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Pressing the "Reset Button" on US-Russia Relations

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Note: This policy brief is the concluding chapter of *The Russia Balance Sheet*, Anders Åslund and Andrew Kuchins (2009, forthcoming).

Whither Russia? Russia's economic circumstances as well as its articulated goals hold the answer to this eternal question. Drawing on our analysis in the forthcoming book *The Russia Balance Sheet*, we outline here a policy approach for the Barack Obama administration. We believe our views reflect to some degree an emerging consensus for the new administration's Russia policy.[1]

Russia is important for US foreign policy in many ways. The United States needs a more constructive relationship with Russia to address many core global security issues including nuclear security and nonproliferation, terrorism, energy, and climate change. The United States also needs to assume a stronger leadership role in reforming the institutions of global governance as the international system evolves in a more pluralistic direction. Assimilating the rapidly rising emerging powers—including Russia—will be easier if Russia is a constructive partner rather than an obstructionist outsider or, worse, a revanchist bully.

The global financial crisis and Russia's battered international reputation in the wake of the August 2008 war in Georgia and its January 2009 gas war compel Russian leaders to reconsider its foreign policy. At this critical juncture, the United States has a new opportunity to shape how Russia conceives of its interests, and we suggest steps the United States can take to improve its Russia policy.

DETERIORATION OF US-RUSSIA RELATIONS

The hostilities between Russia and Georgia that began on August 8, 2008, brought the US-Russia relationship to a new post-Soviet nadir, its lowest point since before the Reykjavik summit between Ronald Reagan and Mikhail Gorbachev in 1986. The war in Georgia made clear that US policy toward Russia requires a fundamental reassessment and a new direction.

The war and its aftermath also confirmed that nearly 20 years after the fall of the Berlin Wall and the end of the Cold War, Russia has not successfully integrated into a European or broader Eurasian security framework. Yet, "To reach its full potential…Russia needs to be fully integrated into the international political and economic order," as former US Secretary of State Condoleezza Rice put it.[2] Neither Russia nor its neighbors will feel secure unless Russia is more committed to regional security arrangements.

1. On the eve of the Obama administration, numerous papers were published on a new US policy on Russia. We tried to draw on them all, with particular attention to two: Pifer (2009) and Sestanovich (2008). We also consulted Henry A. Kissinger and George P. Shultz, "Building on Common Ground with Russia," *Washington Post*, October 8, 2008, A19; Michael McFaul, "U.S.-Russia Relations in the Aftermath of the Georgia Crisis," testimony to the House Committee on Foreign Affairs, US Congress, Washington, September 9, 2008; and Gottemoeller (2008). Dmitri Trenin (2008) offers a useful Russian commentary.

2. US Department of State, "Secretary Rice Addresses U.S.-Russia Relations at the German Marshall Fund," September 18, 2008, www.state.gov (accessed on December 15, 2008).

Despite the new low in the US-Russia relationship, the United States undertook few concrete measures in response. It withdrew the completed US-Russia Agreement for Peaceful Nuclear Cooperation (123 Agreement) from consideration in the US Congress, but neither the United States nor the European Union imposed any sanctions against Russia. In anticipation of Western reactions, however, Moscow officially suspended its attempts to enter the World Trade Organization (WTO), and Russian anti-American propaganda reached a crescendo not heard since the Soviet period.

Before we discuss what the United States should do, however, it is important to establish why US-Russia relations have deteriorated to such an extent. Relations between the two countries seemed to enjoy a new beginning with the election of both George W. Bush and Vladimir Putin in 2000. Their mutual agenda had shrunk and become much less ambitious, no longer including economic assistance and Russian reforms. The Bush administration's primary aim was to abolish the bilateral Anti-Ballistic Missile (ABM) Treaty of 1972 in order to develop missile defense. A secondary American goal was to engage Russia against nuclear proliferation, especially with respect to Iran. The Bush administration paid less attention to issues of previous importance—the former Soviet republics, energy, democracy, human rights, and commerce. Its policy toward Russia was a "minimalist-realist" agenda.

The United States needs a more constructive relationship with Russia to address global security issues including nuclear security, nonproliferation, terrorism, energy, and climate change.

Chronology of Key Events

Putin's initial agenda focused on elevating Russia's international position. To that end, he undertook significant goodwill gestures toward the United States, closing a Russian intelligence-gathering facility in Cuba and a naval base in Vietnam. The high point of the Bush-Putin relationship came after 9/11 at the Moscow summit in May 2002. The United States needed bases in Central Asia for its war in Afghanistan, and Putin accommodated this request. The two countries concluded the Strategic Offensive Reduction Treaty (SORT or Moscow Treaty) in 2002, and Russia accepted without protest the US abandonment of the ABM Treaty in December 2001. In return, the United States did little for Russia other than to discontinue its criticism of Russia's policy in Chechnya and, in 2002, recognize Russia as a market economy.

Before long, however, the US-Russia relationship began to deteriorate on a broad front. At the end of 2002 and in early 2003, the presidents of France, Germany, and Russia jointly protested US plans for a war in Iraq against Saddam Hussein (although the United States largely refrained from criticizing Russia for its opposition).

With the confiscation of the oil company Yukos, initiated in 2003, Russia began renationalizing its oil and gas assets, leaving less room for foreign oil companies. The losses of American shareholders probably amounted to as much as $12 billion, but the US government did not publicly protest.

In 2004 the deterioration in US-Russia relations became more obvious. In March, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia became members of the North Atlantic Treaty Organization (NATO), which prompted sharp Russian protests, especially against the admission of the three Baltic countries. The Kremlin viewed this development as US intrusion in its sphere of influence and only grudgingly accepted the new countries' status. In July of that year the West was shocked by the murder in Moscow of the American *Forbes Russia* editor Paul Klebnikov. But with the Orange Revolution in Ukraine that fall, the deterioration became a rupture. Russia and Putin himself had heavy-handedly intervened in the Ukrainian presidential elections to direct the election results to their advantage. A united West protested, and although the United States carefully avoided taking the lead and instead ceded the diplomatic response to Europe, the Kremlin considered the protest a US-led conspiracy against its influence in its "near abroad."

In April 2005 Putin stunned Western observers when he asserted in his annual address that "the collapse of the Soviet Union was the biggest geopolitical disaster of the century."[3] Then in December of that year, Russia adopted a restrictive law on nongovernmental organizations despite both American and European protests.

