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An AGENDA for RENEWAL

U. S. - RUSSIAN RELATIONS

A Report by the
Russian and Eurasian Program
of the Carnegie Endowment
for International Peace

The Chance *for* Renewal

As the incoming U.S. administration formulates its foreign policy, it will find that no issue area could more greatly benefit from a fresh look than U.S.-Russian relations. Since 1991, Americans have projected unrealistic hopes and fears on Russia, almost guaranteeing periodic disappointment and confusion. Russians have been riding their own roller coaster of views about U.S. intentions. With new leadership in both countries, there is clearly an opportunity to build a new relationship, one based on today's realities rather than yesterday's expectations. To stimulate this process of revision and rebuilding, the Russian and Eurasian Program of the Carnegie Endowment has prepared *An Agenda for Renewal*. The report reflects the deep commitment that the Endowment has made since the early 1990s to the study of Russia and the advancement of U.S.-Russian relations, a commitment rooted in the belief that a productive, cooperative relationship between the two countries is possible and geostrategically essential. The experts who make up the Washington end of the Russian and Eurasian Program are as diverse as they are distinguished, both in their areas of expertise and in their views. This report embodies that diversity; it is a set of strong opinions and strong ideas built on a deep knowledge base. The theme of the report is renewal. It is not based on some feel-good optimism about Russia's future or the ability of the two countries to see eye-to-eye on every matter. It proceeds rather from a measured assessment of the terrain, pointing to significant areas of present and potential common interest. I do not expect that readers will find themselves in agreement with every recommendation herein. I do believe, however, they will find this report an invaluable framework for discussion, debate, and policy making.

Jessica T. Mathews
President
Carnegie Endowment for
International Peace

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Executive Summary

A decade after the end of the Cold War, U.S.-Russian relations are less friendly and close than many Americans hoped they would become after the demise of Soviet communism and the breakup of the Soviet Union. Many areas of disagreement exist between the two countries—from U.S. plans for a national missile defense to Russian nuclear exports to Iran. Yet despite the tensions, the United States and Russia are on fundamentally different, and better, terms than the United States and the Soviet Union ever were. With the current leadership transition in the United States and the recent one in Russia, U.S.-Russian relations are moving into a new period. One cannot talk of a "clean slate," as much of what has complicated relations in the recent past—from Russian misuse of International Monetary Fund (IMF) credits to NATO expansion—is still very much on people's minds. But the leadership transition in both countries—coincident with the start of a new century—represents a potentially critical juncture in what is arguably still the most consequential bilateral relationship in international politics.

The new U.S. administration will confront a Russia at a crucial stage of its own history. Vladimir Putin, Russia's forceful but still opaque president, manifests the complexities and contradictions of Russia's entire post-communist path. On the political front he is centralizing power and weakening Russia's already shaky democratic institutions. Yet on economics he has assembled the most pro-reform team since the start of the 1990s and has already pushed through some ambitious market-oriented reforms. In foreign policy he seeks a more independent, assertive role for Russia while trying to come to terms with the sobering reality of the weakness of the Russian military and the need to maintain a positive relationship with the West. Despite the startling shrinkage in Russia's economic, political, and military weight in the past ten years, Russia still matters very much to the United States. This is true not just because of manifold issues relating to nuclear security but also because of Russia's role in matters ranging from the future of NATO and European security to the new challenges arising in Central Asia and the Caucasus.

As it seeks an appropriate framework for its Russia policy, the new administration should eschew the temptation just to continue the policy status quo or to shift to a more limited, "black-box" conception of Russia as merely a bundle of security problems. Instead it should pursue an agenda for the renewal of U.S.-

Russian relations. This policy should aim at the consolidation of a cooperative, productive relationship based on the significant confluence of interests between the two countries, and it should affirm a long-term vision of Russia's integration into Western economic, political, and security structures. Implicit in this approach is placing a significant value on the U.S.-Russian relationship and not sacrificing it for the sake of special issues that arise, based on a misguided assumption that Russia will always end up falling into line no matter what the United States does.

The core of a policy of renewal must be bold steps in the security domain, to break away once and for all from Cold War habits and mindsets. Simply stated, the U.S.-Russian nuclear relationship must be put on a new footing, one that does not assume mutual enmity. Our recommendations in this domain include:

- Augment the traditional, bilateral arms control treaty framework with a broader agenda, including unilateral steps to reduce nuclear arsenals and enhance cooperation on strategic stability and threat reduction;
- Replace the Cold War hair-trigger operational deterrence posture, thus reducing the danger of an inadvertent nuclear strike;
- Double the resources allocated to the dismantlement of Russian weapons systems and the prevention of the proliferation of weapons and fissile materials from the former Soviet Union;
- Sustain the Anti-Ballistic Missile (ABM) treaty unless the missile threat environment changes substantially;
- Refrain from extending NATO membership to states on the territory of the former Soviet Union before 2005; and
- Shift away from reflexive rivalry to real cooperation with Russia in Central Asia and the south Caucasus, including the adoption of a genuine "multiple-pipeline" policy on Caspian oil.

At the same time that it revitalizes and advances the security agenda with Russia, the new administration should revise and strengthen its support for Russia's domestic transformation. American expectations about the speed and ease of Russia's attempted transition to democracy and market economics were clearly unrealistic in the initial years after the end of the Cold War. Yet the goals are the right ones for Russia, so the United States should now reaffirm a commitment to

helping Russia achieve these goals and reshape U.S. support to fit the current context. Among the steps we recommend:

- Sharpening U.S. diplomatic efforts to support democracy in Russia and greatly increasing U.S. democracy assistance to the country;
- Focusing an enlarged democracy assistance effort on Russian society rather than the Russian government, with programs that give Russians a greater role in design and implementation and that stress exchange and education;
- Deemphasizing IMF support for Russia's economy and focusing on increasing trade and investment in Russia, such as through efforts to encourage Russia's entry into the World Trade Organization;
- Revitalizing rule-of-law assistance to Russia, by focusing on the challenge of helping turn law-on-the-books into law that is reliably enforced in practice; and
- Undertaking a special initiative to support the renovation of Russian higher education.

These two halves of a policy of renewal will necessarily involve different institutions and tools and will move at different speeds. The security issues are of undeniable urgency and consequence. Russia's political and economic evolution is inevitably a very long-term process and one in which the United States' role will be modest. Nevertheless, the two halves of the policy are mutually reinforcing. In the years ahead, America's many security concerns with respect to Russia will find real resolution only to the extent that Russia achieves a healthy, well-functioning economy and a stable, deeply rooted democracy.

A policy of renewal will require significant American leadership, engagement, and initiative. And this must occur at a time when issues of great importance from other regions all demand high-priority attention. It will also require not only a sustained vision of the long-term goal but a clear sense of priorities along the way. As differences and tensions arise between Russia and the United States, as they will, the United States must pursue its interests forthrightly. At the same time it must treat policy differences as predictable elements of a complex relationship, not crises that call into question the overall nature and value of the relationship. Finally, a policy of renewal must be built on a rediscovery of bipartisanship on policy toward Russia. More than almost any other major area of U.S. foreign policy in recent years, Russia policy has been subject to partisan infighting that does little to contribute to the advancement of America's core interests.

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SECTION I

A Critical Juncture

New Presidents, New Start

For the first four decades after World War II, the Soviet Union was the principal enemy of the United States. The combination of Soviet military power and communist ideology presented a serious threat to the security of the United States and its allies around the world—a threat to which the United States rightly responded with a policy of containment. With perestroika, glasnost, and then the breakup of the Soviet Union, all that changed. The power, ideology, intentions, and interests of a newly independent Russia were dramatically different from those of the Soviet Union. The hope arose in the United States in the early 1990s that Russia could move quickly from foe to friend. Building on the foundations established by the Bush administration, the Clinton administration engaged Russian President Boris Yeltsin on many fronts. President Clinton and his aides spoke grandly about Russia becoming a strategic partner of the United States.

Throughout the 1990s, U.S.-Russian relations were fundamentally different, and better, than before. Yet the path was rocky and seemed to get rockier as the decade ended. Russia's efforts to move rapidly toward a market economy and a democratic political system ran into frequent obstacles, highlighted late in the decade by the Russian financial crisis of 1998, the decline of Yeltsin's governance, and his resignation leading to the arrival to power of President Vladimir Putin, a former KGB colonel of uncertain democratic character. Though the United States and Russia developed important cooperation on some issues in nuclear security, the two nations were unable to make significant progress on reducing their nuclear arsenals beyond the second Strategic Arms Reduction Treaty (START II) or on moving past a strategic relationship rooted in mutual nuclear deterrence. Other U.S. interests and actions—such as the expansion of NATO and intervention in Kosovo—intruded with regularity onto the agenda of U.S.-Russian relations, reminding the Russians that they no longer had a guaranteed top place in the overall U.S. policy framework.

By the end of the decade a sense of discouragement and doubt had set in on both sides. Talk of a strategic partnership was long past; the theme of debates in the United States was often instead the catchy but misleading question, "Who

lost Russia?" In Russia, politicians and commentators played up the idea of a new Russian drive to resist American hegemony. The American presidential campaign shed heat but little light on the subject. U.S.-Russian relations fell into the maw of partisan, campaign-driven debates; exaggerated attacks on the Clinton administration's policies were met with overstated defenses.

With the U.S. presidential election now past, a new juncture is at hand. In the months ahead a new U.S. president and a Russian president in office for less than a year will seek to develop a relationship. One cannot talk of a "clean slate" in U.S.-Russian relations. The slate is deeply etched with the legacy of events, mindsets, and misunderstandings from recent years and earlier times as well. Nonetheless, the new juncture is real and the incoming U.S. administration will face important choices about the structure and substance of U.S.-Russian relations.

In making these framework choices, the new administration must avoid two mistakes. First, it must not shift to a conception of Russia, and U.S.-Russian relations, as a mere bundle of security problems. Resorting to "black-box" thinking about other countries—a near-exclusive focus on their external behavior—is perhaps an understandable reaction to the complexities and frequent disappointments of the post–Cold War era. Yet it is an incorrect, unrewarding approach, above all with Russia. The United States has manifold security issues and interests at stake with Russia, but these must be addressed as part of a policy based on a broader vision of Russia's domestic transformation and integration with the West.

Second, the new administration must not simply continue the policy of recent years, either out of an unwillingness to reflect critically on the recent past or a reluctance to devote the time and energy to find better policies. Many of the specific elements of U.S. policy toward Russia, from efforts to promote market economics to attempts to reduce nuclear weapons, have been based on ideas and assumptions that do not necessarily hold up in this new context. Updating these ideas and assumptions is critical to finding the right way forward.

The Russian Context and Perspective

Throughout the 1990s, Western observers projected manifold hopes, fears, expectations, and judgments on Russia, often obscuring the real Russia from view. This tendency first took shape with the early, enthusiastic American view of Russia as a fertile ground for rapid Westernization, in effect a chance for America to remake Russia in its own image. As contrary, often murky Russian realities reasserted themselves, the Western commentary on Russia diversified but still

reflected a tendency to talk about Russia in terms of what Westerners think it should be rather than what it is. We do not attempt here a comprehensive assessment of post–Cold War Russia's first ten years, but we outline briefly where Russia is today and where President Putin appears to be trying to take his country.

Although intensive speculation continues inside and outside Russia as to Putin's intentions and capabilities, a complex dualism is already evident in his rule: on the political side he is centralizing power and even reversing democratic reforms, while on the economic side he is reenergizing reforms. On the political front, Putin has not ruptured the basic democratic constitutional framework that governs Russian political life nor engaged in wholesale abridgments of rights and liberties. Yet his dubious attachment to democratic norms is now evident, and he has set about weakening all major sources of power independent of the executive branch. This rollback is evident in his taking back of power from the regional governors, his attacks on independent media, and his challenges to Russia's business oligarchs.

Putin is not only following his own instincts in this political quest, he is responding to the strongly felt desire of many Russians for a greater degree of order and coherence in Russian public life. If Russia was a wobbly democracy under President Yeltsin, it is now in the gray zone between democracy and authoritarianism. The timing and likely direction of its exit from this gray zone will become evident only once Putin makes clear what political lines he will draw and what lines he will cross in his effort to build a strong state and a state of law. And of course, the uncertain actual capacity of President Putin and the state apparatus he commands to effect the changes he seeks is also a factor.

On the economic front Putin has surprised many observers. He has assembled the most pro-reform team in the government since the early 1990s. This team already has some accomplishments, including a major tax reform package and a balanced budget. By early 2000 the economy was starting to recover from the 1998 financial crisis, with the devaluation of the ruble and higher oil prices greatly ameliorating Russia's fiscal situation. The new set of reform measures may give further strength to this recovery. Economic growth for 2000 is projected at 7 percent.

