt Russia's interactions with Iran on nuclear issues.⁴⁰

2) The Obama Administration through the Office of the United States Trade Representative should also request that Russia provide adequate liability protection for U.S. companies doing business in Russia. Even with a 123 agreement in place, U.S. companies would likely forgo commercial activities in Russia due to a lack of liability protection. Indeed, many countries use the lack of liability protection for U.S. companies as a means to protect their domestic nuclear industry from U.S. competition.⁴¹

3) The U.S., through the Office of the United States Trade Representative, should demand that Russia provide two-way market access to American companies. This agreement should not be simply an avenue to bring Russian goods and services to the U.S. market; it is equally important that U.S. companies are allowed to compete for business in Russia. While Russian nuclear technology is second to none, foreign competition will assure that the highest quality standards are maintained throughout the country.⁴²

The Obama Administration, through the National Security Council and the U.S. State Department and Departments of Energy, should work with American allies and partners to diminish dependence on Russian energy and shore up the East–West energy corridor. This is a vital component of any strategy designed to stem Russian aspirations to neutralize and “Finlandize” Europe by weakening its strategic alliance with the United States. The U.S., under President Obama's leadership, should encourage its European allies to diversify their sources of energy, to add LNG and non-Russian-controlled gas from the Caspian, and nuclear energy and coal, as well as economically viable renewable energy sources. The U.S. should also encourage Russia to act as a responsible supplier of energy by opening development of its resources to competitive bidding by Russian and foreign companies, whether private or state-owned. Since the U.S. is interested in a level playing field in the energy and natural resources area, the Obama Administration should offer political support by encouraging European and American

³⁹ Janusz Bugajski, “U.S.-Europe-Russia: The Uneasy Triangle,” in Ariel Cohen, ed., *Russian and Eurasia Policy Project: A Realistic Agenda for the Obama Presidency*, Heritage Foundation *Special Report*, March 2009,. Forthcoming.

⁴⁰ Jack Spencer, “Russia 123 Agreement: Not Ready for Primetime” Heritage Foundation *WebMemo No. 1926*, May 15, 2008, at <http://www.heritage.org/Research/energyandenvironment/wm1926.cfm>.

⁴¹ *Ibid.*

⁴² *Ibid.*

companies' efforts to bring natural gas from the Caspian to Europe. Washington should also encourage Moscow to decouple access to Russia's natural resources sectors from the Kremlin's geopolitical agenda in compliance with the Energy Charter that Russia signed, but did not ratify.

The Obama Administration, through the National Security Council and the U.S. State Department, should oppose the Kremlin's support of anti-American state and non-state actors (Venezuela, Cuba, Iran, Syria, Hamas, Hezbollah). Russia's revisionist foreign policy agenda has extended to cultivating *de facto* alliances and relationships with a host of regimes and terrorist organizations hostile to the United States, its allies, and its interests. Even as the United States seeks Russia's assistance in ending Iran's nuclear program, Moscow is selling Tehran sophisticated air-defense systems and other modern weapons and technologies, including dual-use ballistic missile know-how, ostensibly for civilian space purposes. Russia cannot improve relations with the United States while maintaining ties with aggressive powers and terrorists. The Obama Administration should advise Russia to distance itself from the likes of Hugo Chavez, Mahmoud Ahmadinejad, and other troublemakers with global reach.

Washington should undertake necessary strategic planning before initiating new strategic nuclear-arms-control negotiations with Russia. The White House and the Kremlin appear eager to negotiate a new arms control treaty governing strategic nuclear forces on both sides. But at this early juncture in the Obama Administration, the White House has not conducted the necessary reviews of the broader national security strategy, let alone more technical analyses regarding the future military requirements of the U.S. strategic nuclear force. At the outset, the Obama Administration needs to establish a new policy that pledges to the American people and U.S. friends and allies that it will serve to "protect and defend" them against strategic attack. The Administration, therefore, should defer negotiations on a new strategic nuclear arms treaty with Russia until after it has drafted the national security strategy, the national military strategy, issued a new targeting directive, and permitted the military to identify and allocate targets in accordance with the protect-and-defend strategy.⁴³

Further, the Obama Administration need not be overly concerned about the expiration of START. U.S. and Russian strategic nuclear weapons, specifically those that are operationally deployed, will be controlled under the 2002 Strategic Offensive Reductions Treaty (SORT, commonly called the Moscow Treaty for the city where it was signed). The Moscow Treaty requires both sides to reduce the number of operationally deployed strategic nuclear warheads to between 1,700 and 2,200. It will not expire until the end of 2012. Thus, there is no reason for the U.S. and Russia to negotiate a new treaty limiting strategic nuclear arms against the artificial deadline of START's expiration. Indeed, it would be unwise to do so because an effective arms control treaty requires careful planning and preparation.