In January 2006 Gazprom disrupted gas deliveries to Europe through Ukraine for two days, raising concerns about Russia's reliability as a supplier. In July, however, Bush proceeded as though nothing had happened and attended the St. Petersburg G-8 summit, which was held as a celebration of Putin's rule in Russia; the United States concluded bilateral WTO negotiations with Russia in November 2006. At about the same time the world learned of the murders of journalist Anna Politkovskaya in October and security police defector Aleksandr Litvinenko in London in November.

3. Vladimir V. Putin, annual address to the Federal Assembly of the Russian Federation, April 25, 2005, www.kremlin.ru. (accessed on July 1, 2007).

In February 2007 Putin dramatically escalated his rhetoric after the United States revealed plans to establish antimissile bases in Poland and the Czech Republic. He threatened to withdraw from two arms control agreements, the Treaty on Conventional Armed Forces in Europe (CFE) and the Intermediate-Range Nuclear Forces (INF) Treaty.[4] And in December Russia suspended its implementation of the CFE Treaty.

In 2008 both Georgia and Ukraine applied for membership action plans (MAPs) to NATO. In protest, Putin threatened them at the NATO Bucharest summit in April. If Ukraine was allowed to join NATO, he said, "this may bring into question Ukraine's existence as a sovereign state."[5]

After the NATO summit, Russia quickly strengthened its support for the two secessionist Georgian territories, Abkhazia and South Ossetia. But a rapid escalation of military incidents led to a full war that broke out between Georgia and Russia on the night of August 7, and the next day Russian troops invaded parts of Georgia. The war ended after just five days thanks to European mediation. Soon after, referencing the "precedent" of Western recognition of Kosovo's independence in February, Russia formally recognized Abkhazia and South Ossetia as independent states, but to date only Nicaragua has recognized these two statelets. Russia's recognition of Abkhazia and South Ossetia marked a sharp reversal of post-Soviet Russian foreign policy to respect the territorial integrity of its neighbors.

After the Georgia war, Russia has let up a little, but not much. On November 5, 2008, a few hours after the election of Barack Obama as US president, President Dmitri Medvedev held his first annual address to the Russian parliament. Ignoring the newly elected US president, Medvedev announced that Russia may deploy Iskander tactical ballistic missiles in the Kaliningrad exclave, targeting Poland and the Czech Republic since they had accepted American missile defense installations. Later in November, Medvedev toured Cuba and Venezuela as Russian bombers and naval ships visited the region. Yet in a positive gesture, Medvedev promised in January 2009 not to locate the missiles targeting Poland and the Czech Republic in the Kaliningrad region. Still, on February 3, Kyrgyz President Kurmanbek Bakiyev announced that he asked the United States to evacuate its Manas air base from his country. He did so during a visit to Moscow, because Russia had offered him better financing. Moscow did so although it has a clear security interest in the United States and its allies defeating the Taliban in Afghanistan. Then on February 6, to accentuate the mixed message, the Russian foreign minister announced that Russia had agreed to open itself as a transit corridor for nonlethal materials from the United States to reach Afghanistan. In sum, Russia's anti-American policies have become a little less pronounced but not softened much.

Differing Values and Problematic Policies

We hope that Russia and the United States have reached the end of the unfortunate trajectory of the past eight years. To reverse the destructive momentum, it is necessary to establish why things went so wrong.

Presidents Bush and Putin met no fewer than 27 times, far more than the 18 meetings between Presidents Clinton and Yeltsin. Meetings, however, do not necessarily solve problems. Moreover, President Bush repeatedly and publicly praised his Russian colleague and seemed to presume that the two of them shared democratic and legal values, despite Russia's record consistently suggesting the contrary. Indeed, in 2004, then US ambassador to Moscow Alexander Vershbow observed that the main hazard in the US-Russia relationship was the "values gap" (Sestanovich 2008, 12), which has persistently grown. And as Ronald Asmus wrote, "The gap between Western and Russian values and our readings of recent history is greater today than at any time since communism's collapse."[6]

The war in Georgia made clear that US policy toward Russia requires a fundamental reassessment and a new direction.

On the eve of the second Bush administration and in the wake of the Orange Revolution in Ukraine, many concerned Russian and American observers viewed the breakdown of trust between Washington and Moscow as more pernicious than the "values gap" and suggested that the two countries focus on an agenda of common interests to restore trust (see, for example, Kuchins, Nikonov, and Trenin 2005). Although Moscow was receptive to this approach, Washington was not. The Bush administration was riding the crest of the momentum of the "color revolutions" and placed democracy promotion and US values, at least rhetorically, near the top of its foreign policy agenda. This momentum would soon reverse, however, lending credence to Moscow's view of the Bush agenda as a cynical fig leaf for the expansion of American hegemony in Eurasia.

In the spring of 2006 the Council on Foreign Relations

4. Vladimir V. Putin, speech and the following discussion at the Munich Conference on Security Policy, February 10, 2007, www.kremlin.ru.

5. "What Precisely Vladimir Putin Said at Bucharest," *Zerkalo nedeli*, April 19, 2008.

6. Ronald D. Asmus, "Dealing with Revisionist Russia," *Washington Post*, December 13, 2008, A15.

published a comprehensive report on the US-Russia relationship entitled *Russia's Wrong Direction*. The report's assessment and recommendations concerning developments in Russia and its foreign policy were quite sensible and balanced. But the problem with the broader message of the report, beginning with the title, was the implication that most of the problems in the relationship were Russia's fault. Not surprisingly, the report received substantial criticism from Russian government officials and elites. It also became a lightning rod for debate over policy toward Russia, illustrating how difficult it was for Republicans and Democrats to agree on the contributions of the United States, and specifically the Clinton and Bush administration policies, to the deterioration of the relationship. As Henry Kissinger and George Shultz noted, "fairness requires some acknowledgment that the West has not always been sensitive to how the world looks from Moscow."[7]

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US policy on Russia has suffered from many flaws. Most fundamentally, the Bush administration never had an explicit Russia policy, instead pursuing disparate policies such as those for arms control and energy security. Furthermore, the many Bush-Putin meetings were characterized as "fly-by summits," mostly lasting no more than an hour or so; they accomplished little, and it is difficult to escape the impression that the resulting photos were seen as more important than the substance of the discussion.

Since the United States did not have a Russia policy, it did not have a functioning interagency process either to ensure accountability or to follow up on promises made at the Bush-Putin summits, giving Putin the impression that Bush was an unreliable partner. The most obvious example is that Bush, like Clinton, promised his Russian colleague at least twice to have Congress repeal the anachronistic Jackson-Vanik Amendment but did not follow through with a serious attempt to do so. In contrast, although there were significant conflicts during the Clinton-Yeltsin period, the Gore-Chernomyrdin Commission had ensured broad bilateral contacts between many government agencies from 1993 to 1999—a mechanism that the Bush-Putin relationship lacked.

