

**WHAT IS TO BE UNDONE?  
A RUSSIA POLICY AGENDA FOR THE  
NEW ADMINISTRATION**

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FOREWORD BY  
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THE NIXON CENTER  
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What Is to Be Undone?  
A Russia Policy Agenda for the New Administration

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# FOREWORD

America's relations with post-Communist Russia have posed a special intellectual challenge. Once the great ideological and moral contest with the Soviet Union was ended, and so successfully, many Americans tended to assume that Russia would, first of all, evolve easily into a democracy and, second, be a natural friend of the United States. Instead, U.S.-Russia relations have reverted to what is in fact more normal in history, namely a relationship between two major powers whose national interests sometimes are parallel and sometimes do not coincide, even if there are no bitter conflicts.

It should be possible to manage this relationship in the coming years, and to turn it into a positive contribution to international order. This requires of the United States that it have a clear sense of its own priorities—focused less on personalities and more on Russian actions, less on internal politics that we cannot affect and more on Russian foreign policies that affect us.

This is the contribution of The Nixon Center's report on Russia. Its recommendations, as well as its tone, are constructive even while being sober and realistic. It offers an excellent concise analysis of the recent problems in the relationship, as well as valuable proposals.

HENRY A. KISSINGER  
HONORARY CHAIRMAN  
THE NIXON CENTER

# INTRODUCTORY NOTE

This report represents a collaborative effort by members of The Nixon Center's Board and staff to outline a new American policy agenda toward Russia, both to ensure a decisive break from failed policies and to focus U.S. attention on changing priorities in our relations with Moscow.

We are most grateful to several members of the Center's Board of Directors who offered ideas and extensive comments for the report. They are: Robert Ellsworth, Vice Chairman of the Center and a former Deputy Secretary of Defense and U.S. Ambassador to NATO; Maurice R. Greenberg, Chairman of the Center and Chairman and CEO of American International Group; Henry Kissinger, Honorary Chairman of the Center and a former Secretary of State; Eugene K. Lawson, President of the U.S.-Russia Business Council and former Vice Chairman of the Export-Import Bank; James Schlesinger, Chairman of the Center's Advisory Council and a former Secretary of Defense and Secretary of Energy; and Brent Scowcroft, President of the Forum for International Policy and a former National Security Advisor.

Nixon Center Director Paul Saunders was the principal drafter of the report. Members of the Center's senior staff—including Geoffrey Kemp, Director of Regional Strategic Programs, David M. Lampton, Director of Chinese Studies, Peter W. Rodman, Director of National Security Programs, and myself—wrote sections of the report and made other substantive contributions.

Needless to say, since the report is the product of a group effort, each of the advisors and contributors does not necessarily agree with every word of the text.

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# EXECUTIVE SUMMARY

Russia's disturbing domestic evolution, and changes in the international system, have rendered America's recent agenda toward Russia increasingly obsolete. Defining a new agenda for U.S.-Russian relations requires a clearer definition of U.S. interests and priorities. The Clinton Administration's inability to do this led to failure and disillusionment. We identify four American priorities:

- to deter Russia from emerging as a spoiler in the international system;
- to limit Russia's role in the proliferation of weapons of mass destruction and other sensitive technologies;
- to discourage Russia from promoting instability in regions where vital U.S. interests are at stake; and,
- to develop an interest-based overall relationship with Russia that would give Russia a stake in cooperation, better serve both American and mutual interests, and encourage Russia to see itself as a part of the West.

In addition to a clearer sense of U.S. priorities, we need a fundamentally different policy approach, which would:

- avoid attempts to micromanage Russian domestic politics;
- seek to understand legitimate Russian interests and to respect them when they do not clash with vital American interests or principles;
- treat Russia like a "normal" country, whose role in the international system depends on its own progress and conduct rather than its status as a former superpower; and,
- strive to restore a bipartisan domestic consensus on policy toward Russia.

On this basis, this report makes eight recommendations for a new American agenda in relations with Russia. They are outlined in detail under the following headings:

1. **Preventing Russia's emergence as a spoiler: Russian-Chinese relations:** Avoiding, when possible, actions that push Russia closer to China or otherwise contribute to Russian participation in a group of states seeking to limit U.S. power must be among the Bush Administration's top priorities.
2. **Proliferation: what are the real dangers?** The U.S. should be very firm, but also discriminating, in responding to Russian proliferation. It should be harsh in dealing with concrete threats to the U.S. or regional stability but

less concerned about other proliferation such as sales of older conventional weapons.

