



Advancing a Constructive Agenda for US-Russia Relations

Insights and Recommendations
from Leading Experts

Prepared by Jeff Procak



EASTWEST INSTITUTE



US-Russia Constructive Agenda

The EastWest Institute (EWI) has launched a multi-year initiative to bring together senior officials, influential business figures, top journalists and community leaders from the Russian Federation and the United States to craft new approaches to issues of bilateral and global concern. These include nuclear proliferation, cyber security, environmental protection, energy security and preventive diplomacy.

The project builds on the historic strengths of EWI in US-Russia relations, originating in the Institute's efforts to bridge the strategic divides between the United States and the Soviet Union during the Cold War. In 2001, EWI's Task Force launched at the start of the Bush and Putin presidencies helped cement the relationship. EWI has worked closely throughout 2006 with the Russian government in the promotion of its initiative on counter-terrorism launched formally at the G8 Summit in St. Petersburg in July 2006.

The project will be based around public and private meetings on matters of high concern to both countries. EWI will commission policy papers and other relevant publications. It will also commission various small groups of specialists to work in areas agreed by the two sides. The outcomes will be publicized regularly in a variety of formats in the United States and Russia. Through its offices in New York and Moscow, EWI will promote this agenda and target major centers in the US and Russia apart from the capital cities.

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ADVANCING A CONSTRUCTIVE AGENDA FOR US-RUSSIA RELATIONS

Insights and Recommendations from Leading Experts



EastWest Institute

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Preface

On April 25, 2007, the EastWest Institute (EWI) formally unveiled its three-year US-Russia Constructive Agenda Initiative with an inaugural roundtable discussion co-sponsored and hosted by the Kennan Institute. This discussion on the way forward for Russian-American relations took place on an auspicious date: 62 years ago to the day, Russian and American troops met and embraced on the Elbe, indicating clearly that the end to a bloody and vicious war was in sight. On a more somber note, the discussion was held on a national day of mourning in Russia occasioned by the funeral of Russia's first president, Boris Yeltsin.

The Constructive Agenda Initiative also coincides with the bicentennial of the establishment of diplomatic relations between Russia and the US. In this context, it is important not merely to recall what has been achieved, but set our sights on what we need to do to build on the accomplishments of the past and fulfill the promise of the relationship. In recent years, however, the political leadership of both countries has allowed the bilateral relationship to languish. We at EWI, via our US-Russia Constructive Agenda Initiative, are dedicating the next several years to help restore the relationship to a proper place of prominence in Russia and America alike.

Toward this end, we proposed to the Kennan Institute that jointly we organize a group discussion among knowledgeable observers of Russia (from mass media and the business, academic/think-tank, and non-profit communities) to examine strategies and approaches to reverse the significant decline in Russian-American relations over the last several years. The resulting roundtable discussion used President Vladimir V. Putin's speech at the 43rd Conference on Security Policy in Munich on February 10, 2007 as a point of reference. Drawing from the substance of the speech, the seminar addressed international energy cooperation and a proposed nuclear fuel bank, World Trade Organization accession (with an added dimension to address the possible repeal of the Jackson-Vanik amendment), and arms control and the OSCE.

This Discussion Paper reflects the exchange of views that ensued. It is our expectation that the recommendations which emerged can be put to good use by those responsible for managing the Russian-

American relationship. At the very least, we feel that the diverse experiences and collective wisdom of the discussants have yielded a set of priorities on which both Moscow and Washington can focus to move the bilateral relationship to a higher plane.

The discussion benefited greatly from the efforts of Dr. Allen Lynch and Dr. Greg Austin to provide both perspective and an element of provocation to prompt a discussion. Neville Bugwadia, EWI's Vice President of Public Affairs and Communications, moderated the proceedings. We anticipate organizing further such discussions in the context of our Constructive Agenda Initiative, so be sure to stay tuned.

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Roundtable Participants

EWI Board of Directors

Executive Summary

On April 25, 2007, the **EastWest Institute**, together with the **Kennan Institute**, organized in Washington DC a two-hour roundtable discussion on the current state and outlook for US-Russia relations. The roundtable used President Putin's speech presented to the 43rd Conference on Security Policy in Munich on February 10, 2007 as a point of reference. The purpose of this gathering was to examine strategies and approaches to reverse the significant decline in Russian-American relations over the last several years. The seminar was attended by 20 prominent experts from the US and Russia, including foreign policy advisors, representatives of the academic, business, and NGO communities, and mass media. Topics discussed included the most important issues on the US-Russia geostrategic agenda: arms control and nuclear non-proliferation, international energy, Russia's WTO accession, trade and economic cooperation, mutual perceptions and role of the media.