The two new leaders never enjoyed any common understanding. The Bush administration assumed that Russia was a dwindling power of little significance, ignoring Russia's booming economy. Needless to say, this attitude did not go over well with the Russians. When Putin initially made substantial concessions to the United States—closing military facilities in Cuba and Vietnam—he received nothing in return. The Russian perception was that the Bush administration viewed these acts as signs of weakness rather than as gestures of goodwill.

Aside from the Putin government's preference for binding nuclear arms control agreements, both the Bush and Putin administrations aspired to reduce the number of international treaties and the influence of international organizations. The United States abrogated the ABM Treaty and Russia suspended the CFE Treaty. The United States bypassed the United Nations, and Russia undermined the Organization for Security and Cooperation in Europe (OSCE) and blocked UN Security Council sanctions against countries such as Iran, Zimbabwe, and Burma/Myanmar.

By the end of 2008, the balance sheet for the two countries did not look good. The US-Russia energy dialogue had all but ceased. Although the United States and Russia concluded a bilateral protocol on Russia's WTO entry in November 2006, Russia's accession stalled. The US-Russia bilateral investment treaty of 1992 remained unratified by the Russian parliament. Apart from the Moscow Treaty of 2002 and the 123 Agreement of 2008 on civilian nuclear cooperation, which has not been ratified, the United States and Russia under Putin and Bush concluded no significant bilateral agreements.

The Kremlin's perception is that the United States is encircling Russia through NATO enlargement and missile defense installations in Poland and the Czech Republic. The United States considers that Russia has abandoned its democratic trajectory and is growing more closed to foreign investment, notably in the important energy sector. The United States is also concerned that, although Russia ranks as one of the most corrupt countries in the world, the Kremlin does little to improve the situation.

Mutual distrust prevails between Washington and Moscow. The relations have not developed but shrunk in recent years. Because of the lack of strong ties and shared commitments, the cost for Moscow to act against the United States is low. But Henry Kissinger and George Shultz recently observed that "isolating Russia is not a sustainable long-range policy. It is neither feasible nor desirable to isolate a country adjoining Europe, Asia and the Middle East and possessing a stockpile of nuclear arms comparable to that of the United States."[8]

7. Henry A. Kissinger and George P. Shultz, "Building on Common Ground with Russia," *Washington Post*, October 8, 2008, A19.

8. Kissinger and Shultz, *Washington Post*, October 8, 2008.

If relations between the two countries were more extensive, as between Russia and Germany, mutual understanding and confidence would be greater. The Obama administration will need to make a substantial and coordinated effort to improve the US-Russia relationship and generate mutual confidence. It is essential to halt and reverse the current steady deterioration of the relationship.

ALTERNATIVE SCENARIOS FOR US-RUSSIA RELATIONS

For a decade until 2008, Russia's GDP in US dollars rose nine times from $200 billion to $1.8 trillion, but that is still only 2.5 percent of global GDP. Even so, the Kremlin presented Russia as a revanchist economic powerhouse. As oil prices plummeted from $147 in July 2008 to $35 at present, these pretenses have fallen in tatters. But Western engagement and integration present an opportunity to shape Russia's possible new course, both internally and externally.

Russia has reached the end of the road in resource-based development and catch-up growth, but it remains only semi-modernized and highly vulnerable to external circumstances beyond its control, primarily the oil price. About 85 percent of its exports are based on energy and commodities such as metals and chemicals. With the exception of the arms industry, Russia's manufacturing has largely failed to develop because of an adverse business climate (widespread corruption and onerous state intervention) and a lack of comparative advantages outside of the commodity sector.

The global financial crisis has hit Russia hard. As commodity prices have fallen sharply, the status quo is not a viable option. Russia cannot continue to depend to such an extent on its resource wealth, which is prone to booms and busts. No other large emerging-market or developed economy is so dependent on a single volatile factor (the oil price) as is Russia. Sustaining economic growth for the country's population will have a direct influence on popular support for the government.

A recent study by Daniel Treisman (2008) found that the popularity of Russian presidents "closely followed perceptions of economic performance, which, in turn, reflected objective economic indicators." Thus the presidential approval rating depends on the Russian people's sense of material well-being; "most other factors"—such as the war in Chechnya, in the case of Putin in 1999—"had only marginal, temporary effects."

Russia faces two starkly different choices for its economy. One option is to continue the current course toward increased state control and renationalization, which would result in economic domination by large monopolistic state corporations. In that case, the country would have little need for the WTO, and increasing isolationism would be the natural outcome. Russia's economic growth, however, would probably wither, because such a system breeds stagnation.

The alternative would be to return to the liberal economic reform agenda that Putin abandoned in 2003. Indeed, then-presidential candidate Dmitri Medvedev's February 15, 2008, speech in Krasnoyarsk called for the revival of such a program.[9] In his speech in Davos on January 28, 2009, Putin further stated: "The crisis has exposed the problems we have. They are an excessive orientation of exports, and of the economy, toward natural resources and a weak financial market. There is a greater demand for the development of basic structures…."[10] Major elements of such a policy would be the control of corruption, deregulation of the domestic economy, and reinforcement of private property rights. Such an economic choice would naturally accompany political liberalization and enhanced international integration.

Our view is that the second option is more likely because the growth motive is pervasive in the current Russian establishment, and so US policy should be designed primarily for that option. Yet US policy must also prepare for less felicitous alternatives. We, therefore, consider three scenarios of US-Russia relations.

The worst scenario would be a "New Cold War" (Lucas 2008) in which Russia and the United States would work against one another around the globe. Many observers point to Putin's anti-American speech in Munich in February 2007 as proof of that intention on Moscow's part.[11] The war in Georgia and the gas disruption in January 2009 also seem to point in this direction. Yet an adversarial policy, with full-scale containment and abandonment of engagement, is neither useful nor desirable and must be avoided.

The second scenario is realistic engagement: an ambition to develop productive and constructive relations, with an understanding that Russia and the United States have different values as well as some common interests. In this scenario, the two countries promote and pursue their shared interests, while acknowledging and managing their contradictory inter-

9. Transcript of the speech of the first deputy chairman of the Government of Russia, Dmitri Medvedev, at the 5th Krasnoyarsk economic forum "Russia 2008–2020. Management of Growth," February 15, 2008 [Stenogramma vystupleniya Pervogo zamestitelia Predsedatelia Pravitelstva Rossiyi Dmitriya Medvedeva na V Krasnoyarskom economicheskom forume "Rossiya 2008-2020. Upravleniye rostom"], available at www.rost.ru (accessed on February 9, 2009).