3. **Arms control, national missile defense, and the ABM Treaty:** To the extent the U.S. has the technology, the money, and the domestic political will, it should be prepared to deploy national missile defense regardless of Russian views. Ultimately, a deal with Russia on the ABM Treaty is desirable but not strictly necessary; the same is true of further arms reduction agreements, which could be replaced by parallel unilateral reductions after an appropriate review of U.S. requirements.
4. **NATO enlargement:** While taking into account Russian preferences and the aspirations of potential members, the U.S. should make decisions on enlargement on the basis of what is best for NATO. Both Russia and potential members should be informed that provocative behavior will undermine their respective objectives.
5. **The Caspian Basin:** The U.S. should let commercial enterprises take the lead in establishing oil and gas pipeline routes in the region. More broadly, America should adopt a two-tiered policy—acknowledging Russia's legitimate interests while deterring its expansionist behavior, and maintaining friendly relations with other post-Soviet states without promising support we are unlikely to deliver.
6. **The Russian economy:** Since IMF endorsement of Russia's economic plans is required for Paris Club talks on rescheduling \$48 billion in Soviet-era debt to proceed, the U.S. should not oppose a stand-by credit. Russia must understand, however, that it will not attract significant foreign investment without living up to its financial obligations and conducting meaningful reform.
7. **Bilateral assistance programs:** The U.S. should reassess all assistance programs, including soliciting Russian perspectives, with a view to deciding which programs to eliminate quickly and which to cut more slowly. While most Nunn-Lugar programs should be continued, the strengthening of the Russian state suggests that Moscow should be expected to assume gradually increasing responsibility for the security of its nuclear materials.
8. **Broader dialogue:** Where the Clinton Administration focused on relations with the Russian government (and select figures within it), U.S. policy should seek a substantially broader dialogue with Russian society, opposition political groups, and others. At the same time, there should be no illusion—especially given the apparent nature of the Putin regime—that this approach will enable us to bypass the government or exert significant leverage over it.

# **WHAT IS TO BE UNDONE? A RUSSIA POLICY AGENDA FOR THE NEW ADMINISTRATION**

## **MOVING BEYOND THE TRANSITION AGENDA**

When the Soviet Union disintegrated, the United States was compelled to redefine its entire complex of policies toward Russia. Though some elements of the Cold War agenda—such as arms control—remained important, they had a different character in the new post-Cold War environment. Other components of American policy, like the global fight against communism, became largely irrelevant. New issues would form the backbone of this “transition agenda”: Russia’s efforts at political and economic reform and the problem of “loose nukes” were the most visible of these.

Today, however, it is increasingly clear that Russia’s transition is coming to an end. Though Russia has not fulfilled optimistic hopes—it is not democratic, pro-Western, or satisfied with the international status quo—neither has it lived up to apocalyptic fears of a return to communism, violent disintegration, or the anarchic proliferation of weapons of mass destruction.

As a result of Russia’s evolution and continuing changes in the international system, the transition agenda, too, is now increasingly obsolete. Nor is a retooled Cold War agenda any more useful: the era of global superpower rivalry has passed. Instead, it is time for the United States to develop a new agenda for the U.S.-Russian relationship. This twenty-first century agenda must be built from the ground up on a foundation of American interests and American priorities.

Notwithstanding predictions of Russia’s growing irrelevance, constructive relations with Moscow remain important to the advancement of significant, though sometimes contradictory, U.S. interests, including:

- preventing the emergence of any coalition of states aimed at limiting America’s ability to exercise international leadership or exercising even limited local, regional or global hegemony;
- limiting the proliferation of weapons of mass destruction, missiles, and other sensitive military technologies;
- maintaining stability in Europe and Asia;

- using the United Nations and other international organizations effectively to advance America's major international objectives;
- ensuring secure access to energy from the Persian Gulf and Caspian Basin;
- combating international terrorism;
- having Russia as a positive voice in international affairs; and,
- promoting political and economic reform in Russia in order to facilitate its integration into the global economy and the creation of internal checks and balances limiting aggressive international behavior.

Even now, Russia is capable of imposing significant costs on the U.S. in these areas.