Even with these encouraging developments, Russia's economic weakness is still manifest. Although difficult to measure accurately, the Russian economy, according to World Bank figures, is approximately the size of Switzerland's when

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Russian Realities

Life expectancy (1999)	*59.8 years (m)* *72.0 years (f)*
Percentage of non-ethnic Russians in population	*18.5%*
Literacy	*99.5%*
Unemployment rate	*12.4%*
Percentage of economy in private hands	*70%*
Russian proportion of world oil production	*8-9%*
U.S. aid to Russia (2000)	*$178 million*
Military spending (1999)	*$6 billion (approximate)*

Population growth rate	*-0.3%*
Number of NGOs (registered with the Justice Ministry)	*237,935*
Personal computers per 1,000 people	*41*
Percentage of population below poverty line	*40%*
External debt as proportion of GDP (1999)	*87.1%*
Number of international tourists (1998)	*15,805,000*
International aid to Russia, per capita (1998)	*$7*
Military spending as proportion of central government expenditure (1997)	*30.9%*

Attitudes to "political system before perestroika"

Positive	*71%*
Neutral	*7%*
Negative	*22%*

Attitudes to "present system of government"

Positive	*38%*
Neutral	*14%*
Negative	*48%*

Responses to proposition that "Our country ought to be democratic"

Completely agree	*45%*
Agree more than disagree	*22%*
Yes and no	*13%*
Disagree more than agree	*6%*
Completely disagree	*4%*
Had difficulty responding	*10%*

measured in dollar terms, and the entire Russian national budget this year is less than 2 percent of the American budget. Critical areas of the economy, particularly the oil and gas sector and the banking system, remain highly resistant to reform and freighted with corruption. Moreover, years of sustained economic growth will be required before many Russians recover even the low standard of living they had ten years ago. And the ability of the Russian state to manage basic functions in health, education, and social welfare remains terribly frayed.

In the domain of foreign and security policy, Putin has projected a level of interest and energy unseen for much of the Yeltsin period. The early months of Putin's presidency saw a whirlwind of diplomatic initiatives. His controversial but intriguing visit to North Korea as well as his successful trips to Great Britain, France, Germany, Japan, China, and Spain signal that this president wants to reassert Russia as a major international player. He pushed through the Russian parliament's ratification of the Comprehensive Test Ban Treaty and of START II, a treaty that had languished in the Duma for years. His counterproposals on missile defenses won praise in Europe and China.

But the core challenges for Putin, and for Russia, in this domain are daunting. Above all, Russia's military is a deeply troubled institution. The recent debates in Russian defense circles over the relative priority of nuclear and conventional forces obscure the fact that Russia can afford neither the nuclear nor the conventional forces it has and that both are in an alarming state of decay. Chechnya remains a bleeding sore on the Russian national territory, one that shows little sign it can heal in the near future and has the potential to get worse. New security challenges are emerging close to Russia's southeastern border in Central Asia, where Islamic fundamentalist groups are openly challenging the existing order.

Despite these problems, Russia still has unique military assets and geostrategic positions of consequence. Although the weakness of Russian maintenance of and control over its nuclear forces is a much greater threat to the United States than the possible use of those forces, Russia remains the only potentially hostile country in the world capable of launching a massive nuclear attack against the United States. This will remain true even as Russia's nuclear arsenal declines in the years ahead. Russia is also a regional hegemon. Because many of the states surrounding it are small, unstable, and weak, Russia will be the dominant military and economic power in the region for years to come. Compared to American

forces, Russia's military looks weak. Compared to Georgian or even Ukrainian military capabilities, however, Russian military might is still impressive. The same regional asymmetries hold for economic matters. Compared to Western corporations, Russian companies look small and uncompetitive. Compared to Uzbek telecommunications outfits, Ukrainian electricity companies, or even Baltic banks, Russia's economic actors still look powerful, and sometimes even imperial.

Not only does Russia embody an extraordinarily complex, often contradictory set of positive and negative characteristics, but Russians' perceptions of their country and their relationship with the United States are often at odds with Americans' understanding. Whereas American observers automatically assume democracy and market economics to be good things, these terms ring false to many Russians. Uncritical talk of "reforms," "democracy," "markets," and "capitalism" in Russia provokes disgust among many Russians, based on the punishing realities around them—powerful elites who seem to run the country only for their own benefit, rising inequality throughout the society, increased crime, social instability, and economic hardship for many ordinary people.

Similarly, the assumption of many Americans that U.S. intentions and actions vis-à-vis Russia are benign or even positive is alien to many Russians. NATO's simultaneous expansion of membership (into Central Europe) and extension of mission (into Kosovo) fueled suspicion among Russian policy makers about American intentions. Most of Russia's foreign policy elite still view international politics through a narrow lens of zero-sum *realpolitik;* NATO's gains are perceived as Russian losses. American and other Western criticisms of Russian actions in Chechnya anger and bewilder many Russians. The mutual gains of cooperation that American policy makers frequently trumpet are often not apparent to the Russian eye. Some Russians even question the motives behind U.S. aid to Russia, believing that its real aim is to weaken their country.

Despite these clashing perceptions, underlying Russian interests broadly point toward the need for and value of a cooperative, productive relationship with the United States. Given the inevitable continued decline of Russia's nuclear and conventional military forces, the Putin government would obviously prefer that the Russian reductions occur in the context of friendly relations with the United States and a U.S. willingness to carry out nuclear arms reductions as well. Although it is tempting for some policy makers on both sides to view U.S.-Russian relations in Central Asia and the Caucasus as a reflexive competition for power and influence, Russia's growing concerns in both regions would benefit from the exploration of cooperation rather than the pursuit of rivalry. Russia has long since

stopped expecting the United States or the West to solve its economic woes, but the Putin government recognizes the need for increased trade with and investment from the West.

The Agenda for Renewal

The challenge for the new U.S. administration is to take advantage of the current juncture to renew U.S.-Russian relations in a manner that is both realistic and forward-looking. This renewal has to be built on three assumptions that derive from the sobering experience of U.S.-Russian relations of recent years. First, at present Russia is neither an enemy nor an ally of the United States. As much as Americans may prefer to divide up the world into black and white categories, Russia cannot be so pigeonholed. Real cooperation is possible between the United States and Russia, but the relationship must not be driven by exaggerated expectations of either a positive or negative variety. Second, Russia remains a powerful country in certain ways, but it is Russia's weaknesses—in the capacity of its state, the coherence of its internal policies, and the control of its nuclear forces—that pose the greatest dangers to the United States. And third, the basis for productive U.S.-Russian relations going forward is the confluence of American and Russian interests, not a confluence of American and Russian perceptions or attitudes.

With respect to the extensive security issues at the heart of the U.S.-Russian relationship, the central element of renewal is the need, once and for all, to recognize that the Cold War is really over and to act accordingly. As set out in the next section of this report, this recognition entails a new approach to nuclear security, a broader vision of NATO, and a recalibration of U.S. policy in Central Asia and the Caucasus.

Concerning Russia's domestic transformation, it is now clear that democracy and a well-functioning market economy are feasible goals for Russia, but the path there will be long and bumpy. Here, renewal of the U.S. policy requires affirming that the United States can and will play a positive role in that transition, but that role will have to be crafted to fit current realities. Above all this means an emphasis on engaging more broadly with Russian society beyond the Russian government and seeking areas of cooperation where American values match with Russian desires and interests.

These two parts of U.S. policy toward Russia—the security agenda and helping advance Russia's domestic transformation—require different types of attention and action. They are often addressed by different parts of the U.S. policy bureaucracy, using different resources and tools. Yet properly conceived, U.S. policy toward Russia requires an integration of vision and purpose between these two parts. The security issues are of undeniable urgency and consequence. And the ability of the United States to affect Russia's economic and political life is modest compared to the U.S. interests at stake. Yet in the years ahead, America's many security concerns with respect to Russia will find real resolution only to the extent Russia achieves a healthy, well-functioning economy and stable, deep-rooted democracy. An economically failing or politically decaying Russia would present the United States with genuinely threatening security challenges.

Yet in the years ahead, America's many security concerns with respect to Russia will find real resolution only to the extent Russia achieves a healthy, well-functioning economy and stable, deep-rooted democracy.

As an additional element of a policy of renewal, the new U.S. administration should affirm a long-term commitment to integrating Russia into all Western political, economic, and even military institutions. Russian entry into the World Trade Organization (WTO) should be a near-term agenda item, while the long-term prospect of Russian membership in NATO and the more near-term goal of greater Russian involvement in the Partnership for Peace should be part of U.S.-Russian security discussions. If President Putin can talk openly about the possibility of Russian membership in NATO, as he did during his visit to Great Britain in the spring of 2000, then the new American president should be able to entertain the idea as well.

Pursuing a vision of Russian integration into the Western community does not mean excusing Russian missteps or lowering standards. Throughout the last decade, Russian leaders occasionally appeared to believe that they played by special rules and enjoyed unique privileges in dealing with Western institutions. And at times, that was true. The International Monetary Fund (IMF) relaxed its conditions for extending loans to Russia. American leaders broadened their definitions of democracy to make room for Russian transgressions. And Western lead-

ers collaborated to assign Russia a great power status that "the facts on the ground" did not support. To join Western institutions or enjoy the privileges of membership, Russia must meet the same standards as other states. Failure to hold Russia to such standards undermines American credibility and weakens the norms that allow these institutions to work effectively.

Renewing a positive agenda of U.S.-Russian relations in the new political and diplomatic juncture at hand will require significant American leadership, engagement, and initiative. And this must occur at a time when issues of great importance from many regions also call for attention, including the need to keep pushing for peace in the Middle East, to foster greater economic and political reforms in China, and to find solutions to the wars and humanitarian crises in Africa. Yet with Russia the stakes are high, not just because of the manifold issues of nuclear security but because Russia is the linchpin of an entire region that connects Europe to Asia.

A policy of renewal will also require not only a sustained vision of the long-term goal but a clear sense of the priorities along the way. The agenda of U.S.-Russian relations is so multifaceted that the different parts of it will always be moving at varying speeds and often in inconsistent directions. The core security agenda is obviously crucial. Yet U.S. policy makers must devise a way to give attention to that agenda without sacrificing resources and commitment to the longer-term U.S. commitment to facilitate Russia's domestic transition. Additionally, when irritations arise on security issues outside the core agenda, whether on Caspian oil, military sales to Iran, or Russia's political machinations on its borders, the United States must respond appropriately but not lose a sense of the overall nature and value of the relationship.

One additional change of approach needed in the U.S. policy community is a rediscovery of bipartisanship on policy toward Russia. Despite the inevitably divisive presidential campaign of the past year and the atmosphere of harsh partisanship that marked most of the second half of the 1990s in Washington, most of the major areas of U.S. foreign policy—notably toward China, the Middle East, and Latin America—were approached in bipartisan fashion. Yet Russia policy was constantly the subject of unhelpful and unnecessary partisan charges and countercharges. Ending Cold War attitudes between Russia and the United States once and for all has proved harder and slower than expected; unfortunately, it seems to grow out of the difficulty of ending still persistent Cold War reflexes regarding Russia among Democrats and Republicans at home.

SECTION 2

Core Security Issues

Nuclear Security, Nonproliferation, and Missile Defense

The coming decade should offer promising opportunities for the United States and Russia to bring greater safety and security to their bilateral nuclear relationship, and to radically reduce their nuclear arsenals, thus reinforcing the global nuclear nonproliferation regime. Achievement of these goals, however, will require the U.S. government to definitively break out of the Cold War paradigm, a way of thinking that continues to shape much of U.S. nuclear and security policy toward Russia. Russian policy toward the United States suffers from the same malady, reinforced by the deepening weakness of its conventional forces. While important progress was made in the 1990s in the field of nuclear security, in recent years that progress has largely stalled. It has been said over and over in Washington that whereas the threat from Russia during the Cold War was due to its strength, today the threat stems more from Russia's weakness. Yet U.S. strategic arms policy has never shifted to reflect this fundamentally new condition. It is time for bold initiatives that will set U.S. nuclear weapons posture on a new footing to more effectively ensure U.S. national security. We recommend that the new administration take the following measures:

- Augment the traditional bilateral arms control treaty framework with a broader agenda including unilateral steps to reduce the nuclear arsenal and enhance cooperation on strategic stability and threat reduction;
- Replace the Cold War hair-trigger operational deterrence posture, thus reducing the danger of an inadvertent nuclear strike;
- Double the resources allocated to the dismantlement of Russian weapons systems and the prevention of the proliferation of weapons and fissile materials from the former Soviet Union; and
- Sustain the ABM treaty unless the missile threat environment changes substantially.

Arms Reductions. Under the START II treaty, ratified by both sides but not yet implemented, the United States and Russia have agreed to reduce their nuclear arsenals to between 3,000 and 3,500 strategic weapons by 2007, from current levels of more than 6,000 strategically deployed weapons on each

side. Yet even those lower levels are above what each country requires. Both the United States and Russia should reduce their nuclear arsenals to levels appropriate to the vastly different threat environment each faces today. Only anachronistic targeting practices inherited from the Cold War could justify a U.S. nuclear arsenal of more than 1,000–1,500 warheads in the foreseeable future. The new administration should take the bold step of unilaterally reducing its arsenal to a level commensurate with the changed circumstances. This would mean a complete revamping of the targeting requirements of the Cold War era.

The United States would undertake these reductions with the hope that the Russians would respond with their own reductions. Indeed, the Russians have already proposed that the START III treaty should allow for no more than 1,000–1,500 strategic nuclear warheads on each side. Even if there was no reciprocal response from Moscow, however, a primarily sea-based force of between 1,000 and 1,500 weapons provides the United States with more than adequate deterrence. Nuclear weapons have unfortunately become more important to some Russian security planners because of the tremendous deterioration of the once vaunted Russian conventional forces. Therefore, it may be politically more difficult for Russia to take the initiative in unilateral reductions. Nevertheless, with the rapid aging of Russian forces, the enormous financial constraints on modernization, and the non-adversarial U.S.-Russian relationship, it is exceedingly unlikely that Russia will field a nuclear force of more than 1,000–1,500 warheads in 2010.

