Chapter 11

Russia/Eurasia

Paradigm Shift: Dealing with Russia after 08/08/08

The Russian-Georgian war in August 2008 put an end to nearly two decades of Western attempts to design and build a new transatlantic security architecture with Russia as its easternmost pillar. Three successive U.S. administrations—those of George H.W. Bush, William J. Clinton, and George W. Bush—and their European Allies sought to integrate Russia into Western security and political structures as a partner that, with the passage of time and progress of internal reforms, would fully embrace Western values and interests. Russia's integration into the Group of 8 (G–8), special relationship with the North Atlantic Treaty Organization (NATO), and partnership with the European Union (EU) were supported and actively promoted by the United States based on the premise that Russia would transform and that, as a result, its values and interests would coincide with those of the United States. The war in Georgia put an end to that vision and signaled to the United States and its European Allies that modern-day Russia requires a new and different approach.

Munich Security Conference (Antje Wildgrube)

Then–Russian Federation President Vladimir Putin delivers remarks at 2007 Munich Security Conference

A Promising Start

Russia's integration into Western security and political structures, which was pursued by the United States and its Allies in tandem with the steady expansion of their security sphere from its Cold War–era boundaries eastward, was part and parcel of an American policy guided by a vision of Europe whole, free, and at peace with itself and its neighbors. It was a vision of the continent without dividing lines, without spheres of influence, and without competing political-military blocs.

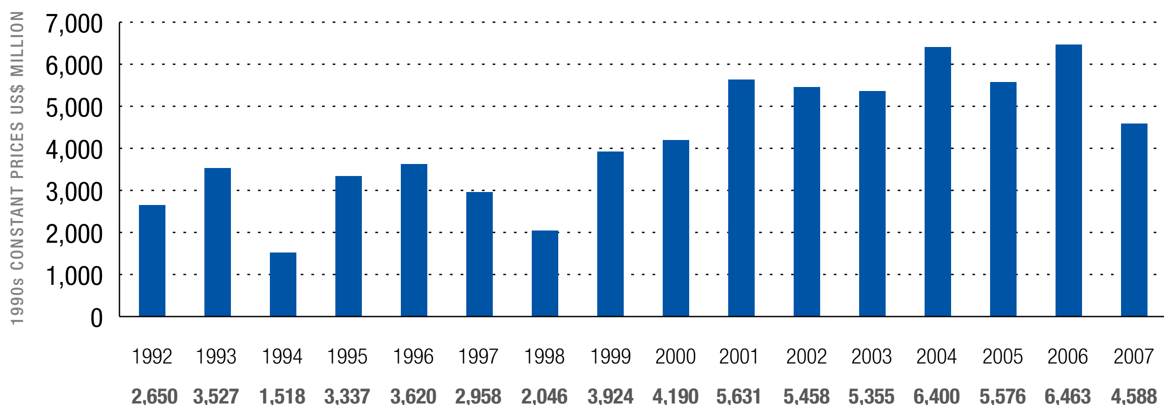
That Russia did not embrace this vision from the outset is well known. Moscow opposed the expansion of NATO as the centerpiece of the new European security framework, and it resented the European Union's absorption of former Soviet satellites, motivated by the belief that the West was expanding its sphere of influence at Russia's expense while Russia was weak. For a long time, however, the EU and NATO Allies viewed Russia's intransigence as a legacy of the Cold War that Russia would eventually shed as it regained domestic stability and prosperity and realized that its true interests would be best served by partnership with the West.

U.S. and European leaders were not ignoring Russia's opposition to Western security policies. NATO and EU expansion projects moved along despite Russian complaints, because they were viewed then as the best way to put an end to the continent's division while integrating Russia at the same time. Western Allies were under strong pressure from Moscow's former satellites to open NATO and EU doors to them. The Allies had two options: to devise a wholly new security system for Europe to replace both NATO and the defunct Warsaw Pact, or to build on the foundation of the Cold War–era institutions and adapt them to the new times. Russia, limping from one economic or political crisis to the next and focused on its domestic problems, was in no position to play a constructive role in either of these two pursuits. The rest of Europe could not wait, and the Allies moved on, building the post–Cold War security structure on Cold War–era foundations, but reserving for Russia a seat at the table once it recovered from its time of troubles.