## **WHAT ARE AMERICAN INTERESTS AND PRIORITIES?**

While the Clinton Administration correctly identified many of these diverse interests, it often appeared blind to the tradeoffs among them. This was perhaps most clear in the administration's decision to press for NATO air strikes on Yugoslavia at precisely the time that the alliance's formal (and relatively cost-free) eastward expansion took place. This combination of events confirmed to Moscow that America's repeated assurances that NATO would retain its defensive character were disingenuous.

The failure to define priorities also led to constant pressure on Russia from senior administration officials on an array of U.S. preferences on issues ranging from the composition of the Russian government to tax policy, religious freedom, Chechnya, and Iran and Iraq notwithstanding the administration's declaratory policy of engagement. Even the President and the Secretary of State seemed to take this hectoring laundry-list approach during summit meetings. Since Washington itself was unclear on what mattered most to the U.S., it should have been no surprise that Moscow was often unable to determine how serious the United States was in pursuing any given issue. The U.S. government wasted a considerable share of its limited political capital with Russia's leadership on less consequential matters. Taking into account the limits on American leverage vis-à-vis Russia, the Bush Administration must be careful how and when it exercises U.S. influence.

Establishing a hierarchy of priorities does not mean that issues relegated to lower levels of significance should be ignored. This is true for two reasons: first, the failure to mention such issues could lead to justifiable U.S. domestic criticism—and undermine any attempt to build a sustainable bipartisan policy in the process—and second, it could allow Russian leaders to assume that Washington's preferences can be safely ignored. A creative, multi-track approach to American diplomacy could

ensure that the effective communication of U.S. priorities to Moscow does not imply that nothing else really matters.

Because conditions are changing, attempting to engineer Russia's evolution or to protect its nuclear weapons are becoming as much goals of the past as preventing nuclear war and resisting Soviet expansionism. While all remain desirable, none can be the principal drivers of U.S. policy toward contemporary Russia. Instead, this report identifies four new priorities:

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**Taking into account the limits on American leverage vis-à-vis Russia, the Bush Administration must be careful how and when it exercises U.S. influence.**

- Structure the relationship with Russia, including through positive and negative incentives, to deter Russia from emerging as a spoiler using its ties with major states like China, India, and Iran, and former Soviet allies such as Iraq and North Korea, as well as its veto in the United Nations Security Council.
- Limit the proliferation of weapons of mass destruction or other sensitive technologies from Russia and protect Americans from the consequences of whatever proliferation might nevertheless occur through ballistic missile defenses or other means.
- Discourage Russia from promoting instability in Europe, Asia, the Middle East, and the Caspian Basin that could seriously threaten vital American interests.
- Build an interest-based bilateral relationship with Russia that would give Russia a stake in cooperation, allow the U.S. to work with Moscow to advance both mutual and strictly American interests, and encourage Russia to see itself as a part of the West.

## **A NEW APPROACH**

In addition to a clearer sense of American priorities, putting the U.S.-Russian relationship back on track will require a fundamentally different approach.

***BE LESS INTRUSIVE IN RUSSIAN DOMESTIC POLITICS***

While the U.S. would benefit from particular political and economic changes in Russia, further intrusive American involvement in Russia's transition simply will not work. U.S. advice no longer has even the limited impact on Russian society that it had in the early 1990s. The negative impact of the Clinton Administration's advice in many cases should also contribute to a sense of humility.

Extricating the United States from Russian domestic developments will help eliminate the pretense about the "progress" of Russia's transformation and the impulse to romanticize the leaders who happen to be in power. The Clinton team's strong support for Yeltsin and his allies—almost without regard to their conduct—often seemed to put the Russian regime's political survival ahead of democracy, real reform, and even truth. This was evident in the administration's celebratory reaction to Yeltsin's October 1993 tank attack on the Supreme Soviet, the bloody intervention in Chechnya from 1994 to 1996, the questionable "loans for shares" privatization in 1995, and Yeltsin's disturbingly undemocratic re-election campaign tactics in 1996. Despite all these developments, the Clinton Administration continued to support Boris Yeltsin through rhetoric, bilateral programs, and heavy pressure on the IMF, other international financial institutions, and American allies.

Within Russia, American support for the deeply unpopular Yeltsin and his political and business allies discredited the United States and raised questions about its motivations. "Why would Washington support so visibly leaders who have presided over our country's destruction?", many Russians clearly wondered. Other aspects of the Clinton policy—NATO military intervention in the Balkans and U.S. efforts to reduce Russia's role in transporting oil and gas from the Caspian Basin—contributed to a

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sense that contrary to American rhetoric, the U.S. wanted to keep Russia weak. In fact, 81% of participants in a 2000 State Department-sponsored poll in Russia agreed with the statement that the U.S. was exploiting Russia's weakness to ensure that it remains a "second-rate power." Many believe that Washington was in

essence paying off the Russian president's corrupt inner circle with IMF money in exchange for symbolic concessions and lavish praise. Russians see the relationship as depriving Russia of a meaningful role in world affairs or even on its own periphery.