10. "Putin's Speech at Davos World Economic Forum," *Russia Today*, January 28, 2009, available at www.russiatoday.com (accessed on February 2, 2009).

11. John R. Bolton, "Russia Unromanticized," *Washington Post*, October 20, 2008, A15.

ests. Secretary of State Condoleezza Rice's valedictory address on Russia on September 18, 2008, sums up this policy.[12] In light of current Russian policies, this is the natural choice.

The third scenario is full-fledged engagement based on converging values. This was the aim of President Clinton and the initial assumption of President Bush. The precondition is that Russia truly transforms. Although such a development may not appear likely today, the United States should remain open to such a possibility.

US policy on Russia should aim for constructive engagement based on a realistic understanding of differences in values, interests, and goals. It should promote mutual confidence between the two countries and deepen and broaden the relationship so that it encourages the development of greater understanding and respect.[13]

KEY AREAS OF US-RUSSIA COOPERATION

Our main recommendation for the US policy community is that integration, as opposed to isolation, is the best way to "manage Russia's rise," to borrow a phrase from US policy on China. From an American perspective, Russia and China are becoming increasingly similar as authoritarian polities with powerful interests in deeper economic integration, yet US policy on China has been considerably more successful than that on Russia in recent years, not least because it is so much more important for the US economy.

Vice President Joseph Biden stated: "It is time to press the reset button and to revisit the many areas where we can and should work together."

Vice President Joseph Biden set the line of the Obama administration on US-Russia relations in his speech in Munich on February 7, 2009, when he stated: "It is time to press the reset button and to revisit the many areas where we can and should work together." He also stated that "the United States and Russia can disagree and still work together where our interests coincide."[14] The new US policy cannot, however, be unconditional. Russia needs to comply with elementary rules of international conduct. Unfortunately, the last year witnessed several impermissible acts by Russia. Its war in Georgia and its recognition of the independence of Abkhazia and South Ossetia violated multiple commitments to sovereignty and territorial integrity. By cutting gas and oil supplies for two weeks to numerous countries without warning, Russia endangered energy security. By promising to deliver air defense missiles to Iran, Russia is undermining US attempts to persuade Iran's leadership to abstain from the development of nuclear arms. And the official Russian media's anti-American propaganda casts the United States as a convenient scapegoat that the Kremlin can blame for Russia's economic woes and geopolitical isolation. None of these acts is acceptable from a US point of view, and Russia must show some goodwill if the two countries are to engage in a constructive realpolitik.

There are six key areas of desired cooperation: Iran and missile defense, European and regional security including Afghanistan, arms control, commercial relations, energy policy, and democracy and human rights.

Iran and Missile Defense

The greatest security concern of the United States is Iranian access to intercontinental ballistic missiles with nuclear warheads that can threaten the United States. Both the Clinton and Bush administrations tried to work with Russia to reduce this threat. But Russia has completed a nonmilitary nuclear power station in Bushehr in Iran and agreed to provide the Iranians with S-300 ground-to-air missiles, diminishing the threat to Iran of possible American or Israeli bombings. In the United Nations, Russia has persistently argued against sanctions on Iran and thus eased the international pressure on Iran.

The US assumption has been that Russia should be worried about nuclear proliferation to Iran, but Russia's actions suggest that its worries are limited. As Stephen Sestanovich (2008, 15) writes, "Moscow is no more likely to support a drastic increase in U.S. pressure against Iran…than it did against Iraq in the lead-up to the 2003 war." Russia can rightly point to Washington's relative equanimity when India and Pakistan acquired nuclear arms and missiles.

To counter the Iranian nuclear threat, the United States has concluded agreements with the Czech Republic and Poland about missile defense installations there. Moscow has reacted sharply, alleging that the real purpose is to intimidate Russia. It has threatened to target the Czech Republic and Poland with nuclear missiles, but it has also offered to cooperate with the United States in a missile defense installation in Azerbaijan, an offer that the United States has declined.

12. US Department of State, "Secretary Rice Addresses U.S.-Russia Relations at the German Marshall Fund," September 18, 2008, available at www.state.gov (accessed on December 15, 2009).

13. Michael Mandelbaum, "Stop Baiting the Bear," *Newsweek*, December 31, 2008.

14. Joseph R. Biden, speech at the 45th Munich Security Conference, February 7, 2009, available at www.securityconference.de (accessed on February 9, 2009).

The Obama administration needs to break this logjam, ideally with a two-part solution. One part should initiate direct negotiations with Iran and encourage Moscow to put more pressure on Tehran. But Russia is clearly part of the Iranian issue, and it is important to transform its role from that of principal agent to one party among many.

The other part of the solution should tie the development of missile defense to progress in the containment of Iran's nuclear arms program. The United States could undertake a couple of goodwill gestures to facilitate such progress. First, greater transparency—for example, through a return to the agreement to establish a joint data exchange center and cooperation on shared early warning data—will diminish Russian suspicions. Second, a review and delay of the plans for missile system deployments could permit needed progress in the containment of Iran's nuclear program. Third, an agreement in principle between the United States and Russia to work together to develop broader missile defense capabilities could ultimately provide for a global missile defense system that includes Russia.

The Obama administration will need to make a substantial and coordinated effort to halt and reverse the current steady deterioration of the US-Russia relationship.

Still, the United States must not let down its loyal allies Poland and the Czech Republic. Deployment should be delayed but not canceled, pending more challenging testing to ensure that the system actually works. Biden has indicated that the new administration is choosing this road: "We will continue to develop missile defenses to counter a growing Iranian capability—provided the technology is proven to work and is cost-effective."[15]

Since the system deployments planned for Poland and the Czech Republic are designed to address threats from the south, the United States should also engage with the Russians on a joint threat assessment of the region that includes Iran but stretches more broadly throughout the Greater Middle East.

European Security, NATO, and the OSCE

Russia has a nearly symbiotic economic relationship with Europe, which serves as a powerful foundation for their interdependency, but it needs to be a full participant in European norms and rules. Russia should feel it is inside the tent rather than brooding outside in the cold. It must have a stake in peace in Europe. The war in Georgia showed how brittle security remains in Europe and made plain that the issue is much more important than at any time since 1991. Because the United States has broad global security responsibilities, the onus is on Washington to take the lead in recasting European security.

A prime goal of the United States must be to guarantee the sovereignty and territorial integrity of other states in Europe. Russia's recognition of the independence of Abkhazia and South Ossetia violates the generally accepted principle of sovereignty and territorial integrity of states, clearly set forth in the OSCE Convention.