Washington should maintain missile defense plans for Poland and the Czech Republic. If a "grand bargain" between Moscow and Washington abandons the third site in Poland and the Czech Republic, it would compromise American interests, damage relations with important allies and open up the United States to extortion. Moreover, Russian interests in Iran militate against such a deal. Nor should the Administration cancel America's ballistic defense program in

⁴³Baker Spring, "Concerns on Proposed Reduction of U.S. Nuclear Stockpile to 1,000 Weapons," Heritage Foundation *WebMemo* No. 2274, February 5, 2009, at http://www.heritage.org/Research/NationalSecurity/upload/wm_2274.pdf; Baker Spring, "Congressional Commission Should Recommend a Damage Limitation Strategy," Heritage Foundation *Backgrounder* No. 2172, August 14, 2008, at http://www.heritage.org/Research/NationalSecurity/upload/bg_2172.pdf.

response to Russian threats—or in response to recent promises by President Medvedev not to deploy short-range ballistic missiles to the Belarussian–Polish border or to the Kaliningrad exclave. To cancel this program as a concession to the Russians would send a clear signal of American weakness, encouraging further aggression against Russia’s neighbors. Russia must not come to believe it can succeed in altering U.S. policy through threats, or it will continue to use these and other destabilizing gestures more consistently as tools of foreign policy—to the detriment of American and world security. Backing down on missile defense would also strengthen the pro-Russian political factions in the German Foreign Ministry, dominated by Social Democrats, in the German business community, and elsewhere in Europe. However skeptical some in the Obama Administration may be of the functionality and cost-effectiveness of the missile-interceptor system, the fact is that this is the only defense the U.S. and its allies currently have against a potential Iranian ballistic missile launch, as well as a powerful symbolic bargaining chip in discussions with Russia. The U.S. should also engage Russia in discussions on ballistic missile cooperation—without granting Moscow a veto over missile deployment in Europe.

Washington should support Georgia’s and Ukraine’s territorial integrity and sovereignty. Such support should involve the Departments of State, Defense, Energy, and USAID and be coordinated by the National Security Council. During the presidential campaign, Candidate Obama made multiple laudable statements expressing firm support for Georgia’s territorial integrity, denying the validity of Russia’s recognition of Abkhazia and South Ossetia, and expressing a willingness to extend NATO Membership Action Plans (MAPs) to Georgia and Ukraine (which were recently replaced by the Bush Administration with Strategic Cooperation Charters). Likewise, Secretary Clinton’s words on her recent visit to Brussels were encouraging: “We do not recognize any sphere of influence on the part of Russia, or their having some kind of veto power over who can join the EU or who can join NATO.” Yet there are lingering doubts whether the U.S. will follow through on its stated principles of supporting Georgia, especially its NATO aspirations and defense reform plans.

President Obama should now provide the firm foundation for a policy devoted to deterring Russia from taking similar action in the future, for example against Ukraine or Azerbaijan. The Obama Administration should implement the Strategic Cooperation Charters signed with Ukraine and Georgia on December 19, 2008, and January 9, 2009, respectively. In negotiations with Russia, the Obama Administration should also stress that the U.S. will not tolerate any foreign adventures in Georgia. If such admonitions are not made, this may be taken as a de facto green light for a new conflict.

While there is little chance that Russia will renounce its recognition of Abkhazia or South Ossetia, the Obama Administration should explore every option for making Russia pay a diplomatic and economic price for its recent acts of aggression against Georgia’s territorial integrity, sovereignty, and international law. To do otherwise will only invite Russia to try more of the same in the future. The White House should rethink the format of the G-8. It should expand the current G-8 to G-20, in which Russia, China, Brazil, India, and other major powers participate, while holding future meetings of the leading industrial democracies in the G-7 format. This will send a clear signal to Moscow that if it chooses to remove itself from the boundaries of acceptable behavior in the club of the largest democracies, it will no longer enjoy the benefits of being part of that club.