During the Cold War, the arms control negotiations and treaties process was needed because of the deep lack of trust in U.S.-Soviet relations. Today, while distrust lingers, there is room and even precedent for less formal security arrangements. The security challenges for each country have changed dramatically. For example, the continued effort by Russia to maintain very large numbers of weapons poses different kinds of security threats to the United States—such as the threats of accidental launch and of the theft of weapons or fissile materials. Remaining stalled in deadlocked START talks is likely to inhibit efforts to address these issues and to reach lower numbers. The United States should feel adequately secure to proceed with implementing both unilateral and cooperative measures without a full-blown negotiated treaty requiring Senate and Duma ratification.

The proposal for unilateral reductions will strike many in the arms control community as a dangerous departure from the established bilateral arms control framework because it may result in the loss of the verification regime that has

been essential in both promoting reductions and building trust. We propose below, however, that the United States and Russia take extensive measures to provide far greater transparency in the bilateral nuclear relationship in order to both enhance strategic stability and reduce the threats that each country faces. These measures should include steps to further protect each country from the dangers of accidental or inadvertent launch as well as measures to further secure the weapons and fissile materials facilities in each country. Such measures could, in effect, provide confidence similar to that provided by verification regimes that were created as part of bilateral reduction treaties in the Cold War.

Enhancing Nuclear Safety and Security. Political rapprochement has radically reduced the likelihood of premeditated massive nuclear attack, but economic distress and societal trauma in Russia have raised concerns about the safety and security of that country's nuclear weapons complex. Stories abound in the U.S. and Russian press about personnel with responsibility for the Russian nuclear weapons complex going months on end without salary. In the summer of 1998 the governor of Krasnoyarsk Krai in Siberia, retired General Alexander Lebed, threatened to take over local Strategic Rocket Forces facilities if the federal government did not pay soldiers. Since the demise of the Soviet Union in 1991, this kind of nightmare scenario involving Russia's loss of control of its weapons complex has not been just fodder for Hollywood films; it is a real threat to U.S. and global security.

Even if the new U.S. administration and the Putin government take advantage of the opportunity to dramatically reduce both the U.S. and Russian arsenals to no more than one-tenth of their Cold War peaks, nuclear deterrence will still define the core of the U.S.-Russian strategic relationship for the foreseeable future. However, there is no good rationale for maintaining Cold War hair-trigger alert rates and operational conditions enabling delivery of a massive counterstrike on a few minutes' notice. This operational deterrence mode developed in the specific historical conditions of the Cold War. Those conditions have radically changed in the last decade to the point where a premeditated first strike by one side is unimaginable, but changes in operational deterrence practices by the United States and Russia have lagged strikingly behind. The most compelling danger now and for the remainder of this decade will be inadvertent or accidental nuclear conflict. Since no other nation today has the capacity to deliver a massive first strike, Washington and Moscow should more assertively promote the principle of "safety first" in their nuclear relationship. The two countries can go a long way with unilateral and bilateral measures to enhance safety before deterrence is compromised.

The United States and Russia should take the initiative together to effectively increase the amount of time required to launch a nuclear strike from minutes to hours and then from hours to days. This will entail a series of negotiated measures to de-alert and de-target land-based nuclear weapons that will significantly reduce the danger of accidental or inadvertent launch as well as mitigate false warnings. Unlike nuclear reductions, this process must take place on a bilateral basis since the negotiations, while painstaking, will greatly contribute to building transparency and trust in U.S.-Russian strategic relations. The U.S. Strategic Command and Russian Strategic Rocket Forces, for example, should build on the foundation established in exchange visits and joint discussions in the late 1990s. The June 2000 shared early warning agreement and the accord to establish in 2001 the Joint Data Exchange Center, through which Russians and Americans will share information about missile launches around the world, are significant steps forward in fostering cooperation to reduce the likelihood of inadvertent nuclear conflict. Since the deterioration of the Russian early warning system increases the danger of Russia initiating a nuclear attack on the United States because of false warning, this agreement is a model of how U.S. security assistance can enhance U.S. security.

If China were to fundamentally alter its nuclear posture and develop a first-strike capability, both the United States and Russia would have to reexamine the above agreements that reduce their capacity for prompt retaliation.

Threat Reduction and Nonproliferation Cooperation. The risk of nuclear proliferation increased dramatically with the collapse of the Soviet Union and the erosion of the ability of Russia and other new states in the region to maintain control of their nuclear security infrastructure. The danger that small states or terrorist groups might exploit the lack of effective safeguards over nuclear materials in the former Soviet Union to acquire nuclear weapons has increased, even as the threat of deliberate nuclear exchanges has diminished. In the past decade the United States has undertaken dozens of programs costing hundreds of millions of dollars a year involving cooperation with the former Soviet states to address these threats.

These efforts, which go under the name in the United States of cooperative threat reduction (and more familiarly known as the Nunn-Lugar program after its Senate sponsors), have shown that the two countries are able to work together in sensitive areas to reduce the dangers these weapons, materials, and technologies

pose. Thus far, these programs have resulted in the deactivation of delivery systems for almost 5,000 nuclear weapons, the denuclearization of three former Soviet republics, improved security over hundreds of tons of nuclear materials, and employment for thousands of underfunded and underemployed former weapons scientists. Cooperative threat reduction, which accounts for less than one quarter of 1 percent of the U.S. defense budget, is an extraordinarily cost-effective investment in enhancing U.S. security.

If the United States is prepared to spend tens of billions of dollars over the next 10 to 20 years to construct a national missile defense system to counter a threat that does not yet exist, the United States should be more than ready to spend a fraction of that to contain the most dangerous threat already in existence.

Even after years of effort and experience, however, the dangers of global proliferation emanating from the Russian nuclear complex remain unacceptable. The pace of progress in addressing this threat is inadequate, and the resources allocated do not match either the urgency of the problem or the opportunities available. Russia's nuclear weapons complex remains oversized and underfunded. Less than one-sixth of Russian plutonium and highly enriched uranium (HEU) is housed in facilities fully outfitted with modern security and accounting systems. Seven years after the agreement to buy blended HEU from dismantled Russian warheads, less than one-fifth of the excess HEU in Russia has been blended into forms that cannot be used in weapons. If the United States is prepared to spend tens of billions of dollars over the next 10 to 20 years to construct a national missile defense system to counter a threat that does not yet exist, the United States should be more than ready to spend a fraction of that to contain the most dangerous threat already in existence. From 1992 to 1999, the United States allocated through the Defense, Energy, and State departments about $3 billion to increase the security of Russian nuclear weapons, material, and personnel. We recommend that such spending be increased to the level of $1.5 billion per year for the next five years.

Challenges that require the greatest attention include: measures to secure, consolidate, and eliminate Russian nuclear materials outside of actual nuclear weapons (some 650–750 metric tons of plutonium and HEU); programs to downsize the Russian nuclear weapons complex by encouraging commercial job development in the nuclear cities (directly reducing Russia's ability to reverse nuclear reductions); and continued support for the elimination of nuclear delivery platforms and related systems.

Successful security cooperation to mitigate the proliferation dangers of the Russian nuclear complex requires far more than simply increasing funding. Considerable political interests in both Russia and the United States are deeply suspicious of a whole range of nuclear security activities, from arms reductions and enhanced transparency to threat reduction cooperation. The downturn in overall U.S.-Russian relations over NATO expansion, Kosovo, national missile defense, and other issues, as well as the uproar over alleged efforts by China to steal nuclear secrets, has slowed progress and resulted in increased secrecy and more limited access to nuclear facilities in both Russia and the United States by each other. Reinvigorated cooperation in this domain will require much greater attention from the highest levels of the U.S. government. We endorse the Russian-American Nuclear Security Advisory Council's recommendation that the president appoint a senior official with direct presidential access and full-time responsibility to develop and oversee implementation of a strategic plan that coordinates the diverse efforts of U.S. government agencies to promote greater security of the Russian nuclear weapons complex.

A successful expansion in cooperation will also require sustained leadership from the highest levels of the Russian government. President Putin launched his presidency with a visit to the nuclear laboratory city of Snezhinsk, formerly known as Chelyabinsk-70, where he announced his support for a rational and well-planned restructuring of the Russian nuclear complex. Despite that, the Russian bureaucracy lacks the high-level political cover needed to go from identification of the problem to actual action toward a solution, such as facilitating international cooperation in this area. Only support from President Putin and the top levels of his government will make possible the procedural and administrative changes necessary to accelerate threat reduction cooperation in Russia.

Russia also presents a proliferation threat because of its deliberate overt and covert export of ballistic missile and nuclear technologies. Iran continues to be the most significant recipient, but India and Libya have also benefited from Russian trade and assistance in this area. Clearly, the Iranian missile program has

made progress thanks to Russian support, and Russian sales of nuclear technology to Iran may in the same way accelerate the Iranian nuclear weapons program. There is also concern about the transfer of biotechnologies and chemicals with military applications being provided by Russia to Iran. The current U.S. practice of denying assistance to Russian entities known to be proliferating weapons and missile technologies should be continued, and intelligence resources to track the problem should be augmented.

Separating out deliberate, state-sanctioned proliferation activities from proliferation activities that take place without state sanction and effectively outside of state control is a very difficult problem in the chaotic post-Soviet Russia. Many unclassified, unconfirmed reports tell of Russian scientists and technology experts who have left Russia to work in North Korean, Chinese, and Iranian laboratories, institutes, and factories. There are also reports of Russians providing assistance to these and other weapons programs by electronic means while they remain in Russia. In some cases it may be convenient for the state to have "plausible deniability" for these activities, and in other cases they may really be outside state control. This problem accentuates the importance of providing assistance for unemployed or underemployed Russian weapons scientists and technology experts as well as the need for greater U.S. human and technical intelligence assets to monitor the situation.

The missile and nuclear proliferation problems demand further intergovernmental attention as well as support for nongovernmental groups that promote unofficial discussions with the goal of achieving greater mutual understanding of the nature of the threat and how to meet it. The Putin-Clinton agreement of June 2000 to hold discussions on the missile proliferation threat is a useful step in this direction, and it suggests that the Russian policy may be changing as a result of a broader reassessment of military threats emanating from regions south of Russia.

U.S. and Russian policy makers must also fully appreciate the potential impact of U.S. and Russian behavior on the global nuclear nonproliferation regime. If the United States and Russia do not make substantial progress in nuclear arms reduction, for example, the nonproliferation regime will be badly damaged even beyond its current precarious state. When coupled with the Senate's failure to ratify the Comprehensive Test Ban Treaty and a growing national sentiment to scrap the ABM treaty, the U.S. reluctance to consider going below 2,000 warheads either in a START III agreement or in a unilateral measure raises serious and legitimate concern about Washington's commitment to the

nonproliferation regime. Rhetorical support for the regime has not been matched by policy in recent years, and U.S. credibility has been damaged to the point where international scholars and officials in the nonproliferation field openly refer to the United States as a "rogue superpower." Without clear and effective U.S. leadership, the nonproliferation regime is unlikely to outlive the decade. While the regime does not have a perfect record over its 30-year history, its demise would only increase the likelihood that proliferation would occur more rapidly. This would be a very dangerous and unpredictable outcome which the United States and Russia bear the most responsibility for preventing.

National Missile Defense. The national missile defense (NMD) issue had been a rapidly moving target in the past year until President Clinton decided in September 2000 to defer the decision to deploy a system to the next administration. That decision provided a welcome breathing spell for U.S.-Russian relations. The issue is far too wide-ranging to cover comprehensively in a brief report focused on U.S.-Russian relations, so we will limit our discussion to a few key points.

Any missile defense system that the United States might deploy in the next 10 to 15 years, be it the system proposed by the Clinton administration, a boost-phase system, or some other configuration, will not seriously undermine or erode Russia's nuclear deterrent, even if the Russian nuclear arsenal drops to 1,000 weapons. Russian concerns with the system under development in the last few years of the Clinton administration, however, stem from the planned creation of a space- and ground-based tracking infrastructure which, together with the later production of larger numbers of interceptors, could threaten Russia's strategic deterrent. The Russians fear that a compromise now on their part might only be the first in a series of compromises that could ultimately undermine their strategic deterrent capability. The Putin government resisted reaching an agreement on the modification of the ABM treaty, but has agreed to discuss possible treaty amendments with the United States. The Putin government has also responded with active diplomatic efforts to mobilize international resistance to U.S. NMD deployment as well as an intriguing diplomatic foray to North Korea to try to broker a deal to shut down Pyongyang's missile program. Putin has proposed cooperation with the United States on boost-phase systems as well since Russia's sheer size would prohibit any boost-phase system from ever threatening Russia's ICBMs.

In addition, the Russians claim that they have some technologies to bring to the table that will be useful in developing boost-phase systems. If true, this represents an opportunity for U.S.-Russian cooperation. Presidents Clinton and Putin agreed in June 2000 to discuss cooperation in the development of missile defense technologies, and discussions on cooperation on theater missile defense have been ongoing for a couple of years. These discussions should be continued by the new administration.

