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The US and Russia:
They Don't Need Us

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Russia's international behavior during the last decade puzzles many American observers. As seen from Washington, the greatest current challenges—terrorism, nuclear proliferation, climate change—are global ones that threaten all states. The US, the world's only remaining superpower, has been trying to organize multilateral responses. Yet, on issue after issue, the Kremlin has proved singularly unhelpful. For years, Russian negotiators stalled efforts to compel Iran and North Korea to give up nuclear weapons or weapons programs. Moscow has applied economic and diplomatic pressure to keep nearby states from joining NATO or letting American troops use their bases to fight the Taliban in Afghanistan. In late 2008, Russia invaded its southern neighbor Georgia and effectively detached two mountain enclaves from its territory.

More recently, some have seen hints of a thaw. Last June, Presidents Obama and Medvedev chatted over hamburgers in Washington and announced that their countries' relationship had been "reset." Moscow has signed a new treaty to replace the expiring START and backed a UN resolution tightening sanctions on Iran. Yet, in other ways, the Kremlin continues to disappoint and shock. Russian leaders only agreed to sanctions on Iran that permitted them to continue selling the country nuclear power stations and, apparently, developing its oil and gas sectors. Reset or no reset, in 2009 Russia conducted military exercises simulating an invasion of Poland, and it has deployed advanced anti-aircraft missiles south of its border in Abkhazia.

To explain such behavior, officials and commentators appeal to psychology. The Russians, they say, are acting out of injured pride. Traumatized by their fall from superpower status, Russians are furious at not being accorded the respect they feel they deserve. Impulsive, emotionally unstable, and often paranoid, they lash out violently at their neighbors in an attempt

to cauterize the wound of recent history and rekindle their lost sense of grandeur. Or, in the mildest version of the critique, Russians are merely mentally rigid, unable to discard an obsolete way of thinking and adapt to 21st Century realities.

Such views, we argue, are based on a deep misunderstanding of Russian motivations. Of course, the country's leaders would like to be treated with respect—who would not? It is also true that many citizens feel diminished by the decline in their country's status, and that Kremlin rhetoric often sounds this note. However, the real reason the US finds Russia so uncooperative lies not in psychology but in objective calculations of national interest.

Contrary to common belief, Russia and the US today share few interests, and even fewer priorities. Where their interests do overlap, Russian leaders often doubt the efficacy of the US strategy and so are reluctant to contribute in costly ways. Moreover, there is an imbalance. Whereas the US, in its role as global problem-solver, needs Russia's help in numerous regards, Russia needs the US for relatively little. Its main demand is entirely negative: that Washington stop extending NATO up to its borders and emboldening anti-Russian groups on its periphery. Since the West has defined compromise on NATO enlargement as appeasement, opportunities for deeper cooperation are limited.

Although our argument has discouraging implications for the next few years, we offer reasons to be more sanguine about the medium term. While retaining its independent identity, Russia has, nevertheless, been integrating into Europe more than most observers realize. As its economy develops further, we expect this to continue. Although the interests of Russia and the US will always diverge in some ways, the overlap is likely to grow gradually as the country modernizes. In the meantime, negotiating limited agreements on areas of mutual benefit will be easier if US policymakers recognize that Russian positions are rooted in a reasonably plausible view of Russia's interests in the world.

Psycho analysis

Although Washington's psychologists all attribute Russia's conduct to its leaders' complexes, they differ in the details of their diagnoses.

A first view is that Russian leaders are emotionally volatile and confused about their true interests. In the 1990s, their opposition to NATO's expansion into Eastern Europe and outrage at its bombing of Serbia were often taken for symptoms of hysteria. At one meeting in 1994, Russia's President Yeltsin reminded President Clinton that "NATO was created in Cold War times" and warned that extending it into Central Europe would "sow the seeds of distrust." The American president and his entourage were "stunned" by this announcement, according to one aide. To Clinton's advisor Strobe Talbott, Yeltsin's behavior seemed "erratic." Clinton complained that the Russian president's speech had "rattled his confidence in Yeltsin's emotional, physical and political stability."¹ In the 1990s, American officials spent many hours trying to soothe Russian nerves and persuade their counterparts that US policies were actually in Russia's interest as well. Among themselves, they called this "administering the spinach treatment," and joked about how hard it was to get the Russians to swallow. "The more you tell them it's good for them," Talbott's assistant explained, "the more they gag."²

Others attribute Russia's resistance not to temper tantrums and immaturity but to wounded pride and resentment at the loss of superpower status. As former ambassador Richard Burt put it in 2006, political reform in Russia was unlikely to succeed because of the country's "sense of humiliation and loss stemming from the end of the Cold War."³ When in August 2008 Georgian troops shelled the South Ossetian capital Tskhinvali and Russian forces invaded,

¹ Strobe Talbott, *The Russia Hand: A Memoir of Presidential Diplomacy* (New York: Random House, 2002), p.154; James M. Goldgeier and Michael McFaul, *Power and Purpose: US Policy Toward Russia After the Cold War* (Washington, DC: Brookings Institution, 2003), pp.192-3.

² Talbott, *The Russia Hand*, p.76.

³ See John Edwards and Jack Kemp, *Russia's Wrong Direction: What the United States Can and Should Do* (New York: Council on Foreign Relations, 2006), p.72.

pundits put this down to the Russian leaders' "brewing rage at their lost grandeur" and their obsession with "getting respect."⁴

A third common diagnosis is paranoia. Russia could not seriously feel threatened by the advance of NATO towards its borders, the placing of anti-missile batteries in Eastern Europe, or the hostility of some of its neighbors. Rather, said Secretary of State Condoleezza Rice, Moscow officials were giving in to a "paranoid, aggressive impulse."⁵ "To understand why the Kremlin acts the way it does," one commentator wrote even before the Georgian war, "one must first recognize how haunted it is by uncertainty and paranoia."⁶

Fourth, Russian leaders' coolness towards US projects is sometimes seen as the result of socialization into a "Cold War mentality." The Kremlin's ambassadors miss opportunities to promote their country's interests because they cannot discard outdated modes of thinking. Russian Prime Minister Putin, said President Obama in 2009, shortly before flying to meet him, still had "one foot in the old ways of doing business."⁷

Each of these diagnoses implies a particular course of treatment. If the problem is childish rebellion or confusion, Washington's emissaries should repeat American positions in a calm but firm voice as often as necessary, explaining how these are also good for Russia. For emotional instability, the prescription is psychotherapy. With Yeltsin, Clinton counseled Talbott, the goal should be to help the Russian president "absorb" or "internalize" NATO enlargement as "one of those things in life that you can't avoid—you just have to get used to and learn to live with."⁸ If the source of trouble is humiliation and wounded pride, two approaches might work.

⁴ Samantha Power, "A Question of Honor," *Time*, August 14, 2008; Owen Matthews and Anna Nemtsova, "The World According to Russia," *Newsweek*, September 7, 2009.

⁵ Condoleezza Rice, speech to the German Marshall Fund, 18 September, 2008, at <http://www.america.gov/st/texttrans-english/2008/September/20080918155132eaifas0.4152033.html>.

⁶ Ivan Krastev, "What Russia Wants," *Foreign Policy*, May/June 2008, pp.48-51, at p.50.