- There needs to be a return of geopolitical considerations to the relationship in way that recognizes Russia's importance as a key strategic partner in problem solving in certain parts of the world.
- The US would benefit from relating to Russia on a basis of parity – a relationship between equals. US-Russia relations may be at a point where the US needs to recognize Russia as an equal rather than regarding Russia, in a patronizing and paternalistic fashion, as some sort of impoverished developing country.
- Resuming active dialogue on the issue of strategic nuclear forces should become a top priority of the bilateral agenda, with due regard given to the overall complexity of all arms control and strategic military balance issues. This issue is of particular interest to the Russian authorities and would resonate well in Moscow. Engaging in strategic nuclear force reduction negotiations would also improve US credibility with other NPT signatories. Enhanced dialogue, including military-to-military, focusing on deep verification and moves to

readjust the posture of US and Russian strategic nuclear forces, is a basic precondition for broader trust building.

- Both countries stand to benefit from frank discussions about military power and how it is developing; there is substantial scope for new, more cost-effective approaches to ensuring security and planning for asymmetric 21st century threats. There is certainly better use to be made of public resources now budgeted to confront 20th century threats that no longer exist.
- It is incumbent upon the US government to endorse and facilitate Russia's full integration into the global economy both by extending to Russia permanent normal trade relations and by supporting without reservation Russia's accession to the World Trade Organization.
- Both Russia and the US must honor, in letter and spirit, the agreements – formal and informal – into which they have entered. Predictability, reliability, and respectful conduct are key ingredients for a productive and well-managed bilateral relationship.
- Both governments must make every effort to refrain from introducing hostile rhetoric into the bilateral dialogue. Such language pollutes civil discourse, provides mass media, policymakers, interest groups, and the general public with all the wrong cues, and discourages constructive constituencies. There is an underlying strong fabric of US-Russia relations that is unfortunately concealed from the media by hostile rhetoric which too many consider more newsworthy.
- Little improvement is likely until the US President takes more ownership of the conduct of the US-Russia bilateral relationship. Russia's geopolitical standing warrants this. This may well be the best way to manage competing views in the US debate.

We hope that this paper will provide a basis for reinvigorating the relationship, recognizing 21st century realities, and addressing common challenges.

Issues Discussed

While President Putin's speech on February 10, 2007 served as a point of reference for the roundtable discussion, it was not the sole focus of the discussion. Apart from those raised by President Putin, there are other issues critical to the bilateral Russian-American relationship that are also plagued by misunderstanding and distrust. This misunderstanding and distrust stems from the failure on both sides to maintain a substantive and wide-ranging dialogue on the key issues that are at the heart of the US-Russian relationship. Some of these issues served as a basis for discussion. Differing perspectives and perceptions were accorded a good deal of attention. In this latter regard, the role of the media looms large. An underlying theme emphasized the need for both Russians and Americans to move beyond preconceived notions about one another ingrained during the Cold War. The need to update and modernize the relationship was conveyed throughout the discussion.

The gist of the discussions is summarized thematically and topically under the following seven categories. We lead with those issues referenced explicitly in President Putin's February 10, 2007 speech.

Military Confidence Building, Nuclear Disengagement and Arms Control

“The potential danger of the destabilization of international relations is connected with obvious stagnation in the disarmament issue. Russia supports the renewal of dialogue on this important question.”

Vladimir V. PUTIN, Munich, February 10, 2007

The discussants noted that arms control negotiations, which during the Cold War served as the linchpin of the bilateral relationship, were simply abandoned upon the dissolution of the USSR. In short, there is unfinished business that requires tidying up before the bilateral relationship can move on to more contemporary issues. Some discussants suggested that reviving the dialogue on the nuclear arsenals might well be the way forward in restoring an element of trust and confidence in the relationship. Whether or not arms control negotiations become again the central feature in what is now a much

more multifaceted relationship, there is great value in reviving a military-to-military dialogue. This would allay mutual suspicions that have crept back into the relationship. It would also restore to the relationship the line of communication that contributed most to confidence-building measures which kept the Cold War cold.