The missile defense issue will likely surface early in the new administration. Unfortunately, it has often suffered from heavily politicized debates that have not served to advance U.S. national interests. The potential international repercussions of deploying any NMD system must be evaluated very carefully. In the past year, America's closest allies have advised against NMD deployment, and America's most significant *potential* adversaries, China and Russia, have also warned that deployment will have a highly destabilizing impact. The Chinese and Russian positions would have a great deal more credibility, however, if Beijing and Moscow were not also the two biggest exporters of ballistic missile technologies.

A new administration should first conduct a fresh assessment of the current and future threat of missile proliferation with capabilities to hit U.S. territory. The administration should redouble its bilateral and multilateral diplomatic efforts to stem missile proliferation. The work of former Secretary of Defense William Perry and others in the past two years with North Korea to curtail its missile program, while not yet fully successful, point to the value that hard-boiled, persistent diplomacy can have even with the most intransigent of regimes. The U.S.-Russian agreement to work together to strengthen the Missile Technology Control Regime, for example, exemplifies the kind of efforts that need cooperative, multilateral promotion. The new U.S. administration should then consider whether and what kind of defensive systems appear most technologically feasible and economically affordable.

The United States may choose to continue efforts to negotiate ABM treaty modifications with Moscow that will allow for deployment of an NMD system with clearly limited capacity to protect against small-scale launches of up to 50 missiles as well as accidental launches. But unless and until the missile proliferation threat assessment changes significantly due to, for example, another North Korean missile test or an Iranian test of an intercontinental ballistic missile, the United States should not unilaterally defect from the ABM treaty. The treaty has served the cause of strategic stability well for nearly 30 years, and although the

conditions under which it was negotiated have changed markedly, the current status of the missile threat does not warrant discarding the treaty at this time. If substantial evidence suggested imminent and significant change in the threat and America's most important Asian and European allies concurred, then the United States would have adequate grounds to consider developing a defensive system outside of the ABM framework without the agreement of Russia.

As noted above, however, Russia is hardly the only consideration for the United States in deliberations over NMD deployment. Even the deployment of a highly limited system with the capacity to defend against up to 50 missiles would neutralize the Chinese nuclear deterrent since China's forces now number only about 20-25 ICBMs capable of reaching U.S. territory. China may expand and certainly will modernize its forces anyway, but NMD deployment would likely compel Beijing to do so more rapidly, as well as trigger a chain reaction in which India and then Pakistan augment their arsenals and delivery capabilities. Indian Prime Minister Atal Bihari Vajpayee stated explicitly during his recent visit to Washington that India would be forced to respond to major Chinese steps. Unilateral defection from the ABM treaty absent further evidence of changes in missile threat assessment would also deeply damage relations with America's NATO allies. Instead of plunging ahead with a decision to deploy a national missile defense, the new administration should thus weigh exceedingly carefully the security benefits of a deployed system with the security costs in alliance damage, alienation of other major powers, provocation of regional arms races, and damage to the nonproliferation regime. Much of the rest of the world may regard a hasty and dubiously founded decision on missile defense as the United States' "crossing the Rubicon" of global unilateralism, and the repercussions would likely be far-reaching and possibly destabilizing.

But unless and until the missile proliferation threat assessment changes significantly due to, for example, another North Korean missile test or an Iranian test of an intercontinental ballistic missile, the United States should not unilaterally defect from the ABM treaty.

NATO and Europe

Because of its size, military power, socioeconomic difficulties, and complicated mix of shared interests and tensions with the West, Russia clearly does not fit easily into the evolving Euro-Atlantic security architecture. Russia's cultural identity for centuries has been torn between admiration and disdain for Europe's economic and political achievements. Russia has never been able to fully resolve whether it wants to join a "common European home," as former President Mikhail Gorbachev put it, or remain aloof in its vast and unique Eurasian splendor. To further complicate its near-schizophrenia about the West, in the past decade Russia has experienced the most precipitous drop in national power of any great power in peacetime in modern history, and Europe is where Russian foreign policy elites feel the repercussions of the Soviet collapse most acutely.

At the outset of the 1990s, Moscow had high hopes that the United States and Russia would cooperate as the two chief pillars of a "new world order," and that, in Europe, the Commission for Security and Cooperation in Europe (now the Organization for Security and Cooperation in Europe, the OSCE) would emerge as the most influential institution in a new European security architecture. Nearly ten years later, Russians feel betrayed by a NATO that has expanded into former Warsaw Pact countries and is considering further expansion, including into territory formerly part of the Soviet Union. The majority of the Russian foreign policy community believes that NATO's expansion of mission, as exemplified by its intervention in Kosovo, and its increasing military cooperation with former Soviet republics through the Partnership for Peace program contravene Russian national interests. Rather than being more integrated into a new European security architecture, Russian foreign and security policy elites see Russia as more isolated from Europe than during the Cold War. Although the United States and Russia broadly share common interests in promoting peace and stability in Europe, during the 1990s Moscow and Washington experienced their most pointed differences over issues of European security.

Despite the bitterness and disappointment of recent years, U.S. policy makers and analysts of Russia must not entirely discount the hard-won achievements that support the view that a more cooperative approach between the Euro-Atlantic alliance partners and Russia will be essential to maintaining and promoting European security. In the face of tremendous domestic opposition, the Russian government, in the person of former Prime Minister Viktor Chernomyrdin (and

former Finnish President Martti Ahtisaari), helped to negotiate a conclusion to the fighting in Kosovo. Russia has participated in peacekeeping activities in Bosnia and Kosovo. The conclusion of the NATO-Russia Founding Act in 1997 and the establishment of the Permanent Joint Council also provide a framework for strengthening NATO-Russian relations and European security more broadly. President Putin has expressed the desire that Russia cooperate with NATO, and even has said that Russia may desire membership some time in the future.

NATO is not the only security institution in Europe, but it is clearly the most significant for the United States, though the institutional architecture of European security is somewhat in flux. NATO is expanding its membership and mission. Several European countries, including Germany and France, are exploring the idea of new European security institutions. The OSCE seeks to play a more prominent role in conflict prevention and conflict resolution as well as a host of security-related issues. Whatever these changes portend, NATO will remain the preeminent Euro-Atlantic security institution for at least the next decade, and Russians know this. Most Russian foreign policy elites also pragmatically recognize that relative isolation or creating some kind of pale imitation of the Warsaw Pact with Belarus and possibly a few other weak former Soviet states will not advance the interests of Moscow. Since it is impossible to imagine a secure Europe existing side-by-side with an insecure Russia, NATO and Russia must find a modus vivendi.

To promote Russia's deeper integration into the Euro-Atlantic security community, we recommend the following:

- NATO should not consider expansion of membership to states on the territory of the former Soviet Union before 2005;
- NATO must make every effort to build a strong foundation for positive relations with Russia by finding new areas of common interest that could include opening NATO arms markets to Russian producers, stabilizing Central Asia and the Caucasus, and other initiatives; and
- Euro-Atlantic security institutions and nongovernmental organizations should broaden and deepen cooperation with Russia to address emerging security issues of mutual concern including environmental degradation, crime, and corruption.

NATO-Russian relations will certainly be tested in the years ahead, perhaps as early as 2002 when the next round of expansion is scheduled to take place, with

the possibility of states formerly part of the Soviet Union being considered for membership. One or more of the Baltic states will seek entry, and it is quite possible that they will be qualified in terms of the existing military and political criteria. NATO ultimately should not discriminate against the Baltic states because they happened to be annexed by the Soviet Union 60 years ago. However, expansion of NATO into former Soviet territory should not take place before 2005. The NATO-Russian relationship incurred tremendous damage during the last decade, and it needs time for both sides to *try* to build a far stronger foundation of cooperation and mutual understanding than exists today. While there is no guarantee that NATO and Russia will be able to develop a cooperative working relationship, expansion into the Baltic states as early as 2002 would virtually guarantee deep-rooted and long-term Russian enmity towards the West—an outcome that will not serve the interests of Russia, the West, *or* the Baltic states. The expansion of NATO in the first round took place prematurely. There was no imminent and compelling security threat to Poland, Hungary, and the Czech Republic that required such early consideration for NATO membership before the organization had time to build what could have been a better foundation of trust and mutual understanding with Russia. NATO must not make the same mistake again.

NATO should take Putin at his word and work more actively to promote security cooperation with Russia through the Partnership for Peace, the NATO-Russia Permanent Joint Council, and other, perhaps new, institutions. NATO should also be more explicit that not only is the door open for eventual Russian membership, but that NATO truly desires this outcome and will allocate resources to assist Russia in making it happen. One measure NATO countries could take is to seriously explore purchasing Russian-made military hardware and collaborating on new conventional technologies and production facilities. Doing so would help to promote interoperability between NATO and Russian forces that would be useful whether or not Russia becomes a member of the alliance. It is also conceivable that NATO member countries can find common interests with Russia in cooperating to bring greater social, economic, and political stability to the weak states of Central Asia and the Caucasus, as discussed in the next section. Despite a long history of conflict and competition, Turkey and Russia, in particular, share a common interest in stable, secular regimes in Central Asia. And even with Slobodan Milosevic out of power in Serbia, the former Yugoslavia will continue to present security challenges that will require cooperation between Russia and the rest of Europe for years to come.

Despite some of Putin's public proclamations about NATO, Russian foreign policy elites maintain at best a fundamental ambivalence towards the institution. Soviet policy in Europe sought to promote cleavages between the United States and Europe, echoes of which still exist today in Putin's foreign policy in Europe—on the missile defense question, for example. While U.S. officials should push NATO to embrace Russia more actively, there is obviously no guarantee of a positive response on Russia's part. There is no question that Russia should not hold veto power, either implicitly or explicitly, over future membership questions. Nor should the United States encourage NATO to promise that there will be "no more Kosovos." Russia was most opposed to the Kosovo operation because it viewed the NATO engagement as a violation of international law since the UN Security Council had not explicitly endorsed it. The conflict between national sovereignty and human rights is not easily resolvable and does not lend itself to straightforward recommendations. To the extent that Russians (and the Chinese) feel more confident about their own national territorial stability, there is greater likelihood that they will develop greater mutual understanding with the West in cases where respect for national sovereignty and concern for human rights contradict.

At a time when traditional security risks associated with great power rivalry in the Euro-Atlantic region have dramatically declined, disputes over NATO in the 1990s undermined cooperative efforts to address growing nontraditional security problems. It is certainly understandable that the tremendous shift in the global balance of power has caused alarm among those responsible for foreign and security policy in Moscow. But today, and also tomorrow, problems like state weakness, environmental degradation, epidemic diseases, safety and security of nuclear materials, migration flows and adverse demographic trends, crime and corruption, attacks on information infrastructures, and other issues present far more immediate threats to Russian security than maintaining a balance of power in Europe. At the same time, many of these threats are transboundary in nature and so present an immediate threat to the Euro-Atlantic region at large. Policy-making communities, nongovernmental organizations, and scholars need to devote far more resources and time to address these shared problems with shared solutions.

SECTION 3

Problems in the South

The Myth of "the Great Game"

Since the emergence of the five Central Asian republics as well as Georgia, Armenia, and Azerbaijan in the south Caucasus, discussions of U.S. policy toward the Caspian region have been colored by the notion of "the new great game" or, more provincially, "the new gold rush." However, these are poor metaphors for understanding a region struggling with profound sociopolitical change, above all the challenge of creating effective states on tremendously weak foundations. They imply two fundamental misconceptions: first, that the United States has huge interests at stake in the Caspian region; and second, that rivalry with Russia is inevitable there.

In fact, the United States has only limited interests in the Caspian region. Oil in the Caspian is important, but proven reserves there are only 2 percent of global reserves, and their development is difficult and likely to be slow. The United States can perhaps be said to have a certain strategic interest in the continued independence and viability of these states in order to ensure peace, but it is not a vital interest and it seems unlikely that the United States would commit major resources to defend any of these states in danger of domination by a powerful neighbor. U.S. policy makers do themselves no favor by exaggerating the importance of the Caspian region. Doing so gives the leaders of these eight states an inflated sense of their own importance, which works against U.S. efforts to pressure them to accept democratic norms and pursue market reforms.

Russia, on the other hand, does view the states of Central Asia and the south Caucasus as strategically vital, because of their shared history with Russia, their geographic proximity, and the presence of a sizeable ethnic Russian minority in many of them. Thus, even as it retrenches globally, Russia remains willing to invest substantial resources to advance its national interests in the Caspian.

The asymmetries in the types and degrees of interests that the United States and Russia have in the Caspian will sometimes create tensions and rivalry between the two countries. Competition is not inevitable on every or even most issues, however, and the new administration has the chance to correct some mistakes in this domain by stressing cooperation rather than competition in U.S.-

Russian relations relating to the Caspian region. In particular, as discussed in this section, we recommend that the new administration:

- Seek new points of cooperation with Russia in Central Asia, particularly on emerging security threats such as drug-trafficking;
- Strongly support economic and political reforms in the three states of the south Caucasus as a means of promoting their long-term independence and viability; and
- Adopt a genuine "multiple pipeline" policy concerning Caspian oil and stop trying to limit Russian participation in its development.

Central Asia. The dominant question for Central Asia in the decade ahead is whether what are still quite economically and politically fragile states can meet the daunting range of challenges they face, from growing Islamist fundamentalist activity to rapidly increasing drug trafficking. The United States and Russia share an interest in helping these states meet these challenges.