The outstanding bone of contention is Ukraine—Russian pundits argued in 2008 that it represents 90 percent of Russia's foreign policy. It is, therefore, appropriate to carefully examine what Russian leaders say about Ukraine. The most salient comments are from then president Putin's speech at the NATO summit in Bucharest in April 2008, when he suggested that Ukraine lacked legitimacy as a state and then threatened to end its existence:

- "As for Ukraine, one third of the population are ethnic Russians. According to official census statistics, there are 17 million ethnic Russians there, out of a population of 45 million…. Southern Ukraine is entirely populated with ethnic Russians."
- "Ukraine, in its current form, came to be in Soviet-era days…. From Russia the country obtained vast territories in what is now eastern and southern Ukraine."
- "Crimea was simply given to Ukraine by a CPSU Politburo's decision, which was not even supported with appropriate government procedures that are normally applicable to territory transfers."
- "If the NATO issue is added there, along with other problems, this may bring into question Ukraine's existence as a sovereign state."[16]

Putin appears to question the legitimacy of the breakup of the Soviet Union and the resulting borders. As Michael McFaul stresses, "The United States and Europe must act proactively to deter Russian hostile actions against the other post-Soviet democracy at risk, Ukraine."[17]

15. Biden, speech at the 45th Munich Security Conference.

16. "What Precisely Vladimir Putin Said at Bucharest," *Zerkalo nedeli*, April 19, 2008.

17. Michael McFaul, "U.S.-Russia Relations in the Aftermath of the Georgia Crisis," testimony to the House Committee on Foreign Affairs, US Congress, Washington, September 9, 2008.

The United States has already guaranteed the sovereignty and territorial integrity of Ukraine and other post-Soviet countries in multiple agreements. The OSCE Convention applies to all of these states. In addition, the United States offered strong security guarantees to Belarus, Kazakhstan, and Ukraine when they agreed on denuclearization in 1994. The United States can and should persistently remind Moscow of the validity of these agreements to avoid any repeat of the war in Georgia.[18]

The critical issue is the application by Georgia and Ukraine for MAPs to NATO and the possibility of their eventual NATO membership. Their applications were rebuffed by the NATO summit in Bucharest, but its communiqué stated that "NATO welcomes Ukraine's and Georgia's Euro-Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO…. MAP is the next step for Ukraine and Georgia on their direct way to membership. Today we make clear that we support these countries' applications for MAP."[19]

On the one hand, Ukraine and Georgia are sovereign states entitled to seek membership in NATO. On the other hand, they are not militarily and politically ready, key European allies oppose their MAP and membership (for now), and Russia objects vehemently. A middle way is needed. In December 2008 NATO foreign ministers seemed to have found a solution: Ukraine and Georgia will have national action plans (essentially the same as MAPs in all but name) that gradually bring them closer to NATO, but no MAP is being offered.

The NATO-Russia relationship also needs to improve. NATO's 60th anniversary in April 2009 offers a good opportunity to review the organization's future purpose, goals, and membership, including possible Russian membership if Moscow is genuinely interested. Russian leaders have never categorically rejected their potential membership, and on occasion Yeltsin and Putin expressed interest. Former Secretary of State James Baker (2002) made a powerful argument in 2002 about the importance of (eventually) bringing Russia into NATO.[20]

The enhancement of NATO's capabilities to successfully pursue its mission should be as high a priority for Washington as enlargement. The foremost task of NATO today is to succeed in Afghanistan; if the organization fails there, its future seems dubious. Because Russia also has a strong interest in stabilizing Afghanistan—from transit agreements to intelligence sharing to reconstruction efforts—fostering a closer relationship between NATO and Russia should be a much higher priority. Russian cooperation was essential in the allied defeat of the Taliban in 2001, but the United States did not solidify its partnership with Russia through further collaboration in stabilizing Afghanistan. Such a joint effort in an area of shared interest would be an opportunity to restore trust with Moscow.

NATO's 60th anniversary in April 2009 offers a good opportunity to review the organization's future purpose, goals, and membership, including possible Russian membership.

In his speech in Berlin on June 5, 2008, President Medvedev proposed a conference on reforming the European security system,[21] and the idea has become a recurring refrain from Moscow, although with few details. Nonetheless, the Obama administration should accept Medvedev's proposal to begin discussions, which present an opportunity to engage the Russians as the Helsinki accords did in the 1970s. Precisely what Medvedev means by "privileged relations with neighbors" can be fleshed out and if necessary rejected if it implies traditional "spheres of interest" that have no place in modern conceptions of cooperative security, and the West can make its own proposals. A first step could be a nonaggression treaty that further confirms national sovereignty and the inviolability of national borders.

Another question to explore at such a conference is how to revitalize the OSCE and strengthen its role in promoting cooperative security. The Russians profess to be interested in this topic, although their recent endeavors have aimed at weakening the OSCE. But even if the Russian proposals for the OSCE are a means of reducing the role of NATO in the region, the United States has no reason to worry because its position on most contentious issues in the OSCE is shared by all organization members except Russia. The proposed conference would offer the United States and its European allies an opportunity to demonstrate solidarity and force Russia to clarify its stands. It could also preserve and bolster the OSCE's promotion and defense of human rights among member countries.

18. Ibid.

19. Bucharest Summit Declaration, issued by the Heads of State and Government participating in the meeting of the North Atlantic Council, Bucharest, April 3, 2008, available at www.nato.int (accessed on July 1, 2008).

20. For a comprehensive history of the NATO-Russia relationship and ideas to advance it, see Smith (2008).

21. President of Russia, speech at Meeting with German Political, Parliamentary and Civic Leaders, Berlin, June 5, 2008, available at www.kremlin.ru (accessed on December 15, 2008).

A third topic is modification and ratification of the CFE Treaty. The great importance of the treaty is that it allows inspections and offers an early warning system crucial to European security. Russia suspended its compliance with the treaty in December 2007, and its disagreements were understandable. Several newly independent countries in the region that have refused to sign the treaty should do so. Moscow also protested excessive control over military deployments on its territory, and these restrictions could be eased. These are important aspects of an updated review of cooperative security measures in Europe.

Finally, the solution of the "frozen conflicts" has become more urgent since the war in Georgia. In addition to Abkhazia and South Ossetia, this term refers to the breakaway Transnistria region in Moldova and the formerly Azerbaijani autonomous region of Nagorno-Karabakh, which is occupied by local ethnic Armenians. In both cases, there have been serious efforts to solve these conflicts since the war in Georgia, and the United States needs to actively support these efforts.