An Unexpected Recovery

Russia's domestic recovery has been followed by its gradual return to the international arena as a major actor, especially around its periphery, where Moscow has felt its interests were concentrated. What is noteworthy is that Russia's recovery and return to prominence in the international arena were not accompanied by a shift in Russian attitudes toward the Western-designed and -built security architecture. More than a decade after NATO and the European Union embarked on the path of expansion in Central and Eastern Europe, Russian resentment

Russian Arms Exports by Value 1992–2007



1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
2,650	**3,527**	**1,518**	**3,337**	**3,620**	**2,958**	**2,046**	**3,924**	**4,190**	**5,631**	**5,458**	**5,355**	**6,400**	**5,576**	**6,463**	**4,588**

Russian arms sales have been steadily increasing since 1998, but saw a decline in 2007 due to a sharp cut in purchases from China, the largest importer of Russian weapons. Sales have suffered other setbacks, such as the return of a MiG–29 delivery by Angola due to the poor quality of the aircraft and suspension of a tanker contract with China. Russia continues to be one of the top arms exporters in the world, ranking second after the United States and accounting for 25 percent of all arms exports during the period of 2003–2007. Recent figures show that Russia had a record year for sales in 2008, totaling $8.35 billion in arms exports.

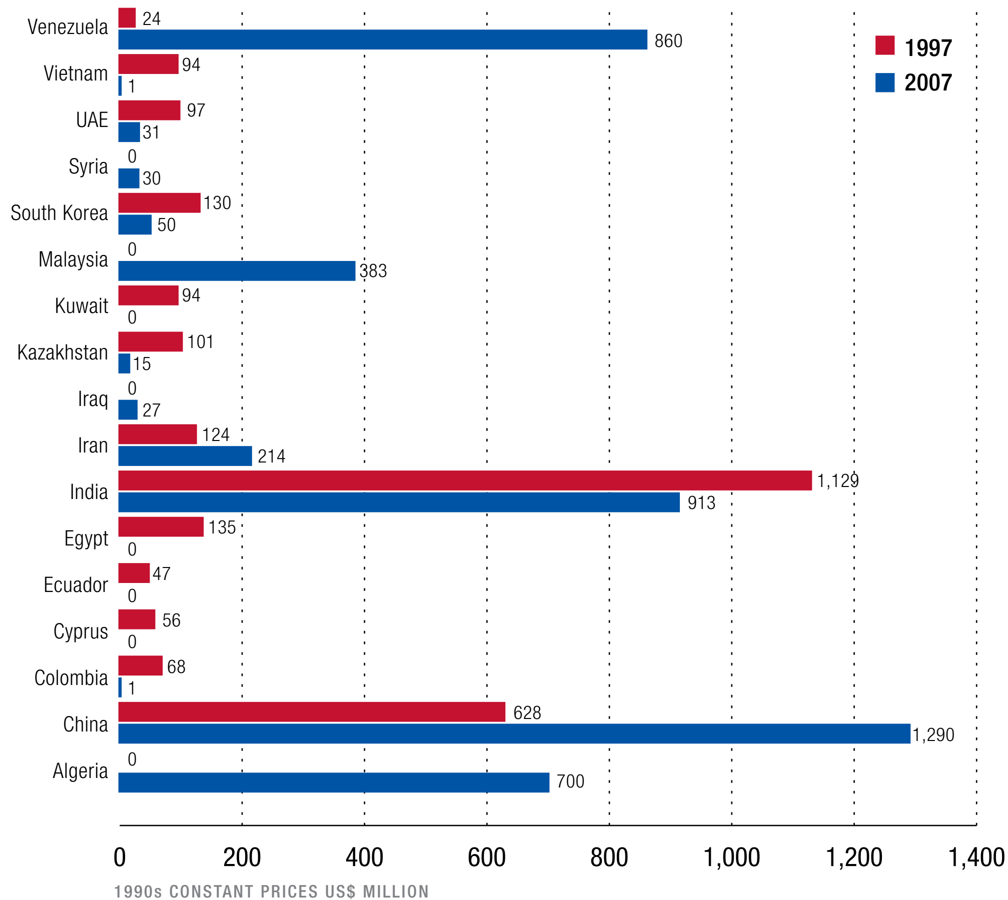
Source: SIPRI online database on arms transfers, available at ‹www.sipri.org/contents/armstrad/at_db.html›.

of their moves remained palpable. The notion that with domestic political stability and a measure of prosperity Russia would move closer to Western values and embrace the new, non–zero-sum approach to international relations stipulating that NATO and EU gains would be also Russia's gain, was apparently mistaken.