Nuclear Nonproliferation

“I consider that Russia and the USA are objectively and equally interested in strengthening the regime of the non-proliferation of weapons of mass destruction and their deployment. It is precisely our countries, with leading nuclear and missile capabilities, that must act as leaders in developing new, stricter non-proliferation measures. Russia is ready for such work. We are engaged in consultations with our American friends.”

Vladimir V. PUTIN, Munich, February 10, 2007

Related to the arms control theme is that of nuclear nonproliferation. These two matters together constitute crucial common interests and challenges that are best treated jointly. Together, they give the bilateral relationship much-needed strategic grounding, and even as geopolitical considerations appear to have been abandoned, serve as tacit recognition that Russia is still a great power militarily. Such recognition would help to assuage Russian sensitivities and minimize perceived demonstrations of wounded pride.

Efforts to address arms control matters and nuclear nonproliferation challenges are, however, obstructed by the persistence and prioritization of ideological considerations that are interjected into these and other aspects of the bilateral relationship. There is a great need for pragmatic considerations to govern the dialogue so that dealing with important issues is not stymied by matters of degree (democratization) and interpretation (human rights).

International Energy Issues

“In the energy sector Russia intends to create uniform market principles and transparent conditions for all. It is obvious that energy prices must be determined by the market instead

of being the subject of political speculation, economic pressure or blackmail. "

Vladimir V. PUTIN, Munich, February 10, 2007

One discussant contended that energy is mainly an issue for Russia and the Europeans, not the Americans. Logistical issues for transshipment of Russian oil to the US are daunting, while the US remains largely self-sufficient in natural gas. By contrast, the budget of the Russian state is dependent on revenues derived from European purchases of Russian natural gas. The challenge for the US is to avoid actions and policies that create incentives for a European-Russian energy alliance against the US (i.e., a kind of grand-Rapallo).

Other discussants, however, noted that the Russian energy sector continues to offer US multinational energy companies significant opportunities, and that while the fuels extracted and refined may not be destined for consumption in the US, the sale of fuel elsewhere provides US energy companies with substantial revenue.

Commercial and Economic Considerations

Much attention was accorded the commercial and economic dimensions of the Russian-American relationship. One discussant, hearkening back to the material aspects of strategic interdependence that were in place during World War Two, lamented that this sense of interdependence has diminished drastically in the economic sphere, especially in terms of trade and investment.

Total US trade with Russia in recent years, exports and imports combined, has fallen in the range of \$15-25 billion per year. This represents less than 0.2% of US GDP and about 2.5% of Russian GDP (such trade is proportionately 10 times more important for the Russian economy than for the US economy, albeit both remain at very low absolute levels). In the investment field, comparable trends prevail: of total foreign direct investment (FDI) by the US of \$229 billion in 2004, less than \$2 billion, or under one percent, went to Russia; such FDI constituted just over three percent of all FDI in Russia that year.

Moreover, this discussant argued, the idea that trade and investment might be areas to propel a positive movement in the American-Russian relationship faces a very substantial burden of historical and analytical proof. It has often been the other way around, with trade relations serving as a convenient and relatively cost-free hostage to deteriorating political and security ties. As continental countries, both Russia and America have until recently had largely self-sufficient economies. The Cold War period probably saw the high point of each country's economic self-sufficiency (less than 10% of GDP involved in foreign trade) and even though the post-Cold War era has seen a major increase in each country's integration into the global economy (45% of GDP by dollar value involved with foreign trade for Russia, roughly 23% for the US). very little of that trade or investment has been with each other. It is precisely the relative insignificance of economic factors in the American-Russian relationship that has allowed commerce to assume the status of a political football.

There are, however, two interesting exceptions to this historical pattern:

1. In the 1920s, and in spite of the official US policy of non-recognition of Soviet Russia, the energies of private American firms frequently placed the United States as first among Soviet Russia's foreign trading partners. This, it should be noted, was the Indian Summer of laissez-faire economics in the United States and may not be expected to return any time soon.