Arms Control

Arms control is the area where the United States and Russia have the longest history of cooperation, and it is the easiest place to renew the bilateral relationship. Both parties have an interest in new agreements, and the international arms control regime that contributed to the end of the Cold War is in grave danger.[22] The United States is the primary player on security issues, but in recent years has underused its leverage and influence with the Russians. It has withdrawn from the ABM Treaty, and Russia has suspended the CFE Treaty. The Strategic Arms Reduction Treaty (START I) is set to expire in December 2009, and without it the SORT (set to lapse in 2012) becomes nonverifiable. The Kremlin is critical of the INF Treaty, and the Nuclear Non-Proliferation Treaty (NPT) is up for review in 2010.

The danger here is to be not sufficiently ambitious. The United States should seize the initiative to pursue extensive negotiations to improve and thus save the arms control regime.

The first step is to return to the traditional nuclear arms control agenda that the Bush administration neglected for eight years and to renew START I, which is necessary for verification measures.

Second, the United States needs to engage with Russia in a new treaty that provides considerably deeper cuts in strategic offensive forces than the 2002 SORT, which allowed the two countries each to maintain 1,700 to 2,200 warheads. Neither side needs (or is interested in maintaining) so many warheads. Steven Pifer (2009) advocates that the Obama administration "should propose to the Russians a legally binding treaty under which each side would reduce and limit the number of its strategic nuclear missiles to no more than 1,000." The reduced warheads should be destroyed, and the new SORT should incorporate standard verification procedures.

Third, the United States needs to lead in the recommitment to nuclear nonproliferation. More and more countries are acquiring nuclear arms, and there is a concern that if Iran, in particular, develops nuclear arms, the nonproliferation regime will have failed and no further controls will be feasible. If the United States is serious about achieving a nuclear-free world and thus fulfilling its Article 6 commitments to the NPT, there must be a substantial cut in the US nuclear arsenal. The Obama administration should also work closely with its Russian partners to promote a successful 2010 NPT review conference, in part by trying to ensure that Russia does not perceive any threats to its strategic stability.

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As the two leading nuclear powers, the United States and Russia have shared interests in preventing the collapse of nonproliferation efforts. Cooperation on cuts as well as defenses will send the strongest message to Tehran and is the best way to encourage Moscow to move more aggressively on sanctions against Tehran if the latter does not transparently abandon its nuclear weapons program. US collaboration with Moscow in this area could persuade Russia to become a more constructive partner in dealings with Iran.

Because Russia harbors concerns about the INF treaty, it is up to Moscow to propose changes. Its objection is that the bilateral treaty prohibits the United States and Russia from having intermediary nuclear missiles even as other countries have or are developing such missiles. Russia may, therefore, propose that the INF Treaty become a multilateral treaty involving all nuclear powers. If so, the United States should be open to such a suggestion, especially if the alternative is Russia's withdrawal from the treaty.

22. For an account of the essence of the arms control regime, see Mandelbaum (2004).

Commercial Relations

US engagement with Russia on economic integration presents an opportunity to broaden and deepen their bilateral relationship. Economic cooperation will build goodwill and mutual confidence, which can facilitate discussion of other areas of interest such as cooperation on nonproliferation and dealing with Iran's nuclear program. Yet one of the most underdeveloped areas of the US-Russia relationship is commerce. The two countries' very limited mutual trade and investment—the United States accounts for only 4 percent of Russian trade and foreign direct investment (FDI)—indicate a very significant potential to expand bilateral economic relations to the benefit of both Americans and Russians.

One reason direct US investment in the Russian economy is so small is that the United States does not have a ratified bilateral investment treaty (BIT) with Russia, unlike 38 other nations that represent most of the major global economies and most members of the European Union. As a consequence, Americans usually invest in Russia through a European subsidiary that enjoys better legal protection. Although Russia did not ratify the 1992 BIT, it has clearly indicated that it welcomes such an agreement (which became part of the bilateral April 2008 Sochi Declaration), but the Bush administration sought to negotiate a new, better BIT only in its final months.

A BIT would also encourage Russian investment in the United States. Foreign investment not only provides jobs for Americans but also, as Yale Professor of Economics Aleh Tsyvinski writes, "foster[s] economic interdependence." He continues: "By investing in U.S. and European assets, Russia's government and business elites are buying a stake in the global economy. This should bring better mutual understanding and a more rational and accountable foreign policy."[23] The United States must work with Russia to ensure that openness to foreign investment is reciprocal and that legal protections for investors are guaranteed.

A crucial issue in Russia's standing in world commerce is its WTO accession. Russia suspended its application to join the WTO in anticipation of Western sanctions against its war in Georgia, which never materialized. Hopefully it will soon reinstate its application. It is the largest economy that remains outside the organization. The United States has consistently favored Russia's membership in the WTO as well as in other international economic institutions, as such integration would not only boost commerce but also promote rules-based international norms of economic behavior in Russia and thus influence Russian policy. The United States should continue to support Russia's WTO accession and work with Russia and WTO members to overcome their objections.

Russia is already an active and responsible board member of the International Monetary Fund (IMF) and the World Bank. In 2007 Russia showed positive engagement by proposing its own, highly respected candidate for managing director of the IMF. Economic integration will provide additional opportunities for the Russian leadership to further develop its global engagement.

In addition, Russia has been a full member of the G-8 since 1997 (although the finance ministers group is still only G-7). The Obama administration should follow the lead of the Bush administration and devote more attention and resources to developing the G-20 (created by the Clinton administration in 1998) rather than the G-8, which seems increasingly unrepresentative and obsolete. Russia shares this view.

In his October 2008 speech in Evian, France, President Medvedev expressed a strong interest in reforming the anachronistic system of international financial governance.[24] Although Russian proposals have not been very concrete, such efforts should be welcomed in principle. Russia's interest in engaging in reform of the international financial architecture is a positive development, even if its views may sometimes conflict with those of the United States.

Russian accession to the Organization for Economic Cooperation and Development (OECD) is also important. Like the WTO, the OECD is a highly legalistic organization that requires new members to adopt many rules before they are granted entry. Membership carries with it obligations such as observance of international standards relating to rule of law, transparency, and property rights, all of which must be adopted in coordination with other members, in particular close European allies.

Another roadblock is the Jackson-Vanik Amendment to the Trade Act of 1974. It requires the executive branch to certify to Congress annually that there are no restrictions on the emigration of Jews from Russia; if it were invoked, prohibitive Smoot-Hawley tariffs would apply to all Russian imports to the United States. This Cold War holdover no longer serves any useful purpose and is routinely voided. Presidents Clinton and Bush both promised to graduate Russia from the amendment. The United States should fulfill its promise, which would facilitate Russia's entry into the WTO.