### ***REESTABLISH MUTUAL RESPECT***

The United States should seek to understand legitimate Russian interests and respect them when they do not clash with vital American interests or principles. And instead of paternalistic indulgence, American leaders should also make clear what the U.S. expects from Russia and use appropriate leverage to ensure that Washington's preferences are taken seriously in Moscow.

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**Only Russia can win itself a prominent place in the community of nations.**

At present, Russians are deeply frustrated with what they view as American global arrogance. For instance, U.S. actions in Yugoslavia (and so-called humanitarian interventions more broadly), NATO enlargement, sanctions policy, and unwelcome advice to Russia and others on human rights and economic matters have been taken as evidence of American unilateralism if not bullying. This has contributed to a Russian public perception that the U.S. seeks to dominate the world, a view expressed by 85% of respondents in a spring 2000 State Department survey.

The previous administration's perceived failure to respect Russian perspectives convinced many Russians that the benefits of accommodating U.S. preferences were minimal. Yet, by the same token, the Clinton Administration's unwillingness to be really tough on Russia when key American interests were at stake—as in the case of Russian provision of nuclear and other sensitive technologies to Iran—allowed Russian leaders to believe that the costs of failing to accommodate the U.S. were also low. Under these circumstances, there is no incentive for Russia not to pursue an assertive foreign policy to advance its own interests with only limited attention to Washington.

### ***TREAT RUSSIA LIKE A NORMAL COUNTRY***

The Bush Administration should communicate to Moscow that like other states its role in the international system depends principally on its own internal and external behavior. Only Russia can win itself a prominent place in the community of nations; to do so, Moscow must establish power by developing its economy and earn respect through its conduct. From this perspective, Russia's inclusion in the G-7 as a political consolation prize was on balance a mistake, though Russia's sense of membership in the club might have had some benefits. Nevertheless, Russia is neither economically advanced nor a democracy, and its presence in the G-8 fundamentally alters the character of a group deliberately created to be exclusive rather than inclusive.

Now that Russia is already in the G-8, however, its removal would be very difficult and would also come at a cost. At the least, however, the G-7 should give priority to their common business—the agenda of the Western democracies and Japan—and reduce the proportion of G-8 activity.

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its deliberations at all.

Russia should be made to understand that its future democratic evolution and foreign policy compatibility with Western interests and values will determine whether it can ever really become a full-

Whichever direction Russia takes, the U.S. should avoid the counterproductive practice of idolizing or demonizing Russia's leaders. In the specific case of President Vladimir Putin, it is much too early to make definitive judgments. Moreover, while some steps taken by his government have been discouraging, the Russian president himself seems to be a pragmatist prepared to adapt when his strategy for dealing with a given issue is not working. This is another reason to concentrate on the incentives created for Russia by U.S. policy.

***A BIPARTISAN RUSSIA POLICY***

The new administration should strive to formulate a genuinely bipartisan policy toward Moscow. However, it must be a principled and effective policy rather than an incoherent policy in the name of bipartisanship. Russia is too important to be approached on the basis of the lowest common denominator.

A less intrusive approach to Russia's internal transition would also help to remove it from play as an American domestic political issue. Russia's troubled evolution took on political significance not because of a false "who-lost-Russia" debate but much earlier, as a direct result of the Clinton Administration's overly deep engagement in what should have been Russian policy decisions and subsequent attempts to claim credit for Russia's achievements and disavow its problems. The new administration should resist the temptation of constant commentary on Russia's progress.

One challenge to a sustainable policy will be the fact that the Clinton Administration's vocal endorsement of the illusion of Russian democracy has made Russia's increasingly assertive conduct hard for most Americans to understand. The administration's regular self-congratulation for Russia's economic progress similarly ensured that the 1998 financial

crisis, the 1999 Bank of New York money-laundering scandal, and Russia's current modest recovery each had a disproportionate impact on American perceptions. This distorted picture of Russia is likely to complicate any effort to build a political constituency in favor of constructive relations with Russia. Most Americans have probably given up on Russia. Business leaders remain deeply skeptical about investing in the country and are unlikely to change their views in the absence of substantial Russian reforms. In the policy community, many who earlier seemed to see only good in Russia's transformation now appear thoroughly discouraged.