A Precedent for Russian-American Strategic Interdependence

The strategic interdependence of Soviet Russia and the United States forged during World War Two can be captured by the following facts:

- A. 58% of Soviet aviation fuel came from the US;
- B. 53 % of all Soviet explosives as well as half of Soviet copper came from America, as did:
- C. 6,000 tanks, 43,000 jeeps (or "Vilis [Willis]", named after their American inventor), 380,000 field telephones, thousands of American fighter planes (especially the anti-tank Bell P-39) flown in from Alaska, as well as some 363,000 (mainly Studebaker) trucks.
- D. By the spring of 1943, 70% of all German fighter aircraft were based in the West to defend against round-the-clock aerial bombardment by the British and Americans; this meant a serious degradation of German air capabilities during the decisive Battle of Kursk that summer. By April 1944, there were just 500 single-engine German fighters on the Eastern Front as against some 13,000 Soviet aircraft; moreover, the 20,000 German anti-aircraft guns (mainly 88's) stationed in Germany against British and American bombers--which required a manpower force of two million to operate--could have doubled German anti-tank defenses against the Red Army. Finally, it is worth noting Albert Speer's calculation that Nazi war production would have been 30-40% higher from 1943-45 in the absence of the British-US bombing campaign.
- E. On the other side of the ledger, throughout the entire war, about three-fourths of the German army was deployed against the Red Army, for most of the war on Soviet territory; nearly 90% of all allied battlefield casualties were suffered by Soviet forces; and without the decisive victories at Stalingrad and Kursk in 1943, the invasion of Normandy in 1944 is hardly imaginable in the time frame, scale and magnitude of success that was achieved.

2. During World War Two, when the most vital interests of the United States were engaged in the wartime alliance with Stalin's Russia, Lend-Lease to the USSR was not subjected to political criteria. Military-operational considerations and logistical capacity dominated the operation of this most successful program.

Otherwise, trade has often been the "first casualty" of a deteriorating diplomatic relationship. Important examples include:

- 1911 - repudiation of the 1837 Trade Treaty;
- The Cold War - beginning with the Berlin Blockade, counter-sanctions implemented against eastern Germany and Soviet satellite states in Eastern Europe were later expanded to the comprehensive restrictions on technology transfer against the COMECON states;
- 1974 - the Jackson-Vanik Amendment (to the US-Soviet Trade Act of 1972) making normal trade contingent on Soviet emigration guarantees was (and continues to be) imposed by the US Congress against the policy of the US President;
- 1980 - trade sanctions after the Soviet invasion of Afghanistan;
- 1990s - US poultry exports to Russia faced non-tariff trade barriers; and
- 2002 - tariff measures against Russian (and EU) steel, which in turn have triggered Russian retaliation against US agricultural exports.

The use of trade discrimination as a diplomatic weapon is facilitated by the structure and logic of interest group politics and lobbying in Washington DC. For instance:

- There are essentially no pro-Russian interest groups to speak of. Russian ethnic and Jewish groups are largely of a

cultural nature, and the circumstances of their emigration did not leave them favorably disposed to maintain formal, official contact with their country of origin.

- Those interest groups that do exist and are interested in Russian affairs tend to be anti-Russian, as evidenced by the lobbying groups constituted by Baltic-Americans, Ukrainian-Americans (mainly from far western Ukraine), Polish-Americans and Jewish Americans, as well as the human rights lobbies whose mobilization against the Russian government gains domestic legitimacy from the congressionally mandated annual State Department Human Rights Report, covering Russia and every other country in the world (except, of course, the US). Indeed, a cursory inspection of the web site of the State Department's list of official Embassy reports from Moscow on Russia provides links to reports on: Human Rights, Religious Freedom, Terrorism, Narcotics Control, Human Trafficking, and anti-Semitism and nothing at all on the economic dimensions of US-Russian relations.

- The capacity of business and trade interest groups to counter such political pressures is constrained by the relative insignificance of US exports to Russia for both US foreign trade and US GDP as well as by the structure of the trade that does exist. This is especially striking by contrast to US-Chinese relations, where since the Tiananmen Square massacre in 1989 human rights considerations have consistently lost out to business and strategic considerations. A number of prominent American concerns have been involved in promoting US-Russian trade, among them Alcoa, Boeing, Cargill, Chevron, Citigroup, ConocoPhillips, Dow Chemical, Ford, GM, International Paper, Proctor & Gamble, Wrigley and the American Chamber of Commerce in Moscow and they have been active in urging the US government to accelerate Russia's accession to the WTO. But their relative weakness may be gauged both in the fact that Jackson-Vanik remains on the books and especially by the success that pro-business groups have had in pressing their case on policy toward communist China. To reinforce the point, in the context of the low level of US exports to Russia (just \$4.7 billion in

2006), the Hollywood lobby (i.e., the International Intellectual Property Alliance) estimates lost revenues of nearly \$2 billion a year from Russian piracy of CDs and DVDs, nearly twice the value of US foodstuffs exports to Russia.