In April 2008 the United States and Russia signed the 123 Agreement on civilian nuclear cooperation, which should be of great commercial significance. It was ready for Senate ratification in the fall, but the administration withdrew it after

23. Aleh Tsyvinski, "Turning Russia into a Global Citizen," *Moscow Times*, October 23, 2008.

24. President of Russia, speech at World Policy Conference, Evian, October 8, 2008, available at www.kremlin.ru (accessed on December 15, 2008).

Russia's war in Georgia. As soon as bilateral conditions allow, this treaty should be reintroduced and ratified. It will offer the United States and Russia great commercial benefits in peaceful nuclear cooperation, in which both enjoy comparative advantages.

The United States should increase export support and trade facilitation for US companies interested in the Russian market. The Export-Import Bank and Overseas Private Investment Corporation (OPIC) exist for these purposes, but they should receive more support, especially during the current financial crisis. The United States should also reinvigorate and deepen bilateral economic dialogue involving government and business at all levels, building on the US-Russia Economic Dialogue launched in April 2008.

Energy Policy

The two-week disruption of gas supplies from Russia to Europe in January 2009 was a reminder of Russia's malfunctioning energy policy. The question for the United States is not what principles to support but how deeply to engage in European energy policy. The United States has limited regional interests, and even less leverage, but needs to carefully consider its policy stance vis-à-vis Russia, one of the world's two largest energy exporters.

If the United States is to engage on energy issues with Russia, it needs to do so in concert with the European Union to have any impact. The US-Russia Energy Dialogue should be reformulated as a US-EU-Russia dialogue to ensure that the United States and the European Union coordinate their energy policies toward Russia to mitigate the asymmetry between Washington and its European allies in their policy.

The United States has many significant interests in the energy resources of the Eurasian region and should support the evolution of market-based principles for trade in those resources. The Energy Charter was adopted by 54 countries in 1994, including Russia but not the United States. It forms a regional European and Eurasian trade agreement for energy, setting forth such principles. The United States could reconsider acceding to it and engage in discussions with member countries about how to modernize it so that Russia will also ratify it.

Russian oil and gas production from mature West Siberian fields are past their peak, and gas production is in decline. Maintaining, let alone increasing, current production levels will entail massive capital expenditures for complicated and risky projects. Russian companies and the government will have to determine how to develop these fields, but it would make sense for Russia to involve foreign companies and investors, and their technology and project management, to diversify risk exposure as well as to operate more efficiently. Because of the financial crisis, sharply falling energy prices, and contracting production, the Russian government is likely to be forced to reconsider its nationalistic energy policy.

Although American oil companies have been marginalized in Russia, they are still there and quite substantial, and they are even more important in Kazakhstan and Azerbaijan. The United States has an interest in supporting these companies and facilitating the independent energy policy of these two nations.

The United States should also continue its long-standing policy of supporting the development of alternative pipelines to avoid Russia's monopolization of energy transportation. It did so successfully with the Baku-Ceyhan pipeline, which brings oil from the Caspian basin to the Mediterranean. The most immediate project is the planned Nabucco gas pipeline from Turkey through the Balkans to Austria, which the United States sensibly has supported. A natural extension of Nabucco would be a Transcaspian pipeline, for which the Bush administration intermittently lobbied as well.

Dramatically improving energy efficiency in Russia is the most cost-effective means to improve European energy security as well as reduce carbon emissions.

The United States, together with its European and Asian allies, should make cooperation with Russia for better energy efficiency a priority. In several ways, the United States and Russia are in similar situations: In comparison with Europe, they are highly inefficient consumers of energy and, with large carbon emissions, are likely to opt for a cap-and-trade regime of emissions control in multilateral negotiations. A recent World Bank (2008) study concludes that Russia can save up to 45 percent (nearly 6 million barrels/day of oil equivalent) of its total primary energy consumption by adopting measures that could pay for themselves within four years. Russia will thus be a significant player in any multilateral solution to reduce emissions of greenhouse gases in the years ahead. Dramatically improving energy efficiency in Russia is the most cost-effective means to improve European energy security as well as reduce carbon emissions.

Last, the Obama administration needs to assume leadership in the adjudication of resource wealth and transportation rights in the High North. A first step entails Washington ratification of the Law of the Sea Treaty or renegotiation of it in light of the rapidly melting polar ice cap, which makes access

to resources in the Arctic as well as transportation through the area a growing point of dispute for the surrounding countries.

Democracy and Human Rights

After the Rose Revolution in Georgia in 2003 and particularly the Orange Revolution in Ukraine in 2004, the relationship between the United States and Russia grew tense over democracy and human rights. The United States cannot pretend that it does not stand for freedom and democracy, as these are fundamental American values, but it must pursue policies in this area more consistently to be effective.

The Kremlin has long claimed that Russia is subject to double standards on these issues. We believe that its claim is, in fact, valid.[25] The United States rarely decries human rights violations in friendly dictatorships such as Saudi Arabia and Egypt; it says little about repression in Azerbaijan and Kazakhstan;

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and it complains less about human rights violations in China than those in Russia, despite the fact that Freedom House has assessed China's abuses as more extensive than Russia's. Clearly, the US policy on democracy and human rights needs greater consistency to be relevant. As Sestanovich (2008) notes: "The next U.S. administration, then, will have good reasons to make the issue of democracy a less contentious part of U.S.-Russian relations."

Two organizations, the OSCE and the Council of Europe, have consistently promoted orderly elections in the postcommunist world. As a member of the OSCE, the United States should actively support this organization, which has done so much to promote democratic elections.

The United States has provided significant assistance to nongovernmental organizations for the development of civil society and democracy. While this assistance has done much good, many forms of assistance are no longer possible. When the Kremlin actively resists US assistance to nongovernmental organizations, the United States has little choice but to withdraw, as was the case with the Peace Corps.

But the United States can do much more to develop many kinds of people-to-people exchanges. These exchanges are mutually beneficial, nonintrusive, and not very expensive, while they greatly help to develop the understanding between peoples, and the United States has abundant resources for and experience in such exchanges. These exchanges also enjoy Russian support. In Davos, Putin said: "We will expand the practice of student exchange and organize internships for our students in leading universities and most advanced companies. We will create conditions for the best scientists, professors and teachers—regardless of their ethnic background and nationality—to desire to work in Russia."[26]

The United States should offer a large number of scholarships for Russian citizens at US universities; Russian students tend to return home after completing their studies because they have very good career opportunities there. In addition, any facilitation of the issuing of visas for Russian visitors would enhance the image of the United States among the Russian elite.