The United States must boost its presence in the Arctic. Russia has designs on a great part

of the Arctic—an area the size of Germany, France, and Italy combined. Recently, the deputy chairman of the Duma, the polar explorer Artur Chilingarov, announced that Russia will control the Northern Sea Route, which is in international waters.⁴⁴ The Arctic has tremendous hydrocarbon and strategic mineral reserves. Controlled by Moscow, the Arctic would offer Moscow another means of consolidating Russia's global energy dominance. The United States should ensure that its interests are respected in the region by modernizing and expanding its icebreaker fleet, updating its surveys of strategic resources, and expanding efforts with NATO and other Nordic states (Canada, Norway, and Denmark, etc.) to develop and coordinate Arctic policy. As much as the Arctic may seem a distant priority given the economic and defense challenges facing the Obama Administration, the United States cannot afford to ignore this strategically vital region.

Finally, The Administration should appeal to President Medvedev to stop what he himself has called law enforcement's "nightmarish practices" towards business; start reforming the legal system; ban the so-called power ministries (i.e., the secret police and law enforcement, including the Investigatory Committee of the Ministry of Internal Affairs) and their leaderships from engaging in expropriations and extortion; fight corruption in the judiciary and in law enforcement; and allow enforcement of foreign arbitral awards in Russia. The Obama Administration should also request that President Medvedev order renewed investigations of the Politkovskaya and the Markelov cases, and ask for the release of Khodorkovsky from incarceration through either a fair trial or a presidential pardon. While unlikely, these measures, if undertaken, would be a strong signal to the U.S., to the Western business community, and to the Russian people, that when it comes to the rule of law, a clean break with the lawless past is underway, and that Russia may be joining the community of civilized nations.

Conclusion

Russia is and will remain one of the most significant foreign policy challenges facing the Obama Administration. Despite the recent toned-down rhetoric stemming from the economic downturn, the Kremlin needs an "outside enemy" to keep its grip on power at home. Yet, this truculence clashes with Russia's need to fight the financial crisis in cooperation with major economic powers; attract foreign investment; switch the engine of its economic growth from natural resources to knowledge and technology; and ensure steady commodities exports. From the Kremlin's perspective and due to the democracy deficit in Russia, the legitimacy and popularity of the current regime necessitates confrontation with the West, especially with the United States. The image of an external threat is exploited to gain popular support and unite the multi-ethnic and multi-faith population of the Russian Federation around Prime Minister Putin and President Medvedev.

Despite the need to attract investment, the Kremlin is likely to pursue an anti-status quo foreign policy as long as it views the United States as weakened or distracted due to the combined effects of the economic crisis; U.S. involvement in Afghanistan and Iraq; the presence of the Taliban and al-Qaeda in Pakistan; the need to deal with the fast-developing prospect of a nuclear-armed Iran; and preoccupation with the Arab-Israeli conflict.

⁴⁴Paul Goble, "Moscow Moves to Assert Russian Control of Northern Sea Route," *Georgian Daily*, February 17, 2009, at http://georgiandaily.com/index.php?option=com_content&task=view&id=9981&Itemid=65 (March 2, 2009).

The Obama Administration must raise the profile of Russian, Eurasian, and Caspian energy on the U.S. foreign policy agenda. Further failures to stem Russia's revisionist efforts will lead to a deteriorating security situation in Eurasia and a decline of American influence in Europe and the Middle East.

With regards to renewed U.S. engagement with Russia and pressing the "reset button," there is concern that there may be naïveté about what can be accomplished or achieved with Russia. An improvement of U.S.-Russia relations is certainly desirable, but it should be calibrated with concrete Russian actions that support U.S. interests. If Russia, reconsiders its anti-American stance, the United States should be prepared to pursue matters of common interest, such as the recent agreement on military supplies to Afghanistan and the strategic-weapons-limitations agreement.

Lastly, the Obama Administration should not forgo a core American foreign policy objective with regards to Russia: promoting democracy, good governance, and the rule of law. As events have shown in recent years, the prospects for Russia becoming a law-governed society have in many ways receded. Yet, the United States has a strong interest in Russia's eventual transformation into a liberal, free-market, law-governed democracy. Such a transformation will improve its relations with the United States, its neighbors and enable Russia to make a more substantial contribution to the international system.

History has shown that the most dangerous times are the ones when new powers (or in this case, resurgent ones) attempt to overturn the status quo. The United States and its allies must remain vigilant and willing to defend freedom and prevent Russia from engendering shifts in the global power structure detrimental to U.S. national security interests.

—Ariel Cohen, Ph.D., is Senior Research Fellow in Russian and Eurasian Studies and International Energy Security in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.