⁷ Peter Baker, "Preparing for Trip to Russia, Obama Praises Putin's Protégé, at Putin's Expense," *The New York Times*, July 2, 2009.

The West might win over Russian leaders by treating them with ostentatious respect. As former National Security Advisor Brent Scowcroft put it, “We need to convince the Russians that we take them seriously and their views do matter.”⁹ Alternatively, one might seek concessions by threatening to withhold the symbols of status that Kremlin officials supposedly cherish, such as membership in the G8. “The upside of Russia’s preoccupation with lost status,” writes the commentator Samantha Power, “is that its exclusion from such elite organizations would sting.”¹⁰

If, on the other hand, Russia’s leaders are paranoid and irrationally aggressive, Washington’s priority should be to arm their potential victims, enabling them to defend themselves. Finally, if the Kremlin’s older statesmen are wedded to antagonistic, Cold War ways of thinking, it may make sense to place one’s chips on the younger generation. At the July 2009 Moscow summit, according to one well-connected Washington reporter, President Obama planned to “build up” the more congenial Medvedev vis-à-vis Putin.¹¹

During the last 20 years, the psychological approach to Russia policy has been tried repeatedly, in different variations. There is no evidence that it has helped Washington achieve its objectives. On the contrary, these treatments seem to have irritated and antagonized Russian leaders without rendering their behavior any more amenable to American goals. Perhaps at this point it is worth trying another approach.

What Russia wants

Another way to make sense of Russia’s behavior is to consider how its leaders construe their country’s interests. As best we can tell, foreign policy under Putin and Medvedev has been

⁸ Clinton, as quoted by Talbott (*The Russia Hand*, p.217).

⁹ Justine A. Rosenthal, “A Sit-down with Brent Scowcroft,” *National Interest Online*, January 21, 2009, www.nationalinterest.org/Article.aspx?id=20480.

¹⁰ Power, “A Question of Honor.”

¹¹ Baker, “Preparing for Trip to Russia.”

shaped by three key objectives—securing economic growth, fostering friendly regimes in other former Soviet states, and preventing terrorism at home. All three are goals the average Russian should favor. More to the point, to the Kremlin’s current occupants succeeding in these endeavors must seem critical to hanging on to power.

Economic growth comes first, for several reasons. Looking outward, Putin and Medvedev have absorbed the lesson that authority in today’s world rests on economic might. “There can be no superpower,” Putin insisted even before taking office, “where weakness and poverty reign.”¹² Looking inward, they know they owe their prodigious approval ratings to the economy’s revival since 1999. They may or may not care about popularity for its own sake. But on the Russian political battlefield, a falling rating is a signal of weakness. Like blood in the water, it provokes the sharks to attack. As Yeltsin’s popularity plummeted in the 1990s, coalitions of regional governors, businessmen, opposition deputies, and others blocked his policy initiatives and undermined federal law enforcement, driving his approval ever lower.¹³ Even authoritarian leaders know that maintaining control over a population of admirers is easier than repressing a nation of critics. And maintaining control is clearly the current leaders’ top priority.

Russia’s economic revival in the last decade has been remarkable. Gross domestic product per capita, adjusted for purchasing power parity, increased from less than \$7,000 in 1999 to almost \$16,000 in 2008—around that of Ireland in 1987 or Portugal in 1989.¹⁴ The government repaid all its loans to the IMF and reduced its foreign debt to about 2 percent of GDP, less than

¹² Quoted in Bobo Lo, *Vladimir Putin and the Evolution of Russian Foreign Policy* (London: Royal Institute for International Affairs, 2003), pp.65-71.

¹³ Daniel Treisman, *The Return: Russia’s Journey from Gorbachev to Medvedev* (New York: The Free Press, forthcoming January 2011), Chapter 7h

¹⁴ According to the World Bank’s *World Development Indicators* (accessed July 15, 2010), Russia’s PPP-adjusted GDP per capita in 2008, in constant 2005 dollars, was \$14,706; Ireland’s was \$14,417 in 1987, and Portugal’s was \$15,194 in 1989.

the annual state *deficit* of many G20 countries.¹⁵ Even after the recent global crisis, Russia's currency reserves—just \$8 billion in 1999—stood at \$476 billion, the third largest in the world, exceeded only by those of China and Japan.¹⁶ Incomes of both rich and poor Russians surged, rising by more than 8 percent a year in 2000-08.

Oil and gas played a major role in this boom. Economists estimate that rising petroleum prices account for one third to one half of the growth between 1999 and 2008.¹⁷ Hydrocarbons provide about one third of budget revenues.¹⁸ Putin and Medvedev are eager to modernize the economy and diversify away from natural resources. In recent years, they have set up a state corporation to develop nanotechnology and an “innovation city” outside Moscow to incubate high technology projects. Still, at present high technology industries contribute only about 3 percent of GDP.¹⁹ Russia's leaders realize that, at least for the next 10 years, the country's prosperity will depend on securing stable markets and relatively high prices for its oil and gas.

Given recent history, the two leaders must be terrified of how a serious weakening of this trade would affect their regime. It was no mere coincidence that the Soviet Union collapsed a few years after oil prices plunged in the early 1980s. (The oil market was not the only factor, but it was an important one.²⁰) Russia's default and devaluation of 1998, which ruined the reputation of

¹⁵ On January 1, 2009, the state sector's foreign debt was \$29.5 billion, compared to 2008 GDP of \$1.679 trillion (information downloaded from Russian Central Bank, www.cbr.ru, and *World Development Indicators*, July 24, 2010).

¹⁶ Statistics from Central Bank of the Russian Federation, www.cbr.ru, September 28, 2010.

¹⁷ Sergei Guriev and Aleh Tsyvinski, “Challenges Facing the Russian Economy After the Crisis,” in Anders Aslund, Sergei Guriev, and Andrew C. Kuchins, eds., *Russia After the Global Economic Crisis* (Washington, DC: Peterson Institute, 2010), pp.9-38.

¹⁸ Calculated from OECD, *Economic Survey: Russian Federation* (Paris: OECD, 2009) p.55.

¹⁹ Keith Crane and Artur Usanov, “Role of High-Technology Industries,” in Aslund, Guriev, and Kuchins, eds., *Russia After the Global Economic Crisis*, pp.95-123, at p.119.

²⁰ Yegor Gaidar, *Collapse of an Empire: Lessons for Modern Russia* (Washington, DC: Brookings Institution Press, 2007).

the country's reformers, came after oil prices hit the unprecedented low of nine dollars a barrel.²¹ Putin and Medvedev know that not just the country's prosperity but their own political survival depends on keeping the revenues from hydrocarbons flowing.

Russia's reliance on energy exports shapes how its leaders view the world. Most of the country's oil and gas exports go to Europe. Western analysts have seen this trade as creating vulnerability for Russia's European customers, exposing them to political pressure from the Kremlin. In 2008 British Prime Minister Gordon Brown warned that Europe risked being caught in "an energy stranglehold" by "states such as Russia," that were "increasingly using their energy resources as policy tools."²² In fact, when examined closely, it is *Russia's* dependence on the European market that is most striking.