Russian policy makers know that Russian security is compromised by the weakness of the Central Asian states. At the same time Russia is eager to engage with these states much more fully than is the United States. With more than 30 million Muslims living in their own country, Russians share the Central Asian leaders' preoccupation with the rise of Islamic radicalism, and see the presence of Islamic terrorist groups in the region as posing a direct threat to their own security as well as that of their neighbors. The Russians want the Central Asian states to be full partners in a Russian-dominated collective security arrangement, and they are willing to offer far more extensive and comprehensive security assistance packages than the United States.

Russia, which is likely to remain a security partner of these states for the foreseeable future, is substituting close cooperative arrangements for the permanent stationing of Russian troops on foreign soil. One challenge for the new U.S. administration is to work with these states to simultaneously develop close ties with NATO. It should continue to encourage the development of U.S. bilateral relationships that address the special needs of the Central Asian states and should use the special talents of NATO members or future members to do so. Since both the Poles and the Czechs have expertise in border defense, for example, U.S. funding could be used to help pay for their training of Central Asian border guards.

Although U.S. policy, like Russian policy, should aim at strengthening the Central Asian states, it should do so with a decisive emphasis on economic reform and democratization. The U.S. government must send a clear message to Central Asia's leaders that their authoritarian habits and economic reform failures are exacerbating the very security threats that plague them. U.S. democracy assistance to Central Asia should increase, especially through support for legal education and human rights groups. The work of these groups helps reduce inter-ethnic tension throughout the region, lessening the security risks that may further undermine these states.

The U.S. government must send a clear message to Central Asia's leaders that their authoritarian habits and economic reform failures are exacerbating the very security threats that plague them.

Central Asia's growing drug problem is an area of possible cooperation with Russia, so Russia should be included in all regional initiatives designed to identify and apprehend those involved with the drug trade. The United States should devote more resources toward drug prevention efforts in Central Asia. It will be impossible to eliminate the drug trade through Central Asia until peace is restored to Afghanistan, but it is important to take steps at least to reduce it. Tajikistan is already becoming a narco-state: money from the drug trade helps fund the state as well as line the pockets of government officials. Left unchecked, the drug trade will overwhelm southern Kyrgyzstan as well. Crop substitution programs still stand a good chance of success in Kyrgyzstan and are worth the investment of U.S. public funds.

The security of Central Asia will continue to be threatened as long as war and disorder prevail in Afghanistan. The United States and Russia should also explore their shared security interests in seeking a resolution to the Afghan conflict. Both states share a sense of the unacceptability of the current situation, as do all of the Central Asian states.

The South Caucasus. Developing a more cooperative relationship with Russia will be more difficult in the south Caucasus than in Central Asia. Unlike in the latter region, Russia fears that if the states of the south Caucasus—Georgia, Azerbaijan, and Armenia—become economically strong and politically consolidated, Russia's own stability might be jeopardized. Russia's concern is that greater independence on the part of the south Caucasus states could promote

secessionist ambitions among the nationalist-minded peoples of the north Caucasus, leading to a loss of Russian control over Dagestan and other parts of southern Russia.

The United States should give priority to the resolution of the international conflicts that are undermining the national integrity of these three states, as these ongoing disputes make Georgia, Armenia, and Azerbaijan vulnerable to pressure from Russia. A cooperative U.S.-Russian relationship in the south Caucasus would make the OSCE more effective in facilitating a settlement of the disputed status of Nagorno-Karabakh and Abkhazia.

The best way for these states to protect themselves over the long term would be to get serious about economic and political reforms and thus escape the trap of stagnant semi-authoritarianism that is threatening all of them. U.S. assistance should be focused on these goals. Assistance to Armenia and Georgia should be increased, with emphasis on market reforms and democratization, and section 907B of the Freedom Support Act should be repealed so that Azerbaijan can become a full recipient of U.S. assistance as well.

The United States should be working with these states to help them meet the necessary conditions for membership in the Council of Europe, as it is important that all three have as full an involvement with European institutions as possible.

At the same time, these states should not entertain unrealistic hopes about eventual NATO membership. Georgia and Azerbaijan should continue to receive military assistance through NATO's Partnership for Peace program, and the United States should continue to pressure Russia to make a full military withdrawal from Georgia, given that this conforms to Georgia's own wishes. At the same time, the United States must recognize that these states are likely to continue to maintain some degree of military cooperation with Russia. Azerbaijan recently joined the joint air-defense system of the Commonwealth of Independent States, and the United States should not be concerned if Georgia voluntarily decides to do so as well.

Revisiting the Oil Rush. The Caspian region matters to the United States because of its oil and gas reserves. Other countries, including Russia, Iran, and Turkey, as well as many of America's European allies, are greatly interested in the development of these reserves. And of course, the nations that possess the vast majority of this oil and gas—Azerbaijan, Kazakhstan, and Turkmenistan—want it developed, as do states that the resources might transit through, such as Georgia and even Armenia and Uzbekistan.

Caspian reserves are estimated at 15–40 billion barrels, or 2 percent of proven global reserves. Unproven deposits may be three times that high-end figure, making the Caspian fields more than twice as large as those of the North Sea. But development of these reserves is likely to be slow, given that the Caspian region is landlocked. In addition, secure routes are necessary to bring the region's oil and gas to market. These will be the first undersea deposits developed at a site without access to an ocean, and offshore platforms have to be erected outside of the area, broken down, shipped in, and rebuilt—a process that takes about two years. All this makes oil companies particularly sensitive to questions about the quality of the oil and the cost of extracting impurities, which are often considerable in Caspian oil.

U.S. policy in the 1990s slowed the development of the Caspian reserves. Although nominally pursuing a policy of multiple pipelines, in practice the Clinton administration pursued what was essentially a single pipeline policy, pressing for a pipeline that will run from Baku, Azerbaijan, to Ceyhan, Turkey, as the region's main new export route, and for trans-Caspian oil and gas pipelines of much less importance to move Kazakhstan's offshore oil and Turkmenistan's gas.

This policy aimed to limit Russian involvement and bar Iranian involvement in Caspian oil development. In the end, it exacerbated tensions between the United States and Russia and did little to advance U.S. interests. While designed to enhance the independence of the Caspian states, it only served to weaken them by slowing the development of energy, hampering the economy of poorer states such as Georgia that stand to benefit greatly from the increased transit of oil and gas, and putting the richer states at risk as well. Moreover, U.S. efforts to win over the leaders of the resource-rich states furthered local corruption. Many of the region's leaders set themselves up as presidents for life, and huge signing bonuses never turned up in national treasuries.

The new administration should take a different approach. It should pursue a genuine multiple-pipeline policy, with several main elements. First, the United States should accept that market conditions alone will determine pipeline routes and should send oil companies clear signals that there will be no U.S. government subsidies to construct routes through Turkey or other favored nations. Hopes that the United States would subsidize the Baku-Ceyhan pipeline hindered the development of that route as well as alternate ones.

Second, the United States should try to get oil moving in as many directions as possible out of the Caspian states. The Baku-Ceyhan route should continue to be explored, but as a second-phase project, when off-shore oil from Kazakhstan is

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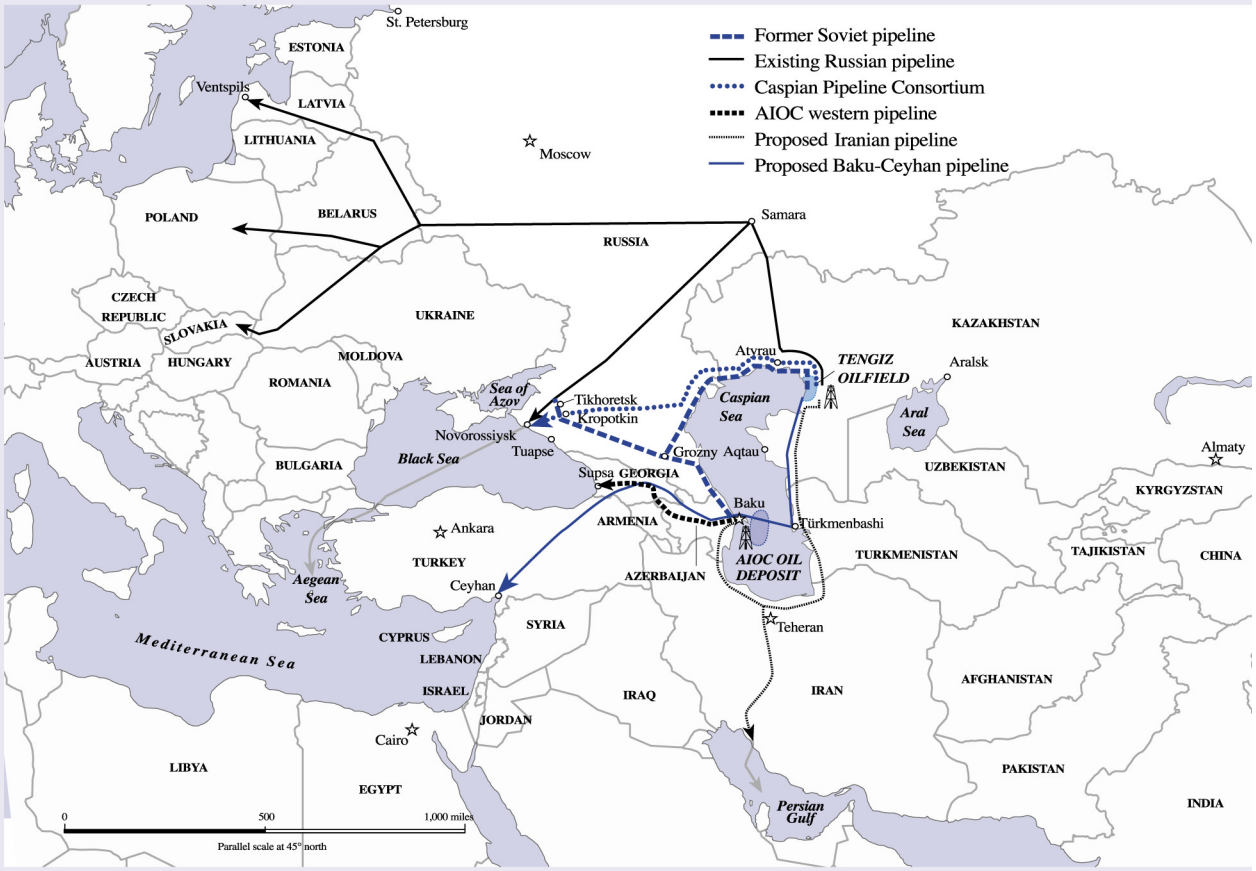
Caspian Oil



being fully exploited. Until then, oil from Azerbaijan's large oil deposits should be shipped through Russia as well as through the existing Azerbaijan Intercontinental Oil Consortium (AIOC) pipeline route from Baku, Azerbaijan, to Supsa, Georgia, and then on to Turkey through the Turkish straits. U.S. loan guarantees should be offered to increase the through-put of the Baku-Supsa pipeline.

Third, the United States should let plans for construction of the trans-Caspian oil and gas pipelines die a natural death, as there is no real support for them from the energy companies or the nations involved. While Russian objec-

tions to both on ecological grounds are rather disingenuous, plans for the development of these pipelines are slowing the resolution of ownership issues surrounding the Caspian Sea itself. The latter must be resolved to ensure speedy and orderly development of the region's resources.

A cardinal feature of the proposed new policy is that the United States should no longer work to block the development of routes that go through Iran or Russia. These routes are the most economically attractive for marketing Caspian reserves. While both countries are competing energy producers, it is highly unlikely that they would be able to coordinate their oil strategies and simultaneously hinder the shipment of Caspian crude. This new policy would implicitly recognize that Russia is a stakeholder in the region, and give Moscow an economic incentive to foster progress on these new routes. Once Western firms are able to obtain financing for oil and gas pipeline routes through Iran, Teheran would become a stakeholder in Caspian development as well. If political liberalization advances in Iran, this could be part of a general normalization of U.S. relations with the country, but regardless, U.S. security concerns regarding Iran should not be used to undermine the goal of helping the states of the south Caspian region secure their economies.

A cardinal feature of the proposed new policy is that the United States should no longer work to block the development of routes that go through Iran or Russia.

The United States should make the development of the legal infrastructure necessary to secure Western investment in the Caspian energy sector a real priority. The long-term viability of the Caspian states depends on the success of economic reforms, which are linked to foreign investment. States with strong economies will be less susceptible to Russian bullying, and the United States should work with the eight states of the region to ensure that they are maximizing their economic and political potential.

In short, the proposed new approach to Caspian oil and gas would help spur the economic development of the Caspian states and would do so in a way that leads to a strengthened U.S. presence in the area while enhancing the prospects of cooperation with Russia. No U.S. interest is served by maintaining a competitive relationship with Russia in the Caspian.