- The fate of the Jackson-Vanik Amendment illustrates the point: The Amendment is de facto a dead letter: the President has in fact waived the implementation of the Amendment in every post-cold war year, yet there has been no take off of US-Russian trade. At the same time, no President wants to risk precious political capital where the economic stakes (for the US) are so small and the risks are all on the President: if he succeeds in getting Congress to remove the legislation, it is likely to be a costly, if not Pyrrhic victory and if he fails to do so once having tried, he would be seriously wounded politically. Thus, nothing happens.

Large-scale investment in Russia is increasingly an affair of the state, in which foreign money is welcome but corresponding foreign control is not. Under these conditions, it is difficult to see how a politically powerful pro-Russia business lobby could emerge in the US as it has with respect to trade with and investment in communist China.

Perhaps Russia's eventual accession to the WTO can help to sidetrack any trade and investment disputes that may arise by asserting a global trade regime for the bilateral American-Russian relationship. But this is plausible politically in the US only if Russia actually implements WTO rules, which is to say that the rule of law becomes the rule of the day in the Russian Federation. Yet given that the bulk of the Russian economy is simply non-competitive in terms of the world economy, and that the competitive raw materials mainstay of the Russian economy does not really require WTO admission for its continued prosperity, it is hard to see (a) why Russia would enforce progressive economic liberalization and (b) how Russia could enforce WTO rules except under politically illiberal circumstances. So, if Russia does strictly enforce WTO rules, it risks indictment in the West for political repression; and if it doesn't enforce them, it risks indictment in the West for violating solemn treaty obligations. Either way, Russia loses, suggesting that WTO accession is really a tacit bet that no one in Russia or the West will really take its operational economic terms very seriously. No one,

that is, except those who have not been party to the deal and as we have seen, in the West, and especially in the United States, these retain considerable potential to make trade the first casualty of American-Russian relations.

The conclusion from these considerations for American-Russian relations is that it is unrealistic to expect positive political impulses to emerge from trade and investment issues and consequently to invest energies to improve the relationship directly at the diplomatic level.

Other discussants, however, challenged this conclusion, noting that business in Russia is booming. US companies in Russia are focused on expanding their operations to increase revenues, but do their best to ignore the political rhetoric. Financial sector diversification and new financial instruments are turning Russia into a credit-based economy (whether good or not, this is happening). Recent strong growth in Russian GDP, while driven largely by the performance of the energy sector, shows no signs of abating, and some discussants suggested that many American companies could be missing out on this opportunity. At the same time, Russian investments in US are beginning to grow.

As for Russia's WTO accession and prospects for repeal of the Jackson-Vanik amendment, there was grudging acknowledgement that progress is being impeded by the introduction of external factors not related to the commercial and economic dimension of the relationship. Specifically, WTO accession is being held hostage over the issue of Russia's work to provide Iran with access to nuclear-generated power (even though there are no provisions for Iran to obtain nuclear fuel or the technology to produce nuclear fuel).

One discussant suggested that, rather than holding the bilateral relationship on trade and commerce hostage to unresolved issues in other areas of the relationship, it might well be in the best interests of the US to adopt Permanent Normal Trade Relations (i.e. repeal the Jackson-Vanik amendment) with Russia and facilitate Russia's WTO accession as quickly as possible. By according Russia a seat at the global table, it would serve US interests by subjecting Russia to broad international pressure in the event of trade disputes rather than bilateral pressure, as Russia is more inclined to respond favorably to the views and demands of many rather than few. Permanent Normal Trade Relations are important to ensure that US

companies benefit fully from WTO provisions upon Russia's accession to the WTO. Another discussant noted, however, that the repeal of Jackson-Vanik is being held hostage by that segment of the US business community concerned with intellectual property rights.