Making the new U.S. policy toward Russia coherent, effective, and credible will require careful personnel decisions as well. A major debate on Russia policy has been underway since the collapse of the USSR and it would be wise to rely on those whose records over the last ten years can justify confidence in both their judgment on Russia and their commitment to a truly new policy. There are more than enough experts who satisfy this criterion—including Republicans and Democrats—to allow the new administration to assemble a very strong team on this basis.

## **THE NEW AGENDA**

The following eight recommendations should form the core of the new agenda for the U.S.-Russian relationship.

### ***PREVENTING RUSSIA'S EMERGENCE AS A SPOILER: RUSSIAN-CHINESE RELATIONS***

Avoiding unnecessary actions that push Russia closer to China or otherwise contribute to Russian participation in a group of states seeking to limit U.S. power must be among the Bush Administration's top priorities. Vital American interests could be seriously damaged by even a temporary, *ad hoc* coalition of such disgruntled states.

There are objective limits to Sino-Russian cooperation including a deep legacy of mutual suspicion. Also, both countries pragmatically realize that the U.S. is more important to each of them than they are to one another. For America, it is essential to ensure that this calculation endures.

To the extent that Russian and Chinese fears of American "hegemony" are a factor in their present collaboration, this is another reason for the U.S. to tread carefully in the area of humanitarian interventions when none of its vital interests or fundamental American values, such as the prevention of genocide, are at stake.

In addition, Russian transfers to China of advanced weapons and military technologies must be raised higher on the list of U.S. concerns with Russia, as must the flow of Russian specialists to China. This is so not only because they assist China's development of a potential capability against America's military power in the Asia-Pacific region, but also because they may facilitate further proliferation from China. More generally, in structuring American relations with China, the U.S. should be careful not to pursue policies that may inadvertently encourage Beijing to rely more heavily on Russian military equipment and technology.

Finally, as a general matter, while being attentive to the implications of Sino-Russian cooperation, the U.S. should not be seen as according it the strategic weight Moscow and Beijing would like it to possess. Too-visible American concern over a Russian-Chinese entente might only further tempt the parties to exaggerate their leverage.

### ***PROLIFERATION: WHAT ARE THE REAL DANGERS?***

It is no longer an insight to suggest that the end of the Cold War may have made the actual use of nuclear weapons or other weapons of mass destruction (WMD) somewhere in the world more likely rather than less. The new administration must do better than its predecessor in discouraging Russian nuclear, advanced military, and dual-use technology transfers, whether formally authorized by the Kremlin or not. In general, the U.S. should be very firm but also discriminating; that is, it should be harsh in dealing with concrete threats to the U.S. or regional stability, though less concerned about conventional weapons sales, especially in the case of older weapons also available from non-Russian sources. By displaying greater flexibility, this differentiated approach would address Russian resentment of perceived efforts by the U.S. to exclude Moscow from international arms markets. Nevertheless, Russian arms or technology transfers that produce real threats to vital U.S. interests should be a "deal breaker" in the relationship.

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number of important and potentially Moscow should understand that any restrictions applied to U.S. technology may have to be implemented across-the-board rather than against suspected violators alone. Of course, any restrictions imposed

The United States has more leverage than it has used to induce Russia to halt its assistance to Iran's missile and nuclear development programs, especially due to Russia's interest in cooperating with American companies on a

lucrative technology projects.

must be coordinated with U.S. allies to ensure that they are effective and that they do not put American firms at a competitive disadvantage. Finally, Russia should be told in unambiguous terms that continued support by Russian entities for the Iranian missile program not only hastens the day when Iran can deploy long range missiles, but also lends greater urgency to national missile defense (NMD) in the U.S.

***ARMS CONTROL, NATIONAL MISSILE DEFENSE,  
AND THE ABM TREATY***

Protecting the American people against nuclear or other WMD attacks is a vital U.S. interest. Therefore, to the extent the U.S. has the technology, the money, and the domestic political will, it should be prepared to deploy NMD regardless of Russian views. Still, there is no reason to create a diplomatic crisis before we know what we want to deploy and when we will be able to do it. Thus, at this early stage, contacts with Russia are appropriate to further understand the Russian position and give Russia a sense that the U.S. respects its concerns. Indeed, U.S. NMD plans are not directed against Russia.