The European Union's 27 members import about 28 percent of their crude oil, 23 percent of their gas, and 15 percent of their hard coal from Russia. Together, these imports account for about 18 percent of total EU energy consumption.²³ Some individual countries are much more dependent. The Russian share in gas supplies tends to increase as one moves from west to east across the continent. Whereas in 2007 France, Italy, and Germany relied on Russia for, respectively, 14, 27, and 36 percent of their gas, the figure was 48 percent for Poland, 92 percent for Bulgaria, and 100 percent for the three Baltic states.²⁴ This creates a natural division within

²¹ Urals crude dropped to \$8.75 a barrel in June 1998 (information from US Energy Information Administration, www.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCURALS&f=W).

²² Gordon Brown, "This is How We Will Stand up to Russia's Naked Aggression," *The Observer*, August 31, 2008, <http://www.guardian.co.uk/commentisfree/2008/aug/31/russia.georgia>.

²³ Figures for 2007, calculated from Eurostat, *Energy Balance Sheets, 2006-7* (Brussels: European Commission, 2009), at http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EN-09-001/EN/KS-EN-09-001-EN.PDF, and Eurostat, "Energy Production and Imports," (Brussels: European Commission, 2009), at http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Energy_production_and_imports, accessed July 16, 2010.

²⁴ Figures for 2007 from European Commission, *Assessment Report of Directive 2004/67/EC on Security of Gas Supply*, 2009, at http://ec.europa.eu/danmark/documents/alle_emner/energi/2009_ser2__20090715_assessment_report.pdf; different sources give slightly different figures, but the general picture does not change.

Europe between the western countries, many of which have more reason to feel threatened by OPEC than by Moscow, and the smaller eastern countries, which look to the EU or the US to finance alternative pipelines and provide backup in disputes with Moscow over pricing.²⁵

For Russia, the European market is absolutely vital. Europe, including the Baltic states, accounts for about 67 percent of its gas exports. Former Soviet countries make up the other 33 percent.²⁶ Similarly, as of 2007, 69 percent of Russia's oil exports flowed to Europe, while another 14 percent went to former Soviet destinations.²⁷ Given the extent to which Russia's national income and state budget depend on this trade, to lose its European clients would be a calamity.

Conscious of this, the Kremlin has been understandably unenthusiastic about projects to build competing pipelines that would supply Europe with gas from Central Asia. The EU- and US-supported Nabucco pipeline, designed to carry Azerbaijani—and perhaps one day Iranian—gas through Turkey and Eastern Europe to Austria, looks from Moscow like a serious threat to the country's prosperity. Russia's state-controlled gas company Gazprom has maneuvered feverishly to prevent it from being built, trying to buy up all the gas that Nabucco would transport and planning a rival “South Stream” pipeline across many of the same countries. Eager to lock in demand, Gazprom has bought equity in the distributors and networks in its principal markets, from Italy and Germany to Eastern Europe. The “Nord Stream” pipeline, currently being tunneled under the Baltic from Vyborg to Greifswald, aims to provide dependable deliveries to Northern Europe, bypassing Ukraine and Belarus, where gas has sometimes been siphoned off in transit.

²⁵ As of 2006, France, Portugal, Spain, Italy, and the Netherlands imported more of their oil and gas from OPEC countries than from Russia (EC, *Europe's Current and Future Energy Position: Demand, Resources, Investments*, Statistical Annex (Brussels: EC, 2008), http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position_1.pdf, accessed July 21, 2010).

²⁶ Gazprom website at www.gazprom.ru/marketing/, accessed July 15, 2010. These are figures for dry gas; liquefied natural gas still represents only a tiny fraction of the total.

²⁷ Calculated from Goskomstat Rossii, *Promyshlennost Rossii*, 2008.

Even as it maneuvered in this way, Russia's gas industry has been knocked off balance by an even more alarming development. In recent years, global production of liquefied natural gas (LNG) has taken off, boosting supplies just as the financial crisis shrank demand. Prices in Europe have plunged, and buyers have been wriggling out of their long-term contracts. Simultaneously, new prospects for the extraction of gas trapped in common shale deposits have raised the possibility that Europe will itself soon produce all the gas it needs. A central pillar of Russia's political economy suddenly looks rickety.

Energy also colors the complicated relationship between Russia, China, and Central Asia. On the one hand, China's explosive growth promises an expanding market for Russian mineral exports. On the other hand, China has skillfully played Moscow off against Central Asian petroleum producers, exploiting competition to get the best deals. Russia, while not happy to be undercut by its southern neighbors, nevertheless prefers that they sell to Asia rather than Europe. Since 2006, Kazakh oil has fed the refineries of Xinjiang province, and a gas pipeline from Turkmenistan opened in December 2009. By comparison, Russia's energy trade with China has developed slowly. Beijing helped finance construction of a trans-Siberian pipeline to ship oil to its northern provinces, the final link of which was completed in late 2010, and an agreement was signed in 2009 on another pipeline to provide China with up to 70 billion cubic meters of gas a year.²⁸ As its European sales shrink, Russia urgently needs trade with China to pick up the slack. In 2009-2010, Medvedev met with Chinese President Hu Jintao no fewer than five times to facilitate commerce and a flurry of new deals were signed in September 2010.²⁹

In Russia's energy politics, national priorities interweave with the parochial interests of top officials, who identify closely with major corporations on whose boards they serve. Kremlin energy barons would like to see these companies dominating markets, obtaining assets abroad,

²⁸ Isabel Gorst, "Russian Companies Head East to Cement Oil and Gas Ties with China," *Petroleum Economist*, January 2010.

²⁹ Derek Andersen, "Hu Touts a 'New Start' to Medvedev," *Moscow Times*, September 28, 2010.

and materially benefiting key insiders. Until recently, Russian gas was sold to Ukraine via a controversial firm that the US Justice Department's Organized Crime Unit was reportedly investigating.³⁰ Gazprom's pipeline construction costs have been so high—\$3 million per kilometer, compared to a world average of \$1 - \$1.5 million, according to the liberal Putin critics Boris Nemtsov and Vladimir Milov—that some doubt whether mere managerial incompetence can explain the overruns.³¹

Clearly, the interests of Kremlin insiders and ordinary Russians do not always coincide. But it would be wrong to see Moscow's positions on oil and gas as a mere outgrowth of corruption. Russia's dependence on energy exports to Europe would be just as great even with a team of committed democrats and scrupulous public servants in the Kremlin. Such an administration would probably find more effective ways to manage this dependence, and might negotiate in a more open and cooperative manner. But the basic conflict of interest between buyers and sellers would remain. Russian democrats, too, would prefer that Bulgarians buy their gas from Gazprom rather than Azerbaijan's SOCAR, and that Belarusians and Estonians pay higher prices, closer to those charged to Germans and Italians.

Russia's second key interest is in the prevalence of friendly governments in neighboring states. There is nothing unusual in this, although, of course, neighboring governments should be free to decide for themselves how friendly they feel. Beyond the normal desire not to be encircled by hostile regimes, Russia has particular sensitivities associated with the fact that when the Soviet Union collapsed about 25 million ethnic Russians were left on the other side of state borders. Of these, about 16 million remain in the "near abroad." When Russians perceive governments to be

³⁰ Glenn Simpson, "U.S. Probes Possible Crime Links To Russian Natural-Gas Deals," *The Wall Street Journal*, 22 December 2006; Lynn Berry, "Russia slaps tax evasion charges on suspected crime boss sought by FBI," Associated Press, Moscow, January 30, 2008.