US-Russia Relations vs. US-China Relations

A treatment of Russia's commercial and economic relations with the US prompted a comparison of American relations with China, the more so as both Russia and China not so long ago were showered with similar recriminations from Washington. All participants concurred that the economic dimension is a key differentiating factor in bilateral relationships. One point of view expressed is that China is doing better at integrating into the global economy, and that economic clout dims international criticism. Some suggested, however, that other factors might also come into play to explain why Russia is pilloried over issues related to a perceived retreat from democracy, while China, which retains a communist party monopoly over political power and government, is given a pass. One discussant suggested the possibility that there's more Sino-*philia* than Russo-*philia* historically in US. Another suggested that Russia is held to a higher sociopolitical standard than China because Americans expect more of a euro-christian country. This may well explain why Russia, and not China, is in the G8. Another point of view expressed was that Russia expects more from the US than it is getting in terms of active engagement on the economic dimension of the bilateral relationship, and that resentment in this regard elicits pushback from the US in other areas of the relationship.

The differing personas that China and Russia bring to their relations with the US may also explain the different treatment that each receives from Washington. Russia at times appears to present something of an inferiority complex (a Rodney Dangerfield "I don't get no respect" attitude, one discussant observed) that China does not exhibit. This at times interferes with Russia deriving as much as it might from its relations with the US, misinterpreting suggestions and new ideas as an imposition of alien values. China, on the other hand, is less concerned with the approval of others and, particularly with regard to exchange programs in place between the US and

China, seeks to maximize the benefits to be derived from such programs rather than dwell on any perceptions of cultural imposition.

A further factor which might explain the differing treatment that the US accords China and Russia is the level of personal interest which a US president takes in a particular bilateral relationship. While the current Russian and American presidents are reputed to get along well, there remains a sense that President Bush is much more heavily invested in the Sino-American relationship than he is in the Russo-American relationship. Presidential preferences, thus, create

US Trade with China

US trade with communist China amounted to nearly \$250 billion in 2005, i.e., a volume of trade more than 12 times higher than for US-Russian trade. Indeed, that figure is as high, if not higher, than that for ALL Russian global exports in the same year (at \$245 billion). Whereas Russia accounts for 1% of global US imports and less than 0.3% of global US exports, communist China accounts for 15% of global US imports and nearly 5% of US exports. (This latter figure is almost certainly underestimated due to US firms having relocated to China to produce for export to the US market.) Thus, Sino-American trade and investment is more than twenty times as significant in relative weight for the US as is its trade with Russia. If economics and trade serve as ballast to stabilize a broader diplomatic/political relationship, it is clear that the US-China relationship is better able to withstand a squall of rhetorical buffeting than is the US-Russia relationship. Moreover, for a variety of reasons, Russia structurally cannot develop its economy along Chinese lines – Russia lacks the enormous population/low wage base as China (not to mention the number of potential consumers). Therefore, if the commercial and economic dimension of the US-Russia relationship is to have greater influence on the broader relationship, it will have to be on the strength of factors other than those which have played to China's advantage in its relations with the US.

conditions where double standards come into play and are allowed to flourish. In the case of Washington's relations with Moscow, the grand strategic interests of the US in Russian affairs appear to be subsumed by the infusion of ideological preoccupations into the bilateral relationship, while in the case of Washington's relations with Beijing, pragmatism has trumped ideology.

Related to this is the herd mentality associated with “cue-taking,” a condition where politicians do little more than glom on to the expressed views of one or two of their interested colleagues on a given issue to which they have little time to pay attention. In this sort of environment, it is easy for a small number of influential holders of public office who have an axe to grind with Russia to downgrade the bilateral relationship to an unacceptable level of public rancor.

A Changed Russia in a Changing World

Participants sensed generally that the US-Russia relationship had not kept up with the times. In particular, the US has seemed slow to acknowledge that Russia is no longer a communist state driven by some ideal organization of the national economy. Yet ideology somehow continues to obstruct the dialogue – as if what’s good and has worked for America is reflexively good and bound to work for others. There is an urgent need for Washington to be cognizant of changes in Russia and in the international system broadly.

At the same time, the bilateral relationship is bereft of a framework for sustained dialogue and consultation. The recent announcement on the planned deployment of missile defense installations was made on the basis of decisions taken without consultation. Russia appears to be concerned that its interests are accorded insufficient priority; only after decisions are taken, as an afterthought, are consultations/negotiations sought.