Unpleasant Realities in Chechnya

The single most important reason for the Chechen catastrophe of the past decade was the unnecessary and disastrous decision by the Yeltsin regime to invade Chechnya in December 1994, leading to the war of 1994–96 and immense death, destruction, and brutalization there. The second Russian invasion of Chechnya, in October 1999, was a serious mistake, but more understandable. It followed attacks from Chechnya to which any organized state, the United States emphatically included, would have felt compelled to respond by force of arms. The invasion of 1994, by contrast, was wholly unjustified. Yet at the time, so great was the desire of the Clinton administration to support Yeltsin against his domestic opponents that President Clinton and some members of his administration showed considerable sympathy for the invasion. Does that mean that the West has no right to criticize aspects of the present war? No, but Americans and Europeans alike should recognize that the application of morality in Western foreign policy has always been highly flexible, so there is nothing either new or dishonorable about continuing to employ such flexibility.

With this in mind, U.S. policy toward the present war in Chechnya should be built on a sense of ethical responsibility for the possible consequences of policy and an awareness of realities on the ground. It should avoid moralizing rhetoric and focus instead on the following goals:

- Furthering Western interests in the Caucasus region;
- Increasing regional stability;
- Maintaining reasonable working relations with Moscow, for the sake of wider U.S. interests;
- Upholding roughly consistent standards for the treatment of secessionist movements around the world; and
- Limiting specific human rights abuses and reducing civilian suffering.

The first step toward a correct understanding of the first and second goals is recognizing that it is emphatically *not* in the interests of the United States, the West, or the Caucasus that the Russians simply withdraw and Chechnya return to the condition it was in from 1996 to 1999. The banditry that flourished in those years was a threat to the region and to Western visitors to it. The establishment of a new base for international Muslim radicalism (and perhaps terrorism) posed a threat not just to the region, but to Western interests across the world

and to U.S. allies in the Middle East. This point has been fully recognized by the Israeli government but has yet to be fully understood by the U.S. foreign policy elite, to the genuine bewilderment and frustration of Russian officials. Few in the United States have stopped to think what the U.S. reaction would be to the establishment on America's borders of a powerful group of heavily armed Muslim radicals from various foreign countries, yet the answer is not difficult to find.

The second step is an honest recognition that the U.S. administration, and Western governments and commentators in general, while calling for a "peaceful" solution to the Chechen War have no idea what such a solution might be; the key reason is not indifference or lack of thought, but the fact that there *is* no solution to the current predicament. One may have been possible before the latest Russian invasion, but now it is far too late.

Calling for Russian negotiations with Aslan Maskhadov may make legal sense, because he is indeed the legitimately elected president of Chechnya. Unfortunately, however, by the middle of 1999 Maskhadov's authority had collapsed in the face of revolt by the warlords, the Islamists, and powerful members of his own regime. He was wholly unable to stop the invasion of Dagestan in August 1999, and today he controls only a small minority of the Chechen fighters in arms against the Russians. Shamil Basayev and other Chechen fighters have publicly threatened to kill Maskhadov and his family if he makes a deal with Moscow. The propaganda put out by both the Chechen radical nationalists and the international mujahedeen led by Ibn-Ul Khattab (for example, on the Internet at Kavkaz.org and Qoqaz.net) makes absolutely clear both their categorical rejection of any compromise and their commitment to a jihad to drive Russia from the whole north Caucasus.

In present circumstances, therefore, a Russian agreement with Maskhadov will not stop the war. Only a complete Russian withdrawal would do that even temporarily—and a withdrawal would lead not to the establishment of a stable regime but to a return to the conditions of last year. This would almost certainly be followed by Maskhadov's overthrow and a resumption of the campaign of Chechen radicals and international mujahedeen against Russia's presence in the whole north Caucasus. Such a development would be appalling for all the north Caucasian peoples.

This is the key difference between the situation today and that in the autumn of 1996, when the Russians believed that in Maskhadov they had a moderate, pragmatic Chechen nationalist interlocutor who would be able to establish his authority and would also seek a reasonable coexistence with Russia.

Since the return of the pre-invasion situation in Chechnya would be both very bad in itself and very bad for Western interests, it is irresponsible to advocate a "compromise." Such a compromise could in fact only be held in place by very large numbers of well-equipped and determined international peacekeepers. Such a force is exceptionally unlikely to be forthcoming; certainly no Western government would provide them, even if Russia agreed to their presence.

If peace is ever to come to Chechnya, it will be years after the removal of the present generation of leaders in both Chechnya and Russia, the destruction or expulsion of the international mujahedeen, and the growth of an organized mass Chechen nationalist party capable of mobilizing the population and negotiating with Moscow. At that point, it is possible that, as in Northern Ireland, sheer war-weariness will diminish the power of hardliners on both sides and allow a genuine compromise. For a long time to come, however, there will be little that the United States can do to bring this moment closer.

The U.S. administration, while calling for a "peaceful" solution to the Chechen War, has no idea what such a solution might be; the key reason is not indifference or lack of thought, but the fact that there is *no solution to the current predicament.*

Instead, the United States should concentrate on limiting regional dangers stemming from the war. Paradoxical as it may sound, the United States should exploit the opportunities the Chechen War offers to strengthen regional security and the stability and territorial integrity of friendly states in the region. In the key case of Georgia, this is already happening. Motivated above all by a desire to woo the Georgian government and thus help prevent Georgia from becoming a base and supply route for the Chechen fighters, Russia agreed in late 1999 to longstanding Georgian demands for the early withdrawal of two of the four Russian military bases in Georgia, at Gudauta in Abkhazia and Vaziani near Tbilisi.

The Vaziani base in particular has sometimes played a negative role (though its weapons also helped get rid of the unstable former president Zviad Gamsakhurdia in December 1991 and saved the Shevardnadze administration in October 1993). If properly conducted so as not to involve leaving Russian heavy

weapons in the hands of local militias, the withdrawal of Russian troops will strengthen Georgia and reduce illegitimate forms of Russian influence in the south Caucasus. This would also help Western interests in the entire region.

U.S. policy should now be dedicated to ensuring that Russia does indeed withdraw its troops from Georgia, and to deterring Russia from any pursuit of Chechen fighters into Georgia. However, the United States should also help Georgia to secure itself against infiltration by those fighters. Not only would their use of Georgian territory give Russia legitimate grounds to cross the international border in pursuit (as in the case of Turkey in its war with the Kurdistan Workers' Party, the PKK), but a major armed Chechen presence in Georgia would itself be a major threat to Georgian President Eduard Shevardnadze. He and his followers have not forgotten the Chechen role in the Abkhaz War or the close links between Chechen radicals and Georgia's armed Zviadist opposition.

Concerning U.S. protests over Russian human rights abuses, the new administration should essentially follow the existing course. Genuine Russian atrocities should be condemned, but a distance should be kept from the more extreme criticisms of Russia in the Western media. A future administration must not give the impression that it is supporting the Chechen fighters against Russia. Washington so far has been careful to stress its support for Russian territorial integrity and its opposition to terrorism; this should continue. U.S. policy so far has been broadly correct, but it has been formulated in the context of ill-informed and sometimes almost hysterical commentary, which continually risks pushing it off course.

For the Russian state, as for any state, the defense of its territorial integrity is a vital interest. Moreover, the Chechen War is no mere skirmish or "anti-terrorism operation," but a real war over real issues, in which more than 3,000 Russian soldiers have died. If a future U.S. administration wishes for reasonable working relations with Russia, then it must not give the impression of granting de facto moral and political support to the Chechen fighters—any more than it could support the Kashmiri fighters and still hope for good relations with India, or support the PKK and hope for good relations with Turkey. This is especially true given the glaring contrast—utterly infuriating to many Russians—between American media attitudes toward Islamic rebels in Chechnya and similar groups operating on the territory of various U.S. allies, like Turkey and Israel.

It is of course extremely unlikely that any U.S. government would deliberately support the Chechen fighters; but there are circumstances in which it might find itself trapped into such a de facto position. Such a problem would arise if major Chechen groups were to establish bases in Georgia and use them to continue the war, and the United States were to put strong pressure on Russia not to cross the border in pursuit (a situation analogous to the Turkish experience vis-à-vis PKK bases in Iraq or the Israeli experience in South Lebanon). Any deterrence of Russia from taking such action would have to be combined with real action to remove its cause.

Another need, however discomfiting, is for an honest recognition that when it comes to human rights abuses and minority rights, U.S. and European support for Turkey has greatly reduced the West's real moral standing and that of institutions like the Council of Europe. As far as most Russians are concerned, Western moral prestige is in any case virtually zero. Turkey may not have caused as many casualties among the Kurds as the Russians have in Chechnya, but its denial of the Kurds' ethnic, cultural, and linguistic rights has been far greater and more systematic. (Moscow has, after all, always and repeatedly offered successive Chechen leaderships the fullest autonomy—"Tatarstan Plus"—within the Russian Federation.) Turkey's policies have of course been criticized by the United States, but they have drawn no sanctions from either the United States or from NATO, which continues to view Turkey as a highly respected member. U.S. criticism of Russia needs to be shaped with these facts firmly in mind.

The United States also needs to stick to a much more precise, traditional definition of war crimes—to include torture, the execution of prisoners, rape, and the wanton, deliberate killing of civilians by ground troops, all of which have indeed occurred in Chechnya. Unfortunately however, when it comes to the bombardment of urban areas during military operations, several Western states, the United States included, have engaged in it at certain times and may have to again. The widespread media and NGO designation of the bombardment of Grozny as a "war crime" risks rebounding against Western soldiers in future wars. Indeed, fear of malicious or militarily illiterate prosecutions of U.S. servicemen has underlain U.S. opposition to the International Criminal Court.

Criticism of Russia should concentrate on real, universally recognized atrocities, and should be linked to demands that the International Committee of the Red Cross in particular be allowed to play its traditional role in mitigating the horrors of war. This criticism should, however, be sympathetically presented and linked to (entirely true) arguments that such atrocities only hurt Russia's struggle

for hearts and minds in Chechnya. Ideally, it should also be linked to offers of U.S. humanitarian aid to help Chechen refugees and civilians in general. It should be made clear to the Russians that continued mass atrocities will negatively affect attitudes in Congress and U.S. public opinion, and will therefore indirectly harm Russian interests over a range of other issues like further NATO expansion. However, this should be presented as a friendly warning rather than a threat.

This set of recommendations will strike many as bleak and cynical. They are, however, based on a realistic assessment of both U.S. interests and the situation on the ground. This approach is indeed more ethical than empty moralizing to Western domestic audiences, for it is also rooted in a sense of commitment to the well-being of the Caucasus and all its peoples. Wars tend to be stark affairs, with stark choices. In the case of Chechnya, it is not in the interests of the West or the Caucasus that Chechen radicals and international mujahedeen win this war.

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SECTION 4

Russia's Transformation

Doing More on Democracy

The United States has a national security interest in fostering the consolidation of democracy in Russia. When the Cold War ended and Soviet communism disappeared, American national security was enhanced. If dictatorship were to return to Russia, the security of the United States and its allies would be diminished. A new Russian dictatorship would almost inevitably propagate anti-Western attitudes at home to legitimate itself and adopt antagonistic policies toward the United States—regarding China, the Middle East, South Asia, and elsewhere—to feed those sentiments. An authoritarian Russia could not be a close partner of or integrated into Western political and security institutions. Instead it would be a hostile outsider, perennially in search of ways to undermine the positive vision of a widening European zone of democracy and security. The emergence of such a government in Russia would also send a political shock wave throughout the rest of the former Soviet Union, giving hope to the most stagnant, repressive regimes and discouragement to those governments that have made real political and economic progress.

Consequently, promoting democracy within Russia should remain a U.S. foreign policy objective. In fact, given the uncertainty of Russia's political trajectory under Putin, we believe the new administration should substantially bolster U.S. efforts to foster Russian democracy. And these new efforts should be configured to fit the changed realities of Russian politics as compared to the first half of the 1990s, when most existing democracy promotion efforts took shape. Some key points:

- The new administration should decrease economic aid to Russia by 50 percent and devote those funds to democracy aid, raising the annual democracy aid budget for Russia from $16 million to $40 million;
- Democracy aid should be largely directed to the nongovernmental sector, with emphasis on designing programs to fit local Russian realities, giving Russians a greater role in designing and implementing aid programs, and increasing attention to exchange and education programs; and
- Even with substantially greater resources devoted to democracy aid, the new administration should maintain modest expectations for the near-term impact of such efforts.

Constructive Engagement with the Russian State and Society. In some countries, the best strategy for promoting democracy is to assist society and sanction the state. In other countries, the primary task is to engage the state. Russia, especially under President Putin, is at a place in which it makes sense to engage *both* the state and society but to target assistance away from the state and towards society.

Because Putin wants good relations with the United States, American foreign policy makers have leverage in promoting democratic ideas through state channels. Rather than shower Putin with faint praise about his businesslike demeanor as a way to secure his support for arms control treaties, the new U.S. administration needs to stress that the preservation of democracy in Russia is a precondition for cooperation and integration into the Western community of states. Putin wants to make Russia a great European power once again. The new administration should regularly and clearly remind him that all great European powers today are democracies.

We therefore recommend that the new administration substantially increase U.S. democracy aid to Russia, by reducing economic assistance by half and shifting that approximately $25 million to democracy programs.

It is not enough, however, to try to convince Putin and his government to adhere to democratic practices for reasons of self-interest. Instead, the United States must become more engaged in defending and assisting those individuals and organizations within Russia fighting for democratic institutions and values. Unlike the debate about the market, the debate about democracy in Russia is not over. As long as advocates for democracy within Russia remain active and engaged in this battle for Russian democracy, the United States must continue to support their struggle with ideas, educational opportunities, moral support, and technical assistance.