³¹ Boris Nemtsov and Vladimir Milov, *Putin i Gazprom*, Moscow, 2008; Anders Aslund, "Russia Energy and the European Union: Perspectives on Gazprom," speech before the European People's Party, European Parliament, Brussels, May 15, 2008 (Washington, DC: Peterson Institute, 2008) at <http://www.iie.com/publications/papers/aslund0508.pdf>, accessed July 16, 2010.

discriminating against their co-ethnics—as, for instance, when Estonia instituted a difficult language exam that made it hard for local Russians to acquire citizenship—Kremlin leaders come under public pressure to speak out (although *not* to take military action: opinion polls show majorities against this). Moscow strongly opposes further enlargement of NATO to the east. Again, this is hardly surprising. No great power—or minor state—would welcome the extension of a historically hostile military alliance up to its borders, no matter how often that alliance said its intentions were peaceable.

Some see in Putin’s foreign policy a more sinister design: to reimpose Russian hegemony over the former Soviet states, and perhaps even parts of Eastern Europe, by means of economic and military pressures and threats. As evidence, proponents of this view generally point to the 2008 Russian invasion of Georgia, along with Gazprom’s periodic halting of gas supplies to Ukraine and Belarus, the Kremlin’s alleged support for a cyber-attack on Estonia in 2007, and various statements by Putin expressing sadness over the Soviet Union’s dissolution.

Unable as we are to read Putin’s mind, we cannot absolutely rule out such a possibility. However, considered in full, the facts do not provide much basis for belief in an expansionist plan. In most regards, Russia’s policies have been extremely cautious.

Since the late 1980s, rather than enlarging its global presence, Russia has been demilitarizing and retreating into its borders. It spent the last two decades closing military bases abroad. In the 1990s, Russian troops left Eastern Europe and the Baltic states, and total active duty forces under Moscow’s command fell from 3.4 million to around 1 million. Since then, Russia has abandoned bases in Cuba and Vietnam and cut its troops deployed to former Soviet countries. Under Putin, those in Moldova fell from 2,600 to 1,500, and those in Tajikistan from 8,200 to 5,500. In the years before the 2008 war in South Ossetia, Putin closed three military bases in Georgia and reduced Russia’s troops in that country from 5,000 to 1,000.³² Host states

³² There were increases in the number of Russian troops in Kyrgyzstan and Armenia, but by far smaller amounts than the decreases elsewhere; these troop estimates come from International Institute for Strategic

would have preferred the troop withdrawals to be even faster. Nevertheless, they are not what one would expect of a revisionist power.

A regime committed to expansion would have behaved quite differently. It would have found an opportunity to stir up Russian nationalists in border regions of the Baltic states, Eastern Ukraine, or the Crimea; engineered a violent confrontation; and sent in Russian troops to help the secessionists. In Georgia, a revisionist Russia would have annexed South Ossetia and Abkhazia long ago, before President Saakashvili embarked on his military buildup, rather than withdrawing troops and closing bases. It would not have waited to act until Georgian forces were killing its peacekeepers. To many in the West, Russia's 2008 invasion seemed to be positive proof of the Kremlin's land hunger. But a Russian leader bent on expansion would surely have ordered troops all the way to Tbilisi to depose Saakashvili and install a more congenial government. At the very least, he would have taken control of the important oil and gas pipelines that cross Georgia. In fact, Russian forces neither bombed nor seized these, and the troops soon withdrew to the secessionist mountain enclaves.

Moscow's recent efforts to win friends and influence in its neighborhood have not been a noted success. The Commonwealth of Independent States, supposedly the instrument of Russian domination, is visibly falling apart; only six of the 11 presidents bothered to attend the last meeting, which lasted all of 30 minutes.³³ Not even the supposedly dependent dictator of Belarus, Aleksandr Lukashenko, would agree to recognize the independence of Abkhazia and South Ossetia. The Kremlin had to look as far afield as Central America and the Pacific island of Nauru to line up support. In Kyrgyzstan, after Moscow allocated the country more than \$2 billion in loans and aid in 2009, President Kurmanbek Bakiyev acceded to Russia's request that he close

Studies, *The Military Balance*, 2000, 2001, 2008, and International Crisis Group, *Moldova: No Quick Fix*, ICG Europe Report No. 147, 12 August 2003, p.4. Several hundred more troops may have infiltrated into Georgia shortly before the 2008 war.

³³ Anders Aslund, "The Post-Soviet Space: An Obituary," in Aslund, Guriev, and Kuchins, eds., *Russia After the Global Economic Crisis*, pp.223-4.

the US airbase on his territory. But he promptly reneged when the US offered to increase the rent. In a sense, the Kremlin had the last laugh when a few months later pro-democracy protesters, with Moscow's approval, overthrew Bakiyev.³⁴ However, the US base remains open. Lukashenko took the opportunity to thumb his nose at Putin, offering Bakiyev asylum in Minsk. His guest was accused of inciting ethnic pogroms that broke out in Kyrgyzstan in June 2010, resulting in at least 300 deaths.

Has dependence on Russian gas given Moscow political leverage over countries to its west? There is little sign of this. One might suppose the most dependent countries would be the most deferential. In fact, it is precisely these states—Poland, the Czech Republic, Estonia—that have persistently sought to tweak the bear's nose. Within just a few years, the leaders of countries dependent on Russia for much or all of their gas and oil have joined NATO, invited in US anti-missile batteries, and subjected Russian policies to vociferous criticism. These countries were the ones that lobbied most insistently to get Georgia rapidly admitted to NATO.³⁵ By contrast, it has been the less dependent West Europeans in Italy and Germany that have proven more sympathetic to the Kremlin.

Some see the periodic "gas wars," in which Gazprom has sought to raise the prices paid by Ukraine, Belarus, Georgia, and other countries, as attempts at political intimidation. Given the prevailing coolness between Moscow and most of its neighbors, there have usually been political undertones. Yet the fact remains that for years Russia has continued to sell gas to countries with regimes it considers hostile for a fraction of the price it has charged its West European friends. In 2005, Russia sold gas to the Orange Revolutionaries of Ukraine for \$52 per thousand cubic meters (tcms), compared to the \$197 per tcm it charged Germany. Transport costs might explain

³⁴ Philip Pan, "Russia is Said to Have Fueled Unrest in Kyrgyzstan," *Washington Post*, April 12, 2010.