Moreover, not only was Moscow resentful of NATO and, to a lesser degree, EU moves farther east and closer to Russia's border, it felt aggrieved by the new European security system's actions; the conflict in Kosovo and its settlement, both of which Russian authorities viewed as illegitimate, left a deep impression on their attitudes toward NATO and the EU. NATO's military action in Serbia, they complained, was undertaken in spite of Russian objections, and Russia was too weak to intervene and stop it.

As Russia regained its strength, it took steps beyond mere protestations and complaints against NATO actions. Ukraine and Georgia, whose leaders have been among the most eager advocates of their countries' membership in NATO, have seen their energy prices rise dramatically, and both experience occasional disruptions in their fuel deliveries from Russia. The three Baltic states, Latvia, Estonia, and Lithuania, formerly occupied by the Soviet Union and newly admitted into NATO and the EU, experienced disruptions in fuel shipments from Russia and occasional trade sanctions as well. In 2007, Russia suspended its participation in the Conventional

Russian Exports by Country 1997/2007



Russia has continued to be the primary supplier of arms to Syria, Iran, India, and China, and has recently signed large arms agreements with Venezuela. While some customers have changed since the 1990s, India and China in particular remain the primary purchasers of Russian arms and equipment.

Source: SIPRI online database on arms transfers, available at ‹www.sipri.org/contents/armstrad/at_db.html›.

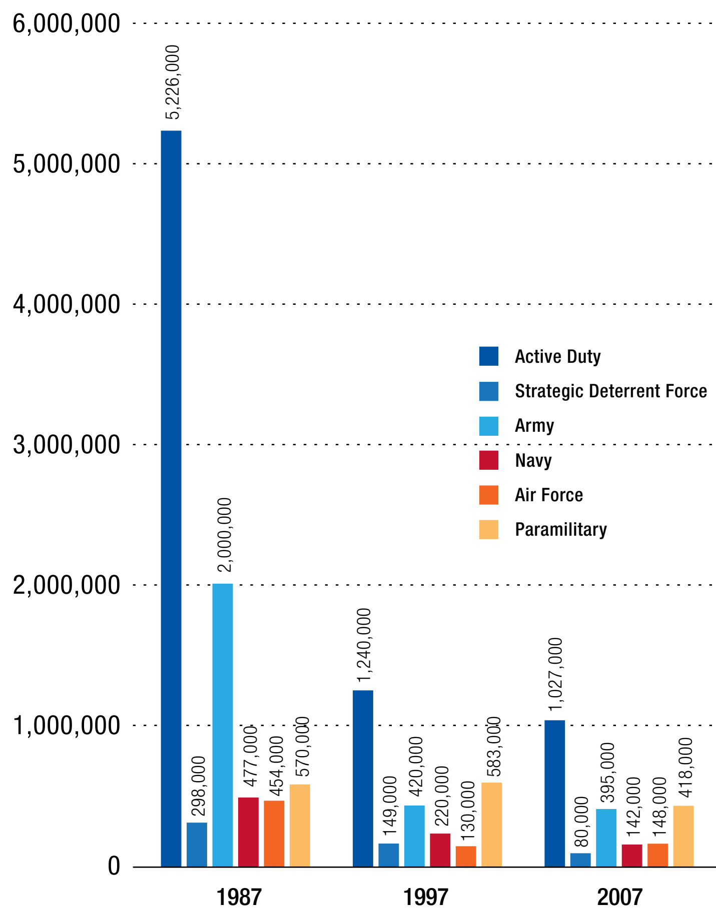
Forces in Europe (CFE) Treaty to protest NATO expansion, U.S. plans to deploy missile defense components in Europe, and the NATO Allies' decision to hold treaty ratification hostage to the withdrawal of Russia's remaining troops from Georgia and Moldova.

Speaking in Munich at a major security conference in February 2007, then-President Vladimir Putin delivered a warning to the West that NATO's course of expansion and disregard for Russian interests would lead it into a new Cold War with Russia. Georgia and Ukraine—NATO's presumed next targets for expansion—in a sense represented a new frontier for NATO, which to date had not admitted a bona fide ex-Soviet state (the three Baltic states had never been formally ceded to the Soviet Union by the West). Georgia and Ukraine emerged as battleground states between the West and Russia, which has drawn a red line around them, insisting that NATO should stay out of Russia's traditional sphere of influence and interests.