CREATING A NEW US-RUSSIA POLICY

The current situation has several advantages for US-Russia relations. One is that these relations have deteriorated so badly that there is a strong feeling in both Washington and Moscow that something has to be done to improve them. Another advantage is that both the United States and Russia have new, young presidents who aspire to do better than their predecessors. A third precondition is that the global financial crisis offers all world leaders an opportunity to think big and reach out to international cooperation. In this situation, President Obama needs to enhance the credibility of the United States in the eyes of the world, including the Russians, reach out to US allies, and establish a positive interaction with President Medvedev based on an early formulation of a Russia policy.

Increasing Credibility

The Bush administration's highly selective approach to multilateral engagement, institutions, and treaties has greatly weakened US capacity to lead in global affairs, with a particularly pernicious impact on relations with Moscow and on Russian behavior. Russians have repeatedly pointed to US unilateralist tendencies and violations of international law and human rights as justification for their own selective approach to multilateralism.

During the 1990s, the United States benefited from a total

25. Stephen Sestanovich, "Putin's Double Standards," *Washington Post*, October 17, 2004, B7.

26. "Putin's Speech at Davos World Economic Forum," *Russia Today*, January 28, 2009.

peace dividend of no less than $1.4 trillion at current prices, as the collapse of the Soviet Union permitted a reduction in US defense expenditures from 6 percent of GDP in the 1980s to 3 percent in 1999 (Åslund 2001). Yet regardless of this windfall, American assistance to Russia during its time of hardship was trifling and late in coming. Nor has the United States delivered on its actual promises, such as the revocation of the Jackson-Vanik Amendment.

Regardless of Bush's many friendly words, the Russian leadership under Putin effectively made the case to the Russian public that the United States regarded and treated Russia as an enemy. Now the United States must consistently and unambiguously show the Russian people that such a perspective is invalid.

The Obama administration needs to restore the credibility of American values and resurrect mutual confidence and trust around the world. Coupled with strained transatlantic ties and cleavages in Europe, the loss of US credibility enhances Moscow's leverage to play US European allies against themselves as well as against the United States. McFaul rightly argues that the "first element of a new strategy must be to reestablish unity with our European allies."[27]

Working with Allies

The Obama administration should rebalance US interaction with Russia away from bilateralism to multilateralism. Despite President Bush's 27 meetings with President Putin (more than with any foreign leader except British Prime Minister Tony Blair), his administration could point to few accomplishments as a result. Of course bilateral summitry has its place, but it has been overemphasized and underdelivered with Moscow. Efforts to achieve consensus in and with the European Union regarding Russia have been made more difficult by US overreliance on its bilateral links with Moscow. While it is important to promote greater US-EU solidarity on Russia, the United States must also avoid the trap of eurocentricity and keep the door open to cooperation with East Asian allies.

Moscow may reject the comprehensive effort we suggest in order to more effectively accommodate its interests and concerns. If so (and this should be clear by the end of 2009), then the Obama administration must be prepared to quickly adjust its policies. However, we do not advocate a "hedging" strategy from the outset, as that would undermine the administration's ability to convince the deeply skeptical leadership in Moscow of US sincerity.

27. Michael McFaul, "U.S.-Russia Relations in the Aftermath of the Georgia Crisis," testimony to the House Committee on Foreign Affairs, US Congress, Washington, September 9, 2008.

Timeline for US Actions

The Obama administration must seize the initiative to define both its policy toward Russia and the agenda for the many multilateral meetings already planned, especially as unanticipated events will inevitably affect any agenda. As Pifer (2009) writes: "The Obama administration needs to have an explicit Russia policy—one that is carefully considered, focused and sustained—if it wishes to get Russia right." We propose the following steps:

- President Obama has selected his key policymakers, and his intention is to lead Russian policy from the National Security Council (NSC). An interagency group for Russia has been created under the leadership of the NSC's senior director for Russia.
- It is imperative that the Obama administration establish an explicit Russia policy rather than subordinating it to other issues in order to enable the administration to make necessary tradeoffs and follow up on promises. Determination of the policy should be the task of the interagency group for Russia and should take the form of an NSC directive.
- Since START I expires in December 2009, a prime task of the Obama administration is to launch negotiations on replacement of the treaty, further cuts in ballistic nuclear missiles, and reconciling the different approaches in the START and SORT treaties.
- At the G-20 meeting in London on April 2, 2009 President Obama will have his first occasion to meet with President Medvedev. This will only be a brief getting-to-know-one-another meeting.
- At the subsequent NATO summit in early April, President Obama will have the occasion to consult with European leaders on the future role of NATO. He should also discuss policy toward Russia, with the security of Ukraine and Georgia as major goals.
- Some time in May–June 2009, the new Russia policy should be ready and an NSC directive on Russia adopted. At this time, President Obama himself should make a public statement on his policy on Russia. If the circumstances are appropriate, the president should have something positive to offer. Ideally, President Obama would declare his determination to finally persuade the US Congress to graduate Russia from the Jackson-Vanik Amendment and really do so. Another offer could be to have the mutually beneficial 123 Agreement reintroduced in the US Senate.

- The first full-scale summit between Presidents Obama and Medvedev could take place in connection with the G-8 meeting in Italy in July 2009. The two presidents should recommit to fulfilling the April 2008 Sochi Declaration and to reestablishing a broader organized cooperation mechanism between the two countries, like that of the Gore-Chernomyrdin Commission, to promote action and accountability. However, this must not be done mechanically. It is important to appeal to the parts of the Russian administration that are positively inclined to further cooperation with the United States and the West.

CONCLUSION

We believe President Obama has an important opportunity to dramatically turn around US-Russia relations. Despite lingering concerns about the resurgence of a revanchist Russia, Moscow harbors powerful motivations to improve its ties with the United States and the West to both enhance its security and facilitate its economic development. Russian leaders wish to be seen in public on an equal footing with global leaders, especially the US president. Furthermore, and more importantly, they understand that Russia cannot afford to fall back into another long-term confrontation with the West: Integration with the West remains Russia's best chance to develop and reach its ambitious target of becoming the fifth largest economy in the world by 2020.

For the United States, the motivation for closer cooperation with Russia is grounded in the reality that the world's most pressing energy and security challenges cannot be addressed effectively without Moscow's cooperation and trust. This is most obvious in the realm of nuclear nonproliferation and European security. A Russia that is more interdependent with the West for both its economy and its security will have the best chance to develop in a more democratic direction.

The US approach to Russia should foster an environment of mutual trust in which Russians are likely to make choices that will both promote global security and enhance their own prosperity. We firmly believe that a Russia with a mature market economy and robust democratic institutions will be the most constructive and effective partner for the United States.

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