³⁵ See, for instance, the account of the 2008 Bucharest Summit in Ronald D. Asmus, *A Little War that Shook the World: Georgia, Russia, and the Future of the West* (Basingstoke: Palgrave Macmillan, 2010), pp.133-5.

part of the difference. But Russia continued to supply gas cheaply to the Baltic states—even after they joined NATO—for far less than it charged neighboring Finland. In 2005, the Baltics were paying \$90-95 per tcm, while Finland paid \$148.³⁶

Why Russia sold its gas at such a discount to countries in Eastern Europe and the former Soviet Union is not clear. Of course, Moscow was not altruistic. Gazprom's motives probably combined several elements. These may have included rational price discrimination: a smart monopolist takes into account different clients' ability to pay. In the early 1990s, Gazprom sharply raised the price of gas for the Baltic states, but lowered it again when demand fell by two thirds.³⁷ In part, Gazprom hoped to exchange low prices for equity in pipelines and distribution systems, locking in future demand. In part, Russian leaders may have thought cheap gas would improve relations with the favored countries or at least avoid explosive fights. Considering how little Russia got for its price concessions, the Kremlin's rethinking of this policy around 2005 should astonish no one.

In fact, the lesson of recent gas wars is roughly the opposite of that derived by most commentators. Rather than demonstrating political leverage, Moscow's temporary gas shutoffs to Ukraine show how little clout the Kremlin actually had. Given Russia's dependence on the confidence of its high-paying West European customers, disrupting supplies to these customers could only be an act of desperation. That the Kremlin had to shoot itself in the foot to get Kiev's attention reveals the limits of its blackmail potential.

Russia's third key goal is preventing terrorism at home. Here is not the place to review the dismal history of federal military efforts in Chechnya. Suffice it to say that today a serious terrorist threat arises from Islamic fundamentalist groups based in various parts of the North

³⁶ Vlad Ivanenko, "Russian Energy Strategy in Natural Gas Sector" (Helsinki: Bank of Finland, 2006). Prices for gas sold to the Baltic states have since risen.

³⁷ Mikhail Korchemkin, "Russia's Oil and Gas Exports to the Former Soviet Union," in Bartłomiej Kaminski, ed., *Economic Transition in Russia and the New States of Eurasia* (Armonk, NY: M.E. Sharpe, 1996), p.133.

Caucasus. The Kremlin is determined to limit external support to these groups. This concern influences its positions on Afghanistan, Iran, and Central Asia, in ways we discuss below.

In short, one cannot be certain about the Kremlin's objectives. But the pattern of behavior to date can be easily understood as reflecting a relatively coherent view of Russia's national interests. In their foreign policy, the country's leaders seek three things: high economic growth, which in the short run requires secure export markets and sufficiently high prices for oil and gas; friendly neighbors; and an environment that does not exacerbate their problems with domestic Islamic terrorism.

That the Kremlin's policies are purposeful does not mean that they are always intelligently conceived and executed. There are plenty of examples of apparent bungling or self-defeating populism. On the economic front, the government pours billions of dollars into projects that seem doomed—trying to boost stock prices with state purchases, for instance, or bailing out the decrepit car manufacturer AvtoVAZ. In a blizzard of anti-market activism, Putin orders supermarkets to lower their prices and entrepreneurs to reopen unprofitable plants, slaps a ban on grain exports, and exiles all casinos to four remote regions, destroying thousands of jobs. Moscow's latest investments in high technology might yield something of value; more likely, they will spawn a new generation of white elephants. So far, the Kremlin has shrunk from implementing the measures most likely to actually promote rapid growth—thorough reforms of law enforcement and the judiciary and curbs on corruption throughout the bureaucracy. In relations with the West, officials sometimes seem determined to hand ammunition to the Russophobes. If, as many believe, the polonium poisoning of Aleksandr Litvinenko in 2006 was ordered by someone high up in the Kremlin, it is hard to see what benefit the leaders could derive from this that would outweigh the risk of severe harm to Russia's global image and relations with Britain.

Nor do we mean to argue that decision-makers are always dispassionate. Policies are made by personalities, in Russia as elsewhere. To those around him, Putin appears intensely

competitive, such a master of one-upmanship that a journalist could joke, on seeing US Secretary of Defense Robert Gates arrive for a negotiation with a broken hand, that he half-expected Putin to appear with a broken leg. Putin may have yielded to frustration rather than exercising measured judgment on occasion, as when he announced in mid-2009 that Russia would enter the WTO only as part of a trade bloc with Kazakhstan and Belarus. (The Kremlin later backtracked.) But such cases are the exception. For the most part, Russia's policies have been purposeful, cautious, and—even when misguided—reasonably consistent. The question, then, is whether the purposes behind these policies lend themselves to practical cooperation with the US.

Why the US needs Russia

As the world's only superpower, the US conceives its role today as one of global leadership. No other country has the power and wealth to coordinate responses to the most pressing international problems. The style has changed as Bush-era unilateralism gave way to the multilateralism of Obama. But the vocation to direct remains the same.

The challenges, as seen from Washington, are daunting. In Afghanistan, Iraq, and Pakistan, Islamic insurgents threaten to take power and offer safe haven to terrorists. The US must find a way to stabilize these countries so it can reduce its troops in the first two, while avoiding their getting drawn into the third. Al Qaeda, although quieter, is not defeated. As Pakistan's government struggles against its own militants, there is a small but terrifying chance that its nuclear arsenal could fall under the control of aggressive anti-American forces.

Preventing the spread of nuclear weapons to new states has never been more difficult. The US hopes to stop Iran from building its own nuclear bombs, but time is running out. It would like to persuade North Korea to give up those it already has. Washington must worry about what would happen to these weapons were the Pyongyang dictatorship to collapse. In Prague in 2009, President Obama called for a nuclear-free world, and he would like to negotiate further large cuts,

extending those of the new START treaty signed with Russia in April 2010. As the polar ice-caps melt and Asia industrializes, reversing climate change is another priority, as is ensuring secure energy supplies for the US and its allies. After the recent financial disaster, sustaining the global recovery and preventing similar crises in the future are also high on the agenda.

Because of its geographical location, its nuclear status, its historic relationships with key countries where US interests are at stake, its seat on the UN Security Council, its roles as major energy exporter and commander of the largest military in Europe, even its significant US dollar reserves, Russia could either assist or complicate the pursuit of all these American foreign policy objectives. In numerous ways, Washington needs Moscow's help.

To fight the Taliban in Afghanistan, NATO has had to ship most of its supplies north from Pakistan via the Khyber Pass. But this route had trouble handling the necessary volume, and convoys were often ambushed. Russia's agreement to let NATO transport material south on its railways or through its airspace provided a much-needed alternative. Over the years, Russian nuclear scientists have developed close contacts with their Iranian counterparts through work on civilian projects. Although influence via such channels is limited, it just might help at the margin. Russia's acquiescence in the UN Security Council is necessary for any further sanctions or to legitimize other applications of pressure. (In June, Russia agreed to a new set of sanctions, but only ones that seemingly protected Russia's commercial interests in the country.) Likewise, any new UN measures against North Korea will require at least Russian abstention.

Further nuclear disarmament agreements are, of course, impossible without Russia's participation. Europe's dependence on Russian oil and gas should not be exaggerated, as already discussed. Still, the continent's energy security is obviously affected by Russian supplies. As the world's second largest oil exporter, Russia's sales influence the world price. No plan to combat climate change can ignore the pollution produced by Russia's industry. Finally, although this is

far less significant, Russia's dollar reserves and treasury bond holdings give it at least some marginal potential to affect the dollar's price.³⁸

Does Russia need the US?

For the reasons just discussed, Russia's cooperation could make a big difference to the success or failure of American global policies. But is the reverse true? Does Russia need Washington's help to achieve its key goals? The short answer is no.