Russia has reemerged from a period of introspection and reconstitution forced upon it by the breakup of the Soviet Union and the ensuing economic and political calamities, but it has reemerged with a very different outlook on the world, its place in it, and the

AP Images (Musa Sadulayev)

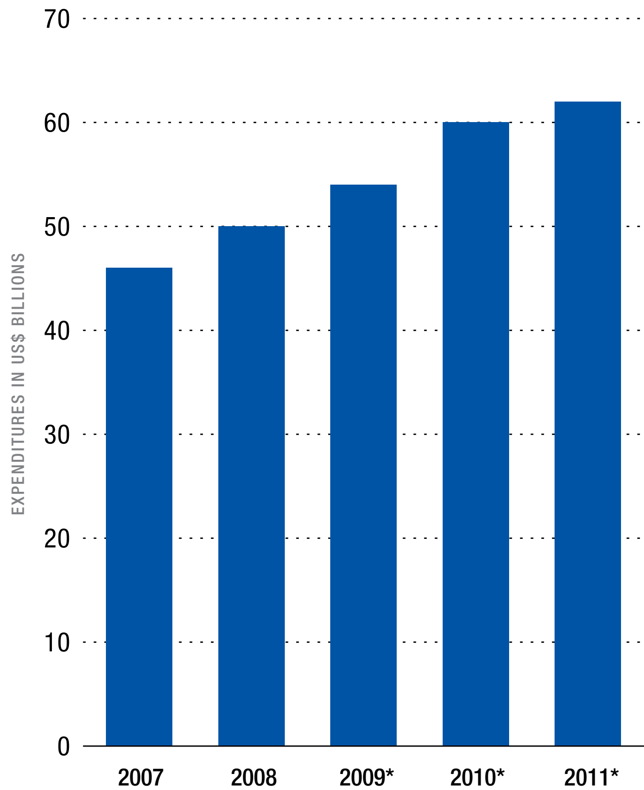
South Ossetian separatist fighters in breakaway Georgian province of South Ossetia, August 2008



The size of the Russian armed forces has continued a steady decline from its Soviet heights with drastic reductions visible in active personnel and combat readiness. Russian armed forces suffer from a broad range of endemic problems ranging from a lack of housing for personnel to shortages in serviceable equipment and funding for upgrading aging arsenals with new technology. However, Russia's plans remain ambitious, working to maintain a military with one million personnel while modernizing and reforming the component services.

nature of relationships with key partners, than had been expected by both internal and external observers at the outset of the post-Soviet era. The international system, in this world view, is organized around a series of major powers that balance their interests against each other and act as gravitational poles for a collection of smaller and lesser countries that follow them as satellites in orbit. Russia's first foreign policy priority is to be recognized as a major, "system-forming" power, responsible—along with the United States, Europe, China, and perhaps a handful of other regional actors—for maintaining the international system in a state of equilibrium, achieved by balancing among the major powers. The second priority, related to the first, is to secure an exclusive sphere of influence around Russia's periphery, where Russian interests would not be challenged by other major powers. This notion had gradually emerged in Russian foreign policy discussions over the course of several years, but was most clearly articulated by President Dmitry Medvedev following the 2008 Georgian war as a sphere of Russia's "privileged" interests, not to be tampered with by outsiders.

Russian Defense-Related Security Expenditure (2007–2011 Projected)



Russia has recently switched to a 3-year budget framework and has made considerable changes to the presentation of budgetary data, much of which has become classified again. However, projections suggest that defense expenditure will continue to increase in the near future as military spending has become a priority for the Russian government.

*Estimated numbers, based on an average exchange rate of 1USD:34Rbl and expenditure estimates
Source: International Institute for Strategic Studies, *The Military Balance* 2007–2009 editions.