In addition to substantially increasing U.S. democracy aid, as discussed below, this means empowering democratic activists in Russia through high-level meetings with U.S. officials. President Ronald Reagan never went to the Soviet Union to meet with Soviet leaders without holding separate meetings with societal leaders. This practice must return. Russia's independent journalists, human rights activists, civic organizers, business leaders, and trade union officials must be engaged, celebrated, and defended—especially when the state abuses their

rights. Heroes in the struggle against Soviet communism such as human rights activist Sergei Kovalev have warned that Russian democrats will be facing their most difficult test in the coming years. It would make no sense to abandon these people now.

New Resources. Over the course of the last decade, democracy promotion has been a distant fourth on the list of U.S. assistance priorities vis-à-vis Russia, after denuclearization, economic reform, and humanitarian projects. These three areas constituted $4.48 billion of the $5.45 billion in total assistance for Russia from the U.S. government from 1992 to 1998. Of that $5.45 billion, only $130 million (2.3 percent) was devoted to programs *directly* aimed at advancing democracy. In the most recent annual aid budget for Russia, democracy assistance received only $16 million.

U.S. assistance priorities need to change. While denuclearization programs should be continued and expanded, most economic and humanitarian assistance programs are no longer necessary or even desired by Russians. By contrast, democracy assistance programs are as necessary today as at any time in Russia's post-Soviet history. Given Putin's rise to power and the subsequent uncertainty regarding democratic consolidation in Russia, the United States should be even more committed to promoting Russian democracy than in the past. Russian advocates for democratic reforms also want this assistance. We therefore recommend that the new administration substantially increase U.S. democracy aid to Russia, by reducing economic assistance by half and shifting that approximately $25 million to democracy programs.

Making the Assistance Work. While the new administration will work directly with the Russian government on many issues, U.S. assistance for democracy should primarily be directed to the nongovernmental sector. The Clinton administration moved gradually in this direction, but too many resources continued to be directed at government entities. Instead, the bulk of support should go for the further development of political parties, civic organizations, business associations, and trade unions, *not* state bureaucrats. It should be targeted at public interest law organizations and provide seed money for a Russian version of a civil liberties union rather than as a source of money for Russian officials. The impetus for state reform in Russia will not primarily arise from within the state. Rather, state institutions will reform only when there are strong societal groups in place that can pressure them to do so. The focus should be on helping such groups develop the strength and resources to exercise such influence.

Programs with large budgets often translate into waste, corruption, and big salaries for Washington-based consultants. Direct assistance to Russian societal actors should be expanded, with an emphasis on small-grants programs that give small amounts of money directly to Russian organizations. Organizations such as the National Endowment for Democracy, Internews, and the Eurasia Foundation have followed this model for years and provide excellent examples for others to emulate. Private foundations should also continue to play an active role in these endeavors and coordinate where possible with government-supported efforts.

Because foreign assistance can distort the priorities and constrain the activities of nongovernmental organizations (NGOs), special attention must be given to fitting grant programs to Russian needs rather than American concerns. This works best when Western NGOs that help implement U.S. aid programs give Russians real responsibility in their field offices and fund Russian experts to develop strategies that target Russia's needs. Western practitioners tend to be unfamiliar with the organizational cultures and domestic political settings in which they find themselves working. Local voices must be heard and empowered. The more interactive the partnership, the greater the impact.

Education Is the Key. The era for influencing the design of Russian political institutions is over. The development of liberal economic and political institutions in Russia will be a long and difficult process, punctuated by still more short-term failures ahead. The era for propagating democratic ideas within Russian society has just begun. This part of the American strategy needs much more attention.

Information and education are the best tools for assisting the development of Russian civil society. The last section of this report sets forward a specific initiative the new administration should undertake to bolster Russian higher education. In addition, the new administration should strive to increase educational or professional exchanges between the two countries. Educational programs for young Russians must be expanded so that someday as many Russians as Chinese will study in American universities. In 1998, for instance, the U.S. government funded only 70 Russian undergraduates and 77 Russian graduate students to study in the United States. These numbers should be increased tenfold. Civic education projects within Russia also should be expanded. While hundreds of business schools have sprouted up throughout Russia, there are almost no public

policy schools and only a handful of organizations dedicated to the dissemination of materials on democracy. The new public policy school at Moscow State University, established in cooperation with Syracuse University and funded by the U.S. Agency for International Development (USAID), should be emulated at other Russian universities. The United States should promote the creation of a new Russian institution devoted to American studies and attract private American funding to sustain it.

Programs that increase the flow of information about entrepreneurial and civic ventures throughout Russia should also be encouraged. The demonstration effect of a successful NGO in Samara will mean much more to a future NGO in Novosibirsk than an example from Chicago. More generally, programs that increase contacts between Russians and Americans must be expanded. America's most effective tool in promoting markets and democracy is the example of the United States itself. The more Russians are exposed to this model, the better. This exposure can come from military-to-military programs, sister city programs, or internship programs in U.S. businesses and nongovernmental programs. For instance, Russian entrepreneurs who visit and intern in Western companies through programs organized by the Center for Citizens Initiatives learn first-hand how companies operate in a market environment. Russia still has a dearth of market-oriented managers. Likewise, Russian party organizers visiting the United States during an election period have learned more in two weeks about campaign strategies, party organization, and NGO participation in the electoral process than in years of academic study.

Finally, the United States should devote greater resources to assisting the flow of news and other information more generally through Radio Free Europe, Voice of America, and the Internet. Such programs will become especially important if the Putin administration continues to crack down on independent media organizations in Russia.

Depoliticize and Pluralize Assistance. In the next phase of engagement, the United States should focus on small amounts of support to many, rather than large amounts to a few. In the early years of democracy assistance, the communists were considered the bad guys and "democrats" were the good guys; democracy aid was directed specifically at those the United States considered "democrats." This categorization is no longer meaningful. Russian politics is dominated by political actors who do not fall neatly into such categories, starting at the very top, with President Putin and his political circle. Moreover, the Communist Party of the Russian Federation, and many communist-leaning civic

organizations and trade unions, have demonstrated that they are willing to play by democratic rules. In other words, these groups are no longer threats to Russian democracy. Consequently, Western democracy programs should stop the practice of trying to bolster narrowly defined groups that hold themselves out as the only true democrats. This also means reversing the longstanding policy of automatically excluding communist groups from democracy-building programs. If the purpose of many democracy programs is to instill democratic values and help build democratic practices, why exclude the very persons or organizations the United States would most like to see change their views?

Western democracy programs should stop the practice of trying to bolster narrowly defined groups that hold themselves out as the only true democrats.

Getting the Relationship to Economic Assistance Right. After a decade of post-communist transitions, one of the most surprising outcomes is the positive correlation in Eastern Europe and the former Soviet Union between democracy and economic growth. The countries with the highest economic growth rates have also progressed the furthest in consolidating democracy. Consequently, democratic and economic assistance programs must be understood as mutually reinforcing and must be better integrated.

The issue of corruption provides an excellent area of potential integration. Corruption is usually coded by Western financial institutions as an economic issue or state-capacity problem. Consequently, strategies for addressing corruption rightly focus on deepening liberalization and thereby eliminating state rents or on strengthening the law enforcement institutions of the state. The strengthening of democratic actors can work as a nice complement to these other strategies. After all, corruption in the White House during the Nixon administration was exposed and addressed by independent, investigative journalists. Similarly, campaign finance corruption charges in the 1996 American presidential campaign came to the fore because of a strong, independent opposition party, that is, the Republican Party. Courts, laws, and police were part of the equation,

but an independent media and a robust party system have played a central role in reducing corruption in the United States. If stronger, they could play the same role in Russia. In other words, the promotion of independent media and political party development must be understood as a strategy for fighting corruption.

More generally, democratic assistance programs are often aimed at increasing transparency of the state's activities, which in turn empowers societal actors to control and monitor the state. Greater attention should be devoted to increasing the monitoring capacities of Russian NGOs, with a special focus on the role of the Internet. For example, the tracking of state expenditures and the monitoring of vote counts are two crucial arenas. More and better monitoring of state activities in turn serves the legitimate business community and deters the parasitic economic elite who make money through state connections.

Combining Vigor with Realism. At the same time that it should bolster efforts to facilitate a transition to democracy in Russia, the new administration should accept that the results of such work will inevitably be slow and modest. Russia is midstream in a radical transformation of its society, economy, and polity, rivaled in modern history only by the French, Bolshevik, or Chinese revolutions in scope and consequence. Whether talking about privatization, party building, or health care reform, external actors are peripheral players in this drama of change. Western assistance programs to Russia and assessments of these programs, therefore, must remain humble regarding expectations and accomplishments.

It is misleading and inaccurate for Western advisers to take credit for developments inside Russia such as privatizing 100,000 enterprises. Obviously, Russians privatized these enterprises. Measuring the real role played by outsiders is difficult. Would only 90,000 enterprises have been privatized had Western advisers not been present? Similarly, blaming Western programs for the democratic shortcomings in Russia is unjustified. Russians are ultimately responsible for both successes and failures in the development of democracy, though Western organizations have played and can continue to play a role. And always constraining the efforts of any who seek to advance democracy in Russia, whether Western experts or Russian activists, are powerful structural, historical, institutional, and political factors. Strategies that take these constraints into account tend to be better designed and have a greater impact.

The history of reform in Russia so far suggests that these constraints are more consequential than was first assumed a decade ago. Expectations should accordingly remain low, and the impulse to claim credit for successes must be checked. To sustain Russian societal actors dedicated to building liberal, democratic institutions over the long haul, the providers of assistance must have long-term objectives, patience, and humility.

Updating the Economic Agenda

In the 1990s, U.S. policy makers devoted substantial attention to helping Russia make a transition to a market economy. The goal of this policy was the right one, although the methods were not always consistent, well designed, or effective. As with other parts of U.S. policy toward Russia, the context of the economic component of the policy has fundamentally changed from the 1990s: the Russian economy has been transformed since 1991. However flawed, a market economy has been created, and more than two-thirds of Russia's GDP is now produced by the private sector. The financial crash of August 1998 seems to have been a wake-up call to the Russian establishment to get serious about economic policy. Russia returned to economic growth in 1999, and significant growth may well continue. The country has accomplished macroeconomic stabilization, inflation has been brought under control, and the Russian national budget has been balanced. Thanks to high oil prices and the substantial devaluation of 1998, Russia enjoys a sizeable trade and current account surplus.

These new realities mean that most of the macroeconomic concerns that have dominated U.S. policy debates over Russia's economy are no longer relevant. The Russian government no longer needs foreign financing for its budget, and Russia's international reserves have risen considerably. Therefore the main elements of U.S. economic policy toward Russia in the 1990s—supporting large-scale IMF support for Russia and carrying out a panoply of technical assistance relating to macroeconomic reform—are now, or should now be, things of the past. This change has several major policy implications:

- The IMF can stop making loans to Russia and reduce its role to monitoring the Russian economy;
- U.S. economic assistance should be more limited, more driven by requests from the Russian government, and aimed more at encouraging the application of Russian expertise than with inserting American consultants into the country; and

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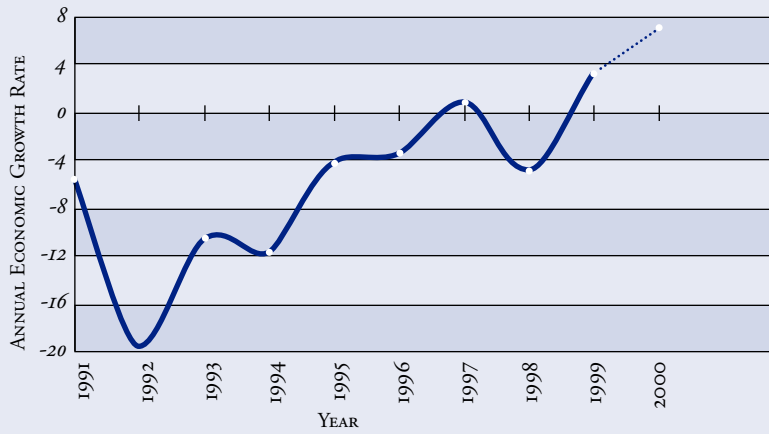
- U.S. policy makers who want to support Russia's transition to capitalism should focus on promoting greater trade between Russia and the United States and more American investment in Russia.

The Putin government adopted an ambitious reform program in July 2000, putting virtually all remaining important structural reforms—including reforms to regulate the natural monopolies of electricity, railways, and natural gas—on the agenda. The Duma has already enacted a far-reaching tax reform package, which has long been seen as necessary for steady economic growth, though tax administration requires further improvements. The most important reform issues still to be faced are strengthening governance and rule of law. The poor functioning of the state, including the judiciary, must be improved. The Russian government has also put a number of important social reforms on its list, including pension reform, reform of the health care and education systems, and targeting social support to those most in need. The U.S. government should positively respond to Russian requests for assistance in these domains.