As a customer for Russian energy, the US is inconsequential. Russian exports of crude oil to the US during the last five years have ranged between about 2 and 4 percent of the total. America buys almost no Russian gas.³⁹ That might change, if LNG from Sakhalin proves competitive. But no one is holding his breath.

In fact, US and Russian energy interests mostly conflict. The mining of American shale gas freed up LNG shipments to inundate Europe, depressing prices. Washington, eager to wean its European friends from dependence on their Eastern neighbor, favors construction of rival pipelines such as Nabucco. Attempts by Gazprom to increase prices or pressure delinquent European clients to pay overdue bills provoke bursts of hostile rhetoric from Washington. If American conservation efforts succeed, this could reduce the world oil price on which Moscow relies. Given how the two sides see the energy issue, there is little room for cooperation.⁴⁰

³⁸ Andrew Kramer, "Russia Seeks More Diversity in Global Economic Order," *New York Times*, June 17, 2009.

³⁹ US imports from US Census Bureau (www.census.gov/foreign-trade/statistics/product/enduse/imports/c4621.html); total Russian oil exports from Russian Central Bank (www.cbr.ru); both accessed July 17, 2010.

⁴⁰ Since international oil markets are highly liquid, a large drop in American demand would reduce the price Russia could charge for its exports. In this sense, Moscow does depend on US policies. But of course Moscow does not expect the US to design its energy policy in order to protect Russian profits. Interests on this are straightforwardly opposed.

More generally, Russia and the US share few economic interests. Russia's recent development has not integrated it with the US. On the contrary, the two have become more economically disconnected. In 1995, 6 percent of Russia's exports went to the US; by 2009, the figure was 3 percent—less than Russia exported that year to Poland.⁴¹ The US supplies just 5 percent of Russia's imports. In capital flows, the American share is also insignificant. As recently as 1995, 28 percent of all foreign investment in Russia came from the US. In mid-2010, the share was 2.5 percent, less than that of Ireland. Indeed, Russians had by then invested more in the US than Americans had in Russia.

Russia's disengagement from the US contrasts with its growing ties to Europe and China. In 2009, Europe accounted for 52 percent of Russia's exports and 45 percent of its imports. Another 14 percent of its imports came from China, up from 2 percent in 1995. Although exports to China currently make up less than 6 percent of the total, this will rise as the country's hunger for raw materials grows. Europe's share of foreign investment in Russia increased from 41 percent in 1995 to 71 percent as of early 2010, although much of this is Russian wealth repatriated from Cyprus, Switzerland, and Luxembourg.

Moscow would certainly welcome more US private investment. Stumping for modernization in 2010, President Medvedev made a point of visiting MIT and Silicon Valley. He would like to encourage brilliant emigrés to return from the campuses of Cisco and Google. But American partnerships are by no means essential, and high technology ventures with Western Europe are likely to matter more, at least in the short run. Of the 1,649 commercial agreements registered in 2009 to import technologically advanced equipment and services into Russia, 61 percent were with partners in the European Union; 11 percent were with American companies.⁴² Volkswagen, Siemens, Peugeot-Citroen, and Mistubishi Motors have all opened factories in

⁴¹ These and the following statistics come from Goskomstat Rossii, *Rossiia v tsifrakh*, 2010, and *Rossiisky statistichesky yezhegodnik*, 2009, as well as downloads from Gokomstat Rossii.

⁴² Goskmostat Rosii, *Svedenia o kommercheskom obmene tekhnologiyami*, 2009.

Russia.⁴³ In recent years, collaborations of Russian scientists with German, French, British, and Italian colleagues have resulted in more than twice as many published articles as have collaborations with American scholars. Of the ten institutions whose scholars co-authored most articles with Russian scientists, only one—MIT—was in the US; eight were in Europe.⁴⁴ In the short run, Russian growth will depend more on copying and applying American innovations than on partnering with US scientists to create new ones. At the same time, perhaps more than is realized in Washington, the US's economic reputation has been dented by the financial crisis. In the 1990s, Russians considered the dollar the benchmark of security. In June 2010, by contrast, only 6 percent of Russians thought it was “most profitable and safe” to keep their money in dollars, compared to 46 percent who favored rubles and 11 percent who said Euros.⁴⁵ The trends could change. American entrepreneurs might choose to gamble on Russia's modernization. But Europeans are already doing so.

The US could help Russia over the last hurdles to membership in the World Trade Organization, a goal it has pursued for years. Yet on this Russia's interests are mixed. WTO membership would help certain sectors while hurting others, which could no longer be protected from foreign competition. Among potential victims is the automobile industry. During the crisis, the government raised tariffs on imported cars to prevent high unemployment. Around this time, enthusiasm for rapid WTO accession seemed to soften. (Some economists see large benefits from Russia's joining. But the largest ones would come not from WTO membership itself but from the

⁴³ Vladislav Inozemtsev, “European Standard for Russia's Modernization,” *Moscow Times*, September 7, 2010.

⁴⁴ Jonathan Adams and Christopher King, *Russia: Research and Collaboration in the New Geography of Science* (Leeds: Thomson Reuters, 2010), <http://researchanalytics.thomsonreuters.com/m/pdfs/grr-russia-jan10.pdf>.

⁴⁵ Levada Center, “Rossiyane o svoikh sbrezheniyakh i nakopleniyakh,” July 16, 2010, <http://www.levada.ru/press/2010071601.html>.

economic reforms required as conditions for accession.⁴⁶ While the external pressure of the WTO negotiations might help defeat domestic lobbies, Putin and Medvedev could almost certainly overrule these lobbies by themselves if they considered such reforms a priority.)

On Russia's second key objective—promoting friendly regimes in its vicinity—the Kremlin does not expect American help. It would merely like the US to stop meddling in what it considers an unconstructive way. Washington, however, sees this as a matter of principle, and so a compromise is unlikely. In the American view, Moscow's attempts to influence the foreign policies or domestic politics of its neighbors violate their sovereignty. To counter such violations, the US has itself sought to influence the domestic politics and foreign policies of these countries, supporting governments and groups hostile towards Moscow, helping finance “colored revolutions” that bring anti-Moscow leaders to power, and pressing for rapid admission of these countries to NATO. While the momentum of such efforts has slowed under Obama, Washington remains committed to eventual NATO membership for Georgia and Ukraine. The American military continues to conduct joint exercises with regimes Moscow considers inimical. In short, on this issue the two countries have diametrically opposed views. While conflict may be contained through skillful diplomacy, cooperation is not in the cards.

Finally, one might think Russia would value American assistance in its fight against Islamic terrorism. In practice, however, distrust and divergent approaches limit the space for cooperation. Although neither Washington nor the Kremlin wants to see Islamic jihadists strengthened in the North Caucasus, their views of the underlying problem differ so greatly that discussions produce mostly irritation. When they look at the North Caucasus, most in Washington see rampant abuses of human rights by state officials; what the Kremlin sees is a war on terror. Russian leaders have become cynical about Western objectives and increasingly doubtful about US strategy in the Middle East (as we discuss below). Putin does not understand why Britain and

⁴⁶ David G. Tarr and Natalya Volchkova, “Foreign Economic Policy at a Crossroads,” in Aslund, Guriev, and Kuchins, eds., *Russia After the Global Economic Crisis*, pp.202-222.

the US granted political asylum to the Chechen leaders Akhmed Zakayev and Ilyas Akhmadov, whom he considers the emissaries of a terrorist movement. Thus, although exchanges of intelligence may occur, Russia does not have much use for the type of assistance the US could conceivably offer.