Both Richard Nixon and Henry Kissinger, architects of the ABM Treaty, declared forthrightly during the 1990s that the Treaty had served its purpose and should not stand in the way of protecting vital U.S. interests now that the Cold War was behind us. Similarly, Russia must understand that attempts to launch a “peace offensive” in Europe or agitate China are counterproductive. For the U.S., a deal with Russia on American deployment of NMD is desirable but not strictly necessary; the U.S. should not repeat the mistake of NATO enlargement by attempting to obtain Russian approval of something that is perceived to be at odds with Russian interests. Only Russian acquiescence is necessary.

Still, the U.S. has many reasons to prefer an overall understanding with Russia to unilateral U.S. withdrawal from the Treaty. A unilateral withdrawal would be difficult to manage diplomatically, whereas a deal with Russia on Treaty amendments would pacify our European allies and help the U.S. to manage Chinese opposition.

Pushing missile defense forward has already provided us with useful leverage that led Russia to try to engage North Korea in restraints on its missile tests. As suggested above, it might be similarly useful to induce Russian restraint vis-à-vis Iran. In any case, any appearance of backing off from missile defense will forfeit much of this political leverage.

Talks with the Russians could usefully attempt to draw them back to the accord on limited NMD that Presidents Bush and Yeltsin achieved in 1992 (quickly scrapped by the Clinton Administration). President Putin’s recent

overtures on theater missile defense (TMD) for Europe and Asia, while questionable in intent, could be used to carve out more U.S. freedom of action on TMD. In exchange for more freedom for NMD and TMD, the Russians may accept a payoff in deeper cuts in offensive systems; this is

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a good approach so long as the ceiling is not reduced so far that it creates an incentive for China to expand its own offensive forces. However, the U.S. should commit to new cuts in offensive systems only after a comprehensive review of its strategic posture.

because of its provision for verification, the United States should be prepared to pursue parallel unilateral reductions in its strategic nuclear forces after a review of U.S. requirements. For the foreseeable future, economic pressures are likely to drive Russia to continue to reduce its strategic nuclear arsenal; Russia's failure to implement serious military reform, also partly attributable to economic forces, has a similar impact. But as a result, Russia relies more heavily on tactical nuclear weapons.

Although a START III or other formal bilateral agreement would be preferable, primarily

### *NATO ENLARGEMENT*

Washington should avoid giving Moscow the sense that it has a veto over NATO enlargement or that Russia's earlier resistance to enlargement has successfully intimidated NATO. On the contrary, the U.S. should explain that heavy-handed Russian behavior will only accelerate the timetable for any new potential members. The U.S. must simultaneously communicate to potential members, such as the Baltic States and Ukraine, that provocative conduct vis-à-vis Russia or Russian ethnic minorities will only complicate their hopes for membership.

Ultimately, while taking into account Russian preferences and the aspirations of potential members, the U.S. should make decisions about enlargement on the basis of what is best for NATO. Thus, as NATO prepares for its 2002 summit—at which the allies are committed to decide on further enlargement—we should consider not only the internal progress that aspirant countries will or will not have made by that date, but also our vision of NATO's strategic objectives. NATO is not just a friendly club of democracies; it is a military alliance for strategic purposes.

In northeastern Europe, the strategic problem is protecting the Baltic States from Russian pressures. This is a contingency that NATO neglects at its peril, and NATO membership must be a live option. But an interim step that might be considered (without closing the door on eventual membership) is a declaration of NATO's stake in Baltic independence, on the model of NATO's "Charter" with Ukraine—short of an Article V commitment but a security umbrella nonetheless. Similarly, while integration of the Baltic States into the European Union is not a substitute for NATO membership and is also of concern to Russia, it may prove to be a useful transitional measure in anchoring the region to the West. The deployment of Russian nuclear weapons in Kaliningrad, if confirmed, is another concern; it would affect not only Baltic security but also arms limitation arrangements in Europe, including the premises of the reassurances given by NATO at the time of its enlargement.

In southeastern Europe, the strategic problem is not Russia but generic stability. Before expanding NATO into this region, NATO should be sure of its strategy, the military commitments it is prepared to make, and how NATO membership will further its strategic goals.