Notwithstanding the formal pretext for the war in Georgia, it would be difficult to mistake Russian military action in Georgia for anything other than a clear message to Georgia and arguably to Ukraine, as well as to Moscow's Western interlocutors, that its red lines should be respected, that its warnings are to be taken seriously, and that it is no longer to be treated as a transitional entity without a clear sense of its own place in the international system. It was, furthermore, an indication from Moscow that it had not embraced the "non–zero-sum, win-win" approach to European security that the architects of NATO and EU enlargement had banked on, and that Russia has always viewed as an opportunistic expansion of the Western sphere of interests at the expense of its own. Having reemerged from its domestic troubles, Russia was signaling that it would not be a joiner in a Western-designed European security system, but would instead insist on having a hand in shaping one.

Different Values, Different Interests

At the center of disagreements between Russia on the one hand and the United States and Europe on the other is the question of values and their role in international relations. Values, particularly democratic values, occupy a prominent place on U.S. and European foreign policy agendas. In those—not infrequent—instances when tensions develop between them, finding a compromise is rarely an easy task. The search for balance between values and interests has proven to be one of the most enduring challenges for makers of U.S. foreign policy from the earliest days of the republic.

In post-Soviet Russia, the tradeoff between values and interests has been settled—at least for the foreseeable future—unequivocally in favor of interests. According to leading Russian policymakers, interests should play by far the dominant role in foreign policy formulation, and relations between countries should be based on the balance of their interests. Speaking in Berlin in June 2008, President Medvedev proposed to European leaders to develop a new

security architecture for Europe based on "naked" national interests.

Having suffered great setbacks at the end of the Cold War and retreated from vast territories in Europe and Asia, Russian policymakers tend to view security and interests in tangible, material terms rather than ideas and values. The fact that the ideas and values that the United States and Europe would like Russia to embrace are a product of foreign political cultures is a particular concern for these policymakers. Moscow views the prospect of NATO expansion into Georgia and Ukraine as a double challenge: it represents the projection of foreign values into Russia's declared "privileged" sphere of interests, and it denies Russia a measure of physical security and control over key elements of the infrastructure that it relies on for access to European markets for oil and gas deliveries.

For the West, NATO expansion to Ukraine and Georgia represents one of the few remaining steps toward a Europe that is whole, free, and at peace. For Russia, the specter of Ukrainian and Georgian membership in the Alliance is the point of no surrender, beyond which a retreat will spell the end to Russian greatness as a European power. Principle and geography have thus come together to define a major challenge to Europe's security and stability in the years to come.

But the gap between Russia and the West in general, and the United States in particular, goes beyond values to include the considerable differences between U.S. and Russian perceptions of their respective interests.

For many Americans, the dividing line between democratic values and interests is virtually imperceptible. For many Russians, their treasured stability and present degree of prosperity are associated with a particular political regime—that of Putin—and its pronounced turn in a rather more authoritarian direction than was seen during the previous decade. This view is not only embraced by the elite, but is also endorsed by many of the rising middle class, who see in it the restoration of social stability and the prospect of increased prosperity. For most Russians, the authoritarian turn of the government and the reduction in space for independent social and political action has not yet encroached upon the expanded sphere of personal freedoms that the new middle class has come to enjoy. The rising power of the state has been brought to bear disproportionately on relatively small segments of the general population, such as opposition political activists, some religious minorities, and so on. Most Russians, at present, fear the consequences of political instability as a much greater threat to their economic prospects than the current course charted by Vladimir Putin and

AP Images (Charles Dharapak)

President Obama meets with Russian President Medvedev at Winfield House in London, April 2009

Ukraine

Political and Civil Development[1]

Year	2000	2008
Political Rights (10–1)	4	3*
Civil Liberties (10–1)	4	2*
Status	Partially Free	Free

*Lower score indicates improvement.

Corruption Perception Index[2]

Year	2000	2008
Corruption Perceptions Score (1–10)	1.5	2.5

Comment: Ukraine continues to progress as a democracy.

Human Development Index[3]

Year	2000	2008
Human Development Index Value (0–1)	0.748	0.788
Country Human Development Index Rank	80	76

Comment: There has been consistent improvement in the quality of living.

Ukranian Military Reform[4]

Year	2000	2007
Defense Budget ($B)	0.441	1.81 (IISS)
Defense Budget as % of Gross Domestic Product (GDP)	1.4	1.28 (IISS/EIU Numbers)
Active Duty Personnel	303,800	129,925

Comment: Ukraine is investing in military reform and the establishment of a more streamlined force.