With very few exceptions, Russia does not need—or want—help from Washington in achieving its main objectives. What “help” it would value is almost entirely negative: it would like the US to stop interfering in its neighborhood, militarizing the border states, and attempting to undermine Russia’s position in energy markets.

Even if they do not see eye to eye in these areas, Russia might still hope the US would succeed in some of its global endeavors. Surely, some suggest, defeating the Taliban, preventing nuclear proliferation, and stopping climate change are goals Moscow should share. This is not completely wrong. However, even when it is true, Russia’s leaders generally place much lower priority on the policies in question. And Russia often has countervailing interests. At the same time, Moscow frequently doubts the effectiveness of the strategies Washington chooses and so is reluctant to sacrifice its other interests to support American actions that it thinks unlikely to succeed.

For instance, the Kremlin has no desire to see Afghanistan controlled again by the Taliban. A victory for radical Islamists there could embolden insurgencies throughout Central Asia and invigorate the North Caucasus’s terrorist networks. However, Russian officials are unsure NATO has the capacity and determination to defeat the Taliban or impose a stable settlement before it leaves. They wonder whether the US, with its operations in Afghanistan, Iraq, and Pakistan, is actually weakening Islamic forces there or merely toughening them up. Like Hamid Karzai, they are looking ahead to what will happen after US troops depart. The Kremlin does not want to take positions now that will make it impossible to deal with Kabul’s future power-holders.

Many other considerations also come into play. Although afraid of too much instability, Russian leaders know that some level of tension helps keep their southern neighbors in line. Threatened by the Taliban, the Central Asians are readier to cooperate in the Moscow-led Collective Security Treaty Organization and to welcome Russia's military presence in the region. At the same time, Russia is uncomfortable with the new American military footprint to its south. And it is concerned about Afghan opium production, which has more than doubled since the US invaded.⁴⁷ Much of the heroin lands in Russia, where drug addiction has soared. Finally, the public is far less happy than Putin and Medvedev about cooperation with NATO over Afghanistan. In September 2009, 61 percent of Russians opposed the decision to let NATO ship military cargoes across Russia, while only 21 supported it.⁴⁸ All this renders the Kremlin's ambivalence understandable.

Iran evokes another set of complicated calculations. Of course, Russia would prefer that Tehran not develop nuclear weapons. Yet many doubt that even the toughest economic sanctions, fully backed by Russia, would be enough to prevent this, given the Iranian regime's determination. At the same time, Russia has interests in Iran that would be costly to jeopardize. Its exports to the country have grown from just \$250 million in 1995 to \$3.3 billion in 2008—still less than one percent of Russia's total, but enough to energize Moscow's pro-Tehran lobby. Russia hopes for more large contracts to build additional nuclear power stations, develop oil and gas fields, and supply Iran with modern weapons. It does not want to give Tehran's radicals an excuse to support Islamic terrorists in the North Caucasus.

On the other hand, Russia's commercial and strategic interests would also be threatened by a complete resolution of the conflict between Tehran and Washington. Were peace to break out, Western investment might flood the Iranian oil and gas sectors, competing with Russian

⁴⁷ Anthony Cordesman, *The Afghan Narcotics Industry: A Summary* (Washington, DC: Center for International and Strategic Studies, 2009).

⁴⁸ Levada Center, *Obshchestvennoe mnenie 2009* (Moscow: Levada Center, 2009), p.172.

multinationals. The lifting of sanctions and lowering of tensions would depress petroleum prices. New pipelines might be built to carry Iranian gas to Europe.

In many ways, the current stalemate serves the Kremlin's purposes. Russia's ideal outcome would probably be renewed—perhaps even tougher—sanctions, but ones for which Tehran blamed the West, not Russia, and which included ambiguities or waivers permitting Russian commercial ventures to continue. That is almost exactly what the Kremlin obtained in June 2010: under the UN sanctions resolution, Russia can continue to build Tehran nuclear power stations. Although it later chose not to, Moscow also insisted the sanctions allowed it to complete a controversial deal to sell Iran advanced S-300 anti-aircraft missiles.⁴⁹ Right after the UN vote, the Russian energy minister met in Moscow with his Iranian counterpart to sign a joint “roadmap for energy cooperation.”⁵⁰ Although US legislation penalizes firms that invest more than \$20 million in Iran's petroleum industry, President Obama can waive such penalties, and is expected to do so with regard to Russian and Chinese companies. In short, Tehran is hemmed in, US and European competitors are kept out, and Russia's corporations—although they must tread carefully—can continue to develop the Iranian market. Likewise, Russia is not happy to see a nuclear North Korea. But, again, its leaders doubt that even their active cooperation with Washington would lead Pyongyang to disarm.

The new START treaty of April 2010 mostly ratified cuts in the Russian arsenal that were occurring anyway as weapons aged. It is not clear further major reductions would serve Russia's interests. As anti-missile systems become more accurate and powerful, Moscow will need to maintain enough missiles and warheads to remain sure of a second strike capability.

⁴⁹ Dmitry Solovyov, “Russia Says Iran Sanctions Do not Bar Missile Deal,” Reuters, Moscow, June 10, 2010.

⁵⁰ Solovyov, “Russia Says Iran Sanctions Do not Bar Missile Deal”; Reuters, “Q&A: What Are Russia's Energy Interests in Iran,” July 22, 2010.

Military planners will likely become nervous about reductions below the 700 delivery systems and 1,550 warheads of the updated treaty.

On climate change, Russia—unlike the US—signed the Kyoto Protocol. In 2003, President Putin suggested that a slight increase in the temperature might benefit a snowbound country like Russia: “We could spend less on fur coats, and the grain harvest would go up.”⁵¹ Given the devastating fires caused by Russia’s unusually hot summer of 2010, he will probably not be repeating this remark. Jokes aside, the Kremlin has recognized for some time that global warming would impose huge costs, causing floods and destroying infrastructure. Still, how the expense of cutting pollution should be shared among the major industrial and industrializing countries remains contentious. Like other countries, Russia has a powerful pro-carbon lobby.

Looking forward: Russia in Europe

Given how American and Russian leaders construe their national interests today, the bases for cooperation are narrow. As with China, Washington should not expect much help from Moscow, not because Kremlin officials are overwhelmed by wounded pride and paranoia, but because Washington’s priorities are not their priorities—and may not be in Russia’s interest at all.

The parallel with China is instructive. In dealing with Beijing, US policymakers seem to perceive conflicts of interest for what they are. They do not feel compelled to patronize and psychoanalyze their Chinese counterparts. It is hard to imagine an American leader on the eve of a Beijing summit berating President Hu Jintao for his obsolete Marxist mentality and promising to “build up” Premier Wen Jiabao as a counterweight.