Meanwhile, even as Russia’s reemergence continues, uncertainties persist. Following a surge in domestic production in the wake of the August 1998 financial sector crisis and ruble devaluation, economic diversification slowed as world energy prices skyrocketed, providing a windfall of wealth and in the process sidetracking the adoption of reforms needed to stimulate the development of a broader base to sustain economic growth. Russia’s future at present depends too much on global oil prices.

The Role of the Media

Participants recognized generally that the media play a critical role in defining the US-Russian relationship. Participants also recognized that the media in both countries have historically not played a particularly constructive role in presenting the importance of the relationship to the societies they serve. One discussant shared the perception that the US media have been encouraged by the US administration to antagonize Russia; certainly, the White House has not disassociated itself from negative reports on Russia that appear in major media outlets. The Washington Post is viewed as the mouthpiece of official Washington. Only the Los Angeles Times regarded Putin's Munich speech in a positive light, yet a US State Department official reportedly sought to "correct" this interpretation. Another discussant called attention to recent guidelines issued by the Russian government relating to editorial policies and urged that Voice of America's Russian-language service be preserved as a counterpoint to an increasingly monolithic media in Russia. To increase awareness on the part of US journalists of the changes that have taken place in Russia, one discussant suggested that more US journalists actually travel to Russia.

Concluding Observations

There was general consensus among the participants that the US-Russian relationship has fallen victim to benign neglect, possibly reverting to a Cold War-cultivated self-fulfilling prophecy that relations between the US and Russia are supposed to be poor. There was broad recognition that communication is lacking generally – there is simply no sustained dialogue in place. As dialogue is a two-way street, responsibility for neglecting the relationship must be assigned equally.

The consequence has been that, aided and abetted by the media, misunderstanding, lack of clarity, distrust, uncertainty, and overreaction have been allowed to flourish. To mollify both sides, it is imperative that key issues be grappled with now – waiting until later can only make matters worse.

Each party to the relationship must work harder at understanding the other. Certain fundamental differences in perceptions must be recognized: the end of Cold War is perceived differently in the US than it is in Russia. Russia refuses to recognize as legitimate the handout of the nation's natural and industrial wealth that followed the dissolution of the USSR. Americans need to understand that Putin is undoing this giveaway. For example, Mikhail Khodorkovskiy, the darling of US politicians and media, was arrested just before he was about to sell (and thereby legitimize) his ill-gotten gains to an energy multinational.

Key questions that need to be answered as both sides commit to reinvigorating the relationship include defining the standards by which the relationship is to be measured and clarifying what matters most to each party. Fundamental principles that need to be recognized as both sides commit to reinvigorating the relationship are those of equal expectations and even-handedness.

Most important is to have a long-term perspective on the course of the relationship. Some discussants view the Munich speech as setting the agenda for the next 2-3 years – an implicit message to the next US presidential administration. A forward-looking view needs to apply to both parties – whither Russia in 2009? Whither America in 2015?

Implementing Recommendations

To reinvigorate the US-Russia relationship, to restore the relationship to a proper place of prominence in both countries, the discussion produced a set of recommendations (presented at the beginning of this report) to achieve these objectives. To facilitate their implementation, it is beneficial to agree on some ground rules and mechanisms. Within these parameters, a series of proposed next steps emerged from the discussion.

Proposed Ground Rules

- Refrain from the knee-jerk reaction (which began to develop in the 1990s) of criticizing Russia for every perceived misstep
- Recognize and revive the reciprocal nature of the relationship
- Concentrate on a pragmatic agenda
- Rely on one another's comparative advantages
- Rely on more than a handful of issues to sustain the bilateral relationship

Proposed Mechanisms

- 1) **As a way to jump-start the relationship, it may prove more constructive at the outset to address shared challenges rather than shared interests:**
 - a. Arms control and nuclear/biological/chemical weapons nonproliferation.
 - b. Counter-terrorism and confronting radical extremism.
 - c. Energy security and market stability
 - d. Environmental protection and preservation
 - e. Health care/pandemics/disease.
- 2) **Public Education**
 - a. Overcoming Cold War stereotypes: Americans need to understand that Russia is not the same country it was 20 years ago.
 - b. Overcoming Cold War stereotypes: Russians need to understand that America has not quite emerged from the Cold War either.
 - c. US media need to be much more informed about Russia and to refrain from expecting Russia to behave or look like America.