Finally, the new administration should review the relationship between Russia and NATO established by the Founding Act in 1997. The inherent ambiguity of the Clinton Administration's "voice but no veto" formulation of Russian participation in alliance deliberations—which each side predictably interpreted in the manner most suited to its interests—contributed significantly to Russian outrage over the Kosovo campaign. Cooperation between NATO and Russia is desirable, but should take place on a basis less prone to misunderstanding.

### ***THE CASPIAN BASIN***

An honest evaluation of American interests in the Caspian Basin region suggests that although it is an important area for the United States, it is certainly not vital, whereas for Russia (and Iran) it is. Current U.S. policy toward the Caspian energy projects has been characterized by a short-sighted effort to dilute Russia's control over energy export routes and to deny Iran oil and gas routes from the Caspian as well as participation in Caspian development schemes while promoting trans-Caspian oil and gas pipelines that bypass Iran and Russia. Continuing this two-pronged exclusionary effort is likely to drive Moscow and Tehran into even closer cooperation. Ironically, by blocking alternatives to the Baku-Ceyhan pipeline, the U.S. has also weakened states in the region that could benefit from other routes. As a result, some may be more rather than less vulnerable to Russian (or Iranian) pressure.

On the issue of pipeline routes the U.S. does face genuine dilemmas.

Cooperation with Russia to crack down on Islamic extremism in Afghanistan and Central Asia goes against previous (though only partly successful) U.S. policy of nurturing independence and democracy in the former Soviet republics. Yet challenging Russia in a region it regards as

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**The time for financial assistance from the International Monetary Fund and other international financial institutions has passed.**

vital may spur Russia to play a less constructive role in the Persian Gulf, a region vital to U.S. interests. However, the experience of the last ten years suggests that (with the possible exception of Tajikistan), the post-Soviet states of the Caspian Basin and Central Asia have become sufficiently stable

to remain independent absent a substantially more aggressive Russian policy. The U.S. should adopt a two-tiered policy: first, by acknowledging legitimate Russian interests in the region while deterring expansionist behavior, and second by maintaining friendly relations with other post-Soviet states in the region without promising support that America is unlikely to deliver.

Ultimately, the best approach to the pipeline problem is to let commercial enterprises take the lead. The U.S. has three principal interests with respect to pipelines: that they provide secure access to the region's energy resources (which makes multiple pipelines desirable), that they are commercially viable, and that American firms are permitted to take part in fair competition over their construction and operation. Since energy firms are unlikely to invest billions of dollars in multi-year projects that they do not expect to be secure and profitable, the American government's role should be limited to attempting to ensure a level playing field for U.S. companies. Once pipelines have been constructed, the U.S. may have an interest in expressing its commitment to the safe and politically independent operation of particular routes—though this will depend to a great extent on the routes developed and the quality, quantity, and eventual destination of the oil and gas that flow along them.

***THE RUSSIAN ECONOMY***

Despite registering 7.6% growth during 2000, the Russian economy remains deeply troubled and, in the absence of major changes, present growth rates are unlikely to be sustainable. Nevertheless, the time for financial assistance from the International Monetary Fund and other international financial institutions has passed. The credits provided have served at best to finance questionable policies of the Russian federal government and at worst to subsidize the foreign bank accounts of Russia's crony capitalists and reckless foreign speculators. Neither

outcome serves American interests. Some senior Russian officials have indicated that they are not interested in further credit packages; until either Russia's economic conditions or other international circumstances change, they should be taken at their word.

Still, since IMF endorsement of Russia's economic plans is required for Paris Club talks on rescheduling \$48 billion in Soviet-era debt to proceed, the U.S. should not oppose a stand-by credit. Beyond that, however, taking into account the Central Bank's \$28 billion in currency reserves, Russia's high trade surplus (over \$60 billion in 2000), and Moscow's considerable expenditures on the ongoing war in Chechnya, American pressure for further debt rescheduling is not appropriate. Because the U.S. holds only some \$3 billion of the total debt it is not in a position to play the leading role in these discussions. America should, however, be an active participant in the negotiations to ensure that whatever arrangement is made is non-discriminatory in its results. Also, the U.S. should ensure that Moscow entertains no illusions about the consequences of a unilateral failure to meet its Paris Club obligations for both Russia's credit rating and its ability to win foreign investment.