Even moments of serious military tension have not been allowed to derail the US-China relationship. In 2001, a Chinese fighter jet smashed into a US reconnaissance plane it had been trailing, forcing the latter to make an emergency landing in Hainan. The 24 American crew

⁵¹ Fred Pearce, “Global warming ‘will hurt Russia’,” *New Scientist*, October 3, 2003.

members were held captive by the Chinese military, interrogated around the clock, and only allowed to leave 11 days later after the US delivered a formal apology and paid \$34,000 for the crew's food and lodging.⁵² The incident had almost no consequences for US-China relations. A few months later, China was allowed to join the WTO, and the next year President Bush welcomed China's leader Jiang Zemin to his Texas ranch. Had the Russian military forced down a US plane, then imprisoned and interrogated its crew, it is inconceivable that cordial relations would have resumed so fast.

To be clear, in spelling out the purposes behind Russian foreign policy we are not arguing that the country's citizens and leaders are cold-blooded calculating machines. The public does feel some regret at the loss of superpower status. Russian officials—like those elsewhere—do sometimes react emotionally or engage in short-sighted populism, and they are not always competent. Our point is that on major issues Russia's leaders have pursued a reasonably plausible conception of their country's interests.

If a close relationship between Moscow and Washington is unlikely in the next few years, in the longer run there are grounds for greater optimism. While its interactions with the US have shrunk in the last decade, Russia has, as it has grown richer, been gradually integrating into Europe, both economically and culturally. Because these changes are slow and un-dramatic, they have gone largely unnoticed. As it develops further, we believe Russia will, without losing its distinct identity, become even more European.

Since 1995, the number of Russians traveling to countries beyond the former Soviet Union has more than doubled. Russia's neighbors and trade partners have been the main destinations. In 2008, Russians made 39 times as many trips to Western Europe or Scandinavia and 19 times as many trips to China as they did to the US.⁵³ More and more Russians study

⁵² BBC News, "China paid \$34,000 over spy plane," August 9, 2001, <http://news.bbc.co.uk/2/hi/asia-pacific/1483201.stm>.

⁵³ Goskomstat Rossii, *Rossiisky statistichesky yezhegodnik*, 2009.

abroad—41,000 in 2008, according to UNESCO, up from 20,000 in 1999. Of these 41,000, 20,000 were at institutions in Europe, East or West. Only 5,000 were in the US.⁵⁴

Russians have been buying houses and apartments abroad. They spend an estimated \$10 billion on foreign real estate each year, although given the secrecy of many transactions the total could be much larger. According to the international realtor Gordon Rock, the five most popular destinations in 2009 were Bulgaria, Montenegro, Germany, Spain, and the Czech Republic. The US came sixth.⁵⁵ This does not represent just oligarchs buying Mediterranean villas. Realtors report also a considerable demand for cheap apartments around Berlin, Stuttgart, and London.⁵⁶

Although Russians do not necessarily consider themselves European yet, attitudes are changing. Asked with which countries Russia should cooperate most in its foreign policy, 50 percent in April 2010 said Western Europe, more even than said Ukraine, Belarus and the CIS. (Thirty percent said the US.⁵⁷) A majority—53 percent—said in 2009 that they would favor Russia joining the European Union if given the chance, compared to 21 percent who would oppose this and 27 percent who did not know.⁵⁸ Almost two thirds of members of the Russian middle class would like their children to study and work in the West, according to another poll, and more than one third would be happy if their children lived there forever.⁵⁹

These trends are likely to continue. Even if Russia's average growth rate slows to four percent, in ten years' time it will have broken into the income range of Western Europe's poorer

⁵⁴ Statistics from UNESCO at <http://stats.uis.unesco.org>.

⁵⁵ Gordon Rock, "Aktivnost rossiyan na rynke zarubezhnoy nedvizhimosti: itogi 2009 goda," February 10, 2010, http://gordonrock.ru/news/?tema=97&news_id=488.

⁵⁶ Svetlana Kononova, "The Russians Are Buying," *Russia Profile*, February 2, 2010.

⁵⁷ Levada Center poll, at www.russiavotes.org/security/security_trends.php#443, accessed July 21, 2010.

⁵⁸ Levada Center, *Obshchestvennoe mnenie 2009* (Moscow: Levada Center, 2009), p.176.

⁵⁹ The poll was conducted by the EU-Russia Center; see Maria Ordzhonikidze, "Russia and the EU on the Verge of a New Détente: Prospects for a Pragmatic Modernisation Partnership," May 20, 2010, www.eurussiacentre.org/eu-russiacentre-news/14th-maria-ordzhonikidze-secretary-general-eurussia-centre-spoke-seminar-eurussia-organised-association-european-journalists-spanish-branch.html

countries. It will be as rich as Portugal is today, and richer than New Zealand was in 2001. As the country develops, its middle class will continue to expand and integrate into Europe. At some point—although when exactly is impossible to predict—there will be a political turnover, a liberalization of institutions, and a serious effort to control corruption. Even as its trade with China increases, we believe Russia's cultural identity will become more solidly rooted in the West. Eventually, although not soon, the idea of Russia joining the EU may become a serious one.

In the short run, relations with Europe—especially Eastern and Central Europe—will involve conflict as well as mutual benefit. Integration creates reciprocal vulnerability and motivates a struggle over who will get the gains from trade. The energy market is the most obvious example. It is possible that clashes of economic interests will ignite a political crisis that will impede Russia's Europeanization. More likely, such conflicts will be managed successfully.

Even if, as we predict, Russia and the US do not develop a close partnership in the next decade, relations can still be constructive. A narrow relationship does not need to be a bad one, and the rhetoric of the last year or so suggests that both Medvedev and Putin would like the tone to improve. The main prerequisite—paradoxical as it might seem—is that the two sides recognize the limits of their shared interests. If those in Washington expect too much, frustrated hopes will once again lead to suspicion, new forays into psychoanalysis, and counterproductive overreactions.

Apart from the occasional burst of patronizing rhetoric, the Obama Administration has generally engaged Russia in a pragmatic way during the last two years. This has paid off in just the sort of limited but worthwhile progress one might have predicted—the new START treaty of April 2010, the deal permitting NATO shipments to Afghanistan across Russian territory, the Russian vote in the UN Security Council for sanctions against Iran. The matter-of-fact way in which Washington treated the discovery of a dozen undercover Russian agents in June 2010 was

very much in this mode. A few years earlier, such a discovery would have led to high-decibel denunciations, disrupting contacts for months.

Such pragmatism means accepting that the US can do little in practice to further Russia's democratization, and that attempts to do so often backfire. Continued growth and integration into Europe, while they certainly do not guarantee convergence, are the best hope for it. The more Russian elites are bound into European networks—through tourism, education, business partnerships, and social contacts—the greater will be their stake in cordial relations. For the EU, relaxing visa requirements for Russians to travel to Europe would accelerate the process. Pragmatism also means letting Europe take the lead in defining its own relationship with the power to its east.

For a superpower overstretched by the mission of solving global problems without imposing sacrifice on its citizens, such a recognition should not be unwelcome. Rather than seeking to cure Russia, the US in the next decade will need to deal with Russia—much as it deals with China, India, and many other states. The good news is that, on matters that are genuinely of mutual interest, Russia is ready to deal.