Russia's Economic Growth



Source: IMF, *World Economic Outlook.*

Above and beyond these continued areas of concern, U.S.-Russian economic relations should focus on two issues in the future, namely trade and investment. On trade, it is vital that Russia enjoy full access to dynamic export markets. For the United States, this need means limiting anti-dumping actions against Russian steel exports to the United States as well as working for Russia's early entry into the World Trade Organization (WTO). At present, Russia appears unlikely to join the WTO before 2004, although Russia is highly dependent on exports, which exceed 40 percent of its GDP. In sharp contrast to China, the Russian pol-

icy elite has not realized how important the WTO is, but without the WTO, a country possesses little legal support against other countries' trade policies and stands outside the international trading system. The new administration should promote Russia's joining the WTO in the near future. It should also put pressure on the EU to open up its markets to an equal extent.

Another condition for successful economic development in Russia is a major increase in foreign direct investment. After a country has opened up to the outside world, it usually takes about a decade before foreign direct investment takes off. It is time for both Russia and the United States, therefore, to get serious about the common promotion of investment projects in Russia, from which both will benefit.

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The most fundamental precondition for the success of foreign direct investment is that a country really desire such investment, and the Russian government now seems committed to such a cause. Many other conditions have to be in place, such as political stability, a reasonable tax system, secure property rights, and a stable, fair, liberal, and effective legal framework. Russia has not accomplished these goals, but has made progress on some fronts. U.S. companies have already undertaken substantial, successful investments in food processing; other industries are likely to follow.

A precondition for any successful economic cooperation, however, is that corruption be reduced. Although the European Bank for Reconstruction and Development has shown that Russia is not as corrupt as is widely perceived compared to other parts of the former Soviet Union, corruption is still a serious problem. That publicity about corruption frequently occurs in Russia is at least a positive reflection of the openness of Russian media and society, an openness that President Putin must preserve if he is serious about reducing corruption. Yet media scrutiny alone is not enough. Such attention must result in legal actions that effectively reduce corruption and improve the standards of governance—a prime Russian national interest. The United States should offer to work as closely

with the Russian government on these issues as the Russians wish, in accordance with the principles set out in the section below on rule-of-law aid.

One obvious area of common economic interest is the energy sector. A number of U.S. companies have already invested in Russia's energy industries or are gearing up to undertake substantial investment in the near future, under the right conditions. The most important hurdle today is a set of legal measures that must be adopted to render Russia's law on product-sharing effective; these measures can be swiftly adopted, however, laying the groundwork for large U.S. energy investment in Russia. With a breakthrough approaching, the new U.S. administration must help bring it about.

To facilitate American direct investments in Russia, the U.S. government should continue to help solve problems for U.S. companies in Russia and make sure that relevant investment financing is available. At this stage of Russia's development, the Overseas Private Investment Corporation should be able to play a more active role, as more American companies find investment opportunities in Russia. The Export-Import Bank is already providing Russia with substantial export credits, which could expand considerably in the years to come as Russian economic growth takes off.

Until recently, Russia's foreign debt service was untenable, but important improvements have occurred. The default on the country's treasury bills in 1998 has been settled, leading to a substantial reduction of the state debt. The London Club of commercial banks has written off about half the commercial debt of the Soviet Union. Russia's large current account surplus and radically improved federal revenues are taking care of the rest of the problem. Russia is thus likely to be able to manage its foreign debt service in the future. The only question outstanding is the Paris Club debt of about $40 billion to Western governments. Today, Russia should be able to manage that debt, so debt reduction measures are not necessary. U.S. policy should be to support a final debt restructuring, aimed at extending the period of debt repayment.

One special issue that relates to promoting wider economic ties between Russia and the United States and greater exchange in such other domains as education is the problem of U.S. visas for Russians. The visa process is inevitably strained in any country where there is high demand for U.S. visas. But a remarkable number of Russians, including many in influential political and economic circles, report an extremely high level of frustration and even anger about the treatment they receive in attempting to obtain a U.S. visa. The visa process is

becoming an entirely unnecessary generator of anti-American sentiments and turning many people away from the very idea of traveling to the United States, thereby curtailing contacts at different levels. We hope that the new administration will take note of the problem and find ways to alleviate it.

Facing the Rule of Law

Promoting the rule of law should be an important component of American policy toward Russia, where pervasive crime and corruption continue to undermine democratic and market reforms. In a way, all reform efforts in Russia hinge on success in consolidating the rule of law. Democracy cannot be sustained without freedom of the press, for example, just as a market economy requires well-defined and clearly assigned rights of private property. But it is far from easy to design and deliver effective technical assistance in the legal arena. For one thing, law is a sprawling and highly complex social institution, running through the state, the economy, civil society, and their multiple relationships. In Russia, moreover, rapid legal change is currently under way. To intervene responsibly in this ongoing, complex, and sometimes obscure process requires formidable skill and care.

Of course, the United States has financed and managed a number of rule-of-law projects in Russia during the last nine years. Although some of them were successful, all have suffered from a disproportion between the vast scale of the problem and the modest resources made available to solve it. And most of them exhibited basic flaws in approach. For instance, American aid providers placed too much faith in legislation by executive decree, instead of insisting that laws be hammered out through processes of consultation with important actors in both the state bureaucracy and civil society. They overemphasized the replication of American-style laws, practices, and institutions at the expense of helping Russians resolve their legal problems in their own way. And, finally, the U.S. government identified itself too closely with proposals, such as the strict enforcement of computer software piracy laws, from which American businesses would profit handsomely and from which Russians would financially lose.

The new administration should give serious, sustained attention to helping promote the rule of law in Russia. As it does so, it should bear several cautionary principles in mind.

First, rule-of-law programs must avoid “mirror imaging,” the attempted

wholesale transfer of American laws, practices, and institutions to Russia. American lawyers are of course trained to solve routine problems within routine procedures, not to build new legal institutions or help rebuild discredited ones. But that is no excuse for sending field operatives who are poorly informed about local Russian skills, resources, infrastructure, obstacles, and problems. During the first wave of legal technical assistance, in the early 1990s, some American program managers attempted to create a home away from home, to reproduce American laws and legal institutions on an extraterritorial basis. The U.S.-funded attempt to introduce jury trials in Russia, which has proved cripplingly expensive in practice, is a case in point. This mistake should not be repeated.

Second, American assistance should focus less on enhancing the sheer power of legal institutions and more on increasing the impartiality of legislation, prosecution, and adjudication. This means giving greater attention to helping change internal processes in institutions rather than achieving the creation of particular institutional forms. More specifically, U.S. officials should be cautious about throwing American funds and prestige into generic "law enforcement" campaigns. The drive to eliminate corruption, for instance, may look attractive from a distance. Viewed up close, anti-corruption campaigns turn out to have ambiguous results, allowing the government to liquidate bothersome critics and rivals under cover of law. Special care should be taken to dissociate U.S. rule-of-law projects from such improper uses of law.

Third, American aid should be designed to help turn law-on-the-books into law that is reliably and impartially enforced in practice. The concern for formal law that dominated U.S. rule-of-law assistance in the mid-1990s should be replaced by a focus on real law. This may involve, for instance, providing logistical support and management advice to court administrators.

Fourth, rule-of-law aid should try to address one of the most formidable obstacles to law reform in Russia, namely fragmentation and duplication in the state bureaucracy. An improved Code of Criminal Procedure (narrowing the overly broad grounds for arrest) has not yet been passed, for instance, because of furious and self-defeating turf wars among the Duma, the Ministry of Justice, the Procuracy, the Judiciary, and the Ministry of Internal Affairs. To deal with this problem, the United States should design and support programs that are likely to

enlist wide support from a variety of different actors across Russia's otherwise fragmented and non-cooperating state apparatus. One example would be a program to reduce radically the number of pretrial detainees. Such a program—if designed, managed, and funded well—would bring together judges, prison authorities, and health officials (concerned about the spread of multi-drug-resistant tuberculosis), and would be opposed only by the Procuracy, whose cooperation could probably be obtained under the right conditions.

Fifth, and finally, rule-of-law funding in Russia should be built around the imperative of improving state-society relations as they relate to legal reform. Consultative relations between regulators and regulated, between law makers and the social groups affected by the laws they make, will enhance the intelligence and effectiveness of enacted legislation. To promote such relations, and thus to help turn law-on-the-books into law that is reliably and impartially enforced in practice, should be a central aim of the next administration's strategy for supporting legal reform in the Russia.

Supporting Higher Education

A strong system of higher education coupled with robust support for research in the natural sciences, social sciences, and humanities is a prerequisite for successful political and economic transitions in Russia and the rest of the former Soviet Union. In the Soviet period, higher education was a major state priority, and many Soviet scientists and mathematicians ranked among the world's best. The situation in the social sciences, however, was far less exemplary due to repression and the distortions of Marxist-Leninist ideology. Glasnost and perestroika gave Russian intellectuals greater freedom to pursue their research, but the economic collapse left the research and scientific communities in the region scrambling to survive and lacking adequate resources. Many Russian researchers have emigrated to the West and taken positions in leading universities and research institutions. Many more have remained in Russia but left their fields of research for new careers. If Russia is to consolidate its political and economic transition, the current internal and external brain drain must be greatly reduced.

Supporting higher education and research in the former Soviet Union offers the United States and the West an opportunity to leverage relatively modest investments today into significant long-term payoffs. The United States has much to offer since its research universities are world leaders in higher education

and research. Not only do the post-Soviet states lack financial resources to adequately support higher education and research, but the region's traditional separation of research and training is increasingly regarded as a structural impediment to systemic reform. However, the Russian Ministry of Education has become more convinced of the need for reform, and there are now some new institutions and centers of excellence, primarily supported by U.S. private foundations, that are beginning to bring together research and training under one roof and that could serve as models for broader, structural reform.

Several post-communist countries have established American universities, which are called exactly that, for example, in Armenia, Kyrgyzstan, Bulgaria, and Azerbaijan. The first three are already possibly the best universities in their respective countries. A study of higher economic education in 20 post-communist countries by the World Bank, the Open Society Institute, the Eurasia Foundation, and the Starr Foundation concluded that it is vital to create critical masses of world-class education in the region. The same is true in the other social sciences. A natural long-term U.S. strategy would be to support one full-fledged, high-quality university in each of the post-Soviet states. Such undertakings are not extraordinarily expensive. For example, the annual cost of one student at the American University of Armenia is currently about $5,000 per year. Fifteen American elite universities with an average of 1,000 students each would accordingly cost $75 million per year. And while prices will rise, of course, funding should come increasingly over time from local and private sources.

Funds should also be provided for these new universities to develop partner relationships with U.S. universities and research institutions, as the American University of Armenia has done with the University of California at Berkeley. The isolation of the Soviet research and scientific communities from their international colleagues was a particularly debilitating and cruel legacy of Stalin and his successors. Isolation of Soviet scientists also proved to be a loss for world science as they were on the forefront in many fields and collaboration would have been mutually beneficial. Today the potential for collaboration and joint work is restricted more for financial than ideological reasons. In the natural and physical sciences, more funding should be directed to equipping laboratories, so there are adequate means to work together not only in the West but also in the region. Since equipping labs can be relatively expensive, this upgrade cannot be done on a very large scale. Already a successful model for providing such funds exists, with the experience of the U.S. Civilian Research and Development Foundation (CRDF).

The most fundamental problem in Russian social sciences is the lack of well-trained university professors. To our knowledge, the number of Russian social scientists with Ph.D.'s from the West who are teaching in Russia can be counted on one hand! To improve this situation, the United States should allocate funds for graduate scholarships in the social sciences for students from the former Soviet Union. Again, the cost would be modest, but the impact could truly be profound. Five hundred students per year in Ph.D. training programs with an average cost of $30,000 would come to $15 million annually. More limited funds should also be allocated for one- and two-year postdoctoral residencies.

Support for institutions and support for graduate training go hand-in-hand. There would be little point in training hundreds, even thousands, of world-class scientists and researchers from the former Soviet Union if attractive institutions where they could continue to conduct research and teach did not exist in their countries of origin. Not only should the United States and the West take the lead in supporting regional institutions, but they should think creatively about how new technologies and other modalities can support regional research networks and what some have called "invisible universities." The basis for Internet conductivity established with support from George Soros in more than 30 regional Russian universities should be supported and expanded to other universities in Russia and the region. An informative needs assessment for the humanities and social sciences supported by the Carnegie Corporation and the MacArthur Foundation recommended using academic and policy journals such as *Polis* and *Pro et Contra* as the basis for facilitating informal research networks on selected themes. Ten million dollars allocated annually for these and other cost-effective efforts could go a long way toward rebuilding and nourishing regional research communities working on issues of fundamental importance to regional development as well as world science.

As globalization is gathering momentum, the foundation for individuals and nations to successfully adapt and prosper is world-class education, not only in the natural sciences and engineering but also in the social sciences. With relatively modest levels of public and private resources—approximately $100 million for the three sets of activities outlined above—allocated effectively for higher education and research, the United States can make a major contribution to long-term Russian development. This is democracy assistance in its most elemental form, since it is impossible to imagine a vibrant democracy and a healthy civil society in a nation where higher education and research are starved of resources or disfigured by ideologies appropriately consigned to the "dustbin of history."

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An Agenda *for* Renewal

With new presidents in both Washington and Moscow, U.S.-Russian relations are in a period of change. In this report, the Russian and Eurasian Program of the Carnegie Endowment sets out an innovative agenda for the renewal of the U.S.-Russian relationship, based on policies that capitalize on areas of mutual interest and affirm the long-term vision of a Russia integrated into Western economic, political, and security structures.

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