Taking into account that substantial new credits from international financial institutions are unlikely, U.S. officials must communicate to Russia that it will have to rely upon its own resources for development and that there is no practical substitute for foreign investment. These funds in turn will be available only after a meaningful (rather than selective) campaign against corruption, serious reforms of the judicial system, the banking system, and corporate governance and a sharp increase in transparency. So long as Russia's massive capital flight continues to demonstrate that Russians themselves are unwilling to invest in their country, significant foreign investment is unlikely. Also, as a practical matter, Russia's leaders should also be informed that internal repression as well as military actions such as Moscow's intervention in Chechnya harm Russia's image and discourage investment.

Though the U.S. should generally wind down bilateral assistance programs (see below), the new administration should be prepared to consider providing financing through the Export-Import Bank and the Overseas Private Investment Corporation. However, money should be made available for these purposes only within each institution's established procedures and in the context of broad improvement in the U.S.-Russian relationship. If such improvement occurs, the U.S. should also be prepared to consider further measures to encourage American investment in Russia.

The new administration should convey clearly to Russia that the United States supports Russian membership in the World Trade Organization in

principle, but that Russia (like China) can win membership only on economically viable terms. The U.S. should not repeat the mistake of Russian membership in the G-7 by using the WTO as a political reward.

Overall, American and Russian officials alike should recognize that the U.S. cannot help Russia in spite of itself. If Russian decisions foreclose or sharply limit the country's integration into the international system, the U.S. must accept Russia's course but should not subsidize it.

### ***BILATERAL ASSISTANCE PROGRAMS***

Though U.S. aid to Russia has rarely matched American rhetoric, the new administration should begin to phase out bilateral assistance to Russia as we move away from the transition agenda. A thorough assessment of assistance programs—with a view to deciding which programs to eliminate quickly and which to cut more gradually—should be an early priority. As a part of this process, the administration should consult Russian officials to determine which programs they consider most useful. Of course, it is important that reductions in assistance are framed positively; hopefully this could be done through a transition to U.S. efforts to facilitate investment in Russia. This depends to a considerable extent on Russia's progress on essential reforms, however.

As a general matter, it seems difficult to justify continuing most current assistance programs indefinitely, though exchange programs should continue on a basis comparable to programs established with other key states, as should technical assistance programs specifically requested by Russia that remain useful to the U.S. The Defense Department's Cooperative Threat Reduction, or Nunn-Lugar, programs (and related Energy Department programs) may be another exception; however, changing conditions in Russia suggest that the U.S. should contemplate reductions here as well. At a minimum, the administration must carefully review each component of these efforts to ensure that they are appropriate to the new environment in Russia. President Putin's strengthening of the state, the greater role of Russia's security services, the country's increased stability, and the declining risk of civil war reduce the priority of American assistance to secure Russia's nuclear and WMD arsenal. Instead, Kremlin decisions on transfers of nuclear technology and even some advanced conventional weapons and technologies are likely to be more significant for U.S. interests.

### ***BROADER DIALOGUE***

In order to overcome the mistrust generated among many Russians by the Clinton Administration's excessive support for Boris Yeltsin and certain members of his entourage, the new administration should make a major effort to promote a broader dialogue with Russian society, various political groups, business leaders, and others. Some existing programs have been useful, such as the Russian Leadership Program managed by the Library of Congress, which has brought thousands of Russia's emerging political leaders to the United States. Regrettably, the benefits of such efforts have often been overshadowed by the damage done by the previous administration's selective political contacts. The new effort at dialogue should include all responsible parties in the Russian political system. The absence of serious official contacts with Russian opposition parties has undermined America's understanding of Russia and the effectiveness of U.S. policy.

Nevertheless, we must be realistic about the impact of such engagement, especially while President Putin remains popular and his regime is strong. For example, support for "society" or non-governmental organizations that seems to be directed against the Russian government is likely to work against those we support rather than the regime. In a semi-authoritarian country where anti-American sentiment is increasingly common, the U.S. government cannot hope to mobilize elements of Russian society, let alone the society as a whole, toward objectives opposed by the Kremlin. Thus, while disappointment with Russia's domestic evolution has led many to emphasize contacts with Russian society as an alternative to the previous preoccupation with the Yeltsin government, such efforts are no panacea. Russian society today is too demoralized, too divided, and too alienated from the United States to be a driving force in the U.S.-Russian relationship.

After almost ten years of painful transition from Communism there are no simple answers in dealing with Vladimir Putin's Russia. Still, there is no cause for pessimism. While an intimate U.S.-Russian partnership is hardly a possibility any time soon, America's power and international standing make successful management of the relationship possible and, with the right set of policies, even likely.