- d. Many elected officials in both countries are in dire need of a reality check: It is critical to educate policymakers both in the US and in Russia on current affairs and developments in both countries.
- e. Anti-Americanism in Russia is growing; to reduce animus in the relationship, increased contacts between Russian elites and US decision-makers could prove constructive.
- f. Need for reciprocal exchange – to foster mutual understanding, there is a need to restore support for American students to visit Russia via structured travel-study programs. American students need to visit Russia in a structured setting just as much as Russians need to visit America.

3) Pragmatism

- a. The US and Russia should cooperate in geographic areas – Russia's relations and expertise in key areas can help the US.
- b. Use collaborative projects to bring groups of specialists from both sides together to work out perceived differences – be they Iran and nuclear nonproliferation or confronting radical extremism.

4) Realism

- a. In terms of what we expect of one another – we need a common view in the US of where Russia is headed. America needs to get Russia right. Russia needs to get America right.
- b. Compartmentalize relations – do not allow misunderstanding and disagreement on one issue to spoil positive developments in other areas.

5) Common Interests

- a. Focus on longstanding common interests – space collaboration is nowhere near where it should be, and the US is way behind in the development of nuclear power.

- b. Accelerate Russia's WTO accession and repeal Jackson-Vanik.

Proposed Next Steps

There are a number of opportunities in the coming weeks and months to make crucial contributions in improving the tone and enriching the substance of the dialogue between Russia and the US. At the end of May 2007, a US congressional delegation will visit Russia within the context of the US-Russia Interparliamentary Group. In the absence of an intergovernmental commission housed within the executive branch of government, the importance of the legislative branch in imparting a constructive tone and clear way forward for the bilateral relationship becomes critical. We hope that the summary of our discussions will receive due consideration by legislators on both sides as they prepare for the upcoming meetings. In early June 2007, it is expected that Presidents Putin and Bush will meet at the G-8 summit in Germany. Our discussions could provide a framework within which the two governments can reinvigorate the US-Russia relationship.

As our US-Russia Constructive Agenda Initiative proceeds, we at EWI look forward to organizing further discussion groups jointly with the Kennan Institute. We see this mechanism as one way to provide objective contributions to the policy dialogue in an effort to focus on substance and make the bilateral relationship a vehicle for productive consultation and collaboration. We plan to draw in policymakers from Russia and the US as appropriate to address specific issues that loom as points of contention.

A key concern to emanate from our discussions is the role of the media in characterizing the relationship and fostering misperceptions and misunderstandings. The next roundtable discussion may seek to convene journalists and/or media executives from Russia and the US to examine the motivations and editorial policies adopted in presenting and describing (or, in some cases, refraining from presenting and describing) various facets of the relationship to the general public in both countries.

Subsequent to our discussions, it has become clear that a resumption of arms control negotiations, both nuclear and conventional, and military-to-military discussions may well be the best way to advance the relationship. EWI intends to pursue this dimension of the relationship further through consultations with experts in these areas to frame the most pressing issues that need to be addressed.

We welcome comments and suggestions from policymakers, opinion leaders, and the general public on the most pressing issues and problems vexing the US-Russia relationship that might merit scrutiny within the context of our US-Russia Constructive Agenda Initiative.

Please contact us at constructiveagenda@ewi.info.

ADVANCING A CONSTRUCTIVE AGENDA FOR US-RUSSIA RELATIONS

Cosponsored by the Kennan Institute and the EastWest Institute

April 25, 2007, 3:00 to 5:00 p.m.

WELCOMING REMARKS AND GROUND RULES

George F. Russell, Jr., Chairman of the Board, EWI

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Dr. Allen Lynch, Director, Center for Russian and East European Studies,
University of Virginia

Dr. Greg Austin, VP & Director, Global Security Program, EWI

MODERATOR

Neville Bugwadia, VP, Public Affairs & Communications, EWI

DISCUSSANTS

Ruslan Garipov, Fulbright Scholar, Kennan Institute

Yelda Guven, International Advisor, ExxonMobil

Michael Haltzel, Senior Fellow, Johns Hopkins School of Advanced
International Studies

Andrei Sitov, Bureau Chief, ITAR-TASS

William Horton Beebe-Center, President, Eurasia Foundation

Andrei Silantiev, Head, International Relations Department, Central
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Mark Pomar, President, IREX

Igor Zevelev, Bureau Chief, RIA-Novosti

Harley Balzer, Associate Professor of Government, Georgetown University

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