Ukrainian Economic Growth[5]

Year	2000	2007
GDP (current US $B)	31.30	141.20
GDP per head (US $B at PPP)	111.60	7,008
Unemployment Average (%)	5.70	2.30
Current Account Balance (US $M)	600	-5,918
External Debt (US $M)	12,200	69,038
Foreign Exchange Reserves Excluding Gold (US $M)	1,200	31,784

Comment: The real economy continues to expand as unemployment declines.

Demographics[6]

Year	2000	2007
Population (m)	49.18	46.38
Population Growth (%)	-1	-0.9

Comment: The country still faces demographic challenges as the population continues a slow decline.

[1] Freedom House, *Freedom in the World*, 2008 Edition, available at ‹http://www.freedomhouse.org/template.cfm?page=363&year=2008›.
[2] Transparency International, *Corruption Perceptions Index*, available at ‹http://www.transparency.org/policy_research/›.surveys_indices/cpi.
[3] UNDP, *Human Development Report 2007/2008*, 2007 Edition, available at ‹http://hdr.undp.org/en/reports/global/hdr2007-2008/›.
[4] International Institute for Strategic Studies, *The Military Balance*, 2001 and 2008 editions.
[5] Economist Intelligence Unit, *Country Report: Ukraine* (October 2000, September 2008).
[6] World Bank, Development Data and Statistics, available at ‹http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,menuPK:232599~pagePK:64133170~piPK:64133498~theSitePK:239419,00.html›.

continued by Dmitry Medvedev, and they believe that renewed efforts at democratization are more likely to resemble the chaos of the 1990s rather than to lead to even greater prosperity and liberty.

As a result, even if the Russian political system were to be rapidly and painlessly democratized, the world might not see much change in actual policies. The Russian elites, and by extension the growing middle class that is employed by these elites and has benefited from their prosperity, envision that Russia's economic prosperity over the next decade (and by extension its resurgence as a major power) is tied to several factors. First is the continued role of the state as the main driver of reforms and as a major player in the economic life of the country. Second is the reemergence of Russia as the "transit chain" for Eurasia, beginning with the transmission of energy resources but growing to encompass other industries such as metallurgy and manufacturing. The vision is for Russia ultimately to become the financial and economic center of a group of countries that stretches from the eastern European members of the EU to China and the northern Middle East, not unlike the sphere of influence the Russian empire had 150 years ago. Third, Russia must work to rejuvenate a number of industrial sectors, including the nuclear power and defense industries, not only on the basis of rents from Russia's energy sector, but also from increased arms and military technology sales around the world. Finally, Russia must make use of its economic resources to acquire Western companies that, ideally, can both further assist in the transformation of the Russian economy and extend Russian influence in the global economy.

At present, such goals conflict with U.S. preferences, which are to have multiple energy suppliers and multiple routes that bypass Russia and send Eurasian energy to the West; isolate "rogue states" and deny them access to advanced technologies and weapons; and encourage the reorientation of former Soviet republics away from economic and political dependence on Russia toward the Euro-Atlantic community.

Russian Recovery: A Bumpy Ride

Russia's reemergence as a major actor in the international arena has not occurred as originally hoped for and planned by its partners in the West. Its economic performance has impressed many, as its economy grew at spectacular rates for nearly a decade, and the painful memories of the nadir it reached in the late 1990s receded. A closer look at Russian economic performance, both its drivers and constraints, however, reveals many clouds on the country's economic horizons, and suggests that it will take difficult decisions, skill, and luck for Russia to consolidate its recovery, navigate through the current economic turbulence, and securely launch itself on the path of sustainable development.

Russian gross domestic product (GDP) has gone from almost $300 billion in 1998 to approximately $1.7 trillion in 2008. GDP per capita has grown from approximately $6,000 in 1998 to nearly $16,000 in 2008. Prior to the onset of the global financial crisis, Russia had the third largest currency reserves in the world (after Japan and China), over $500 billion. Its reserves are currently estimated at nearly $400 billion, after the Russian government has spent over $200 billion supporting the ruble.

The global financial crisis has hit Russia hard. The Russian economy is expected to contract by 2 percent in 2009, after growing at nearly 6 percent in 2008. Russia's stock market has lost nearly three-quarters of its value since its high of May 2008. Although the country appears far better equipped to handle global financial turbulence now than it was a decade ago at the time of the Asian financial crisis, the shock of the economic downturn, after years of what appeared to be open-ended growth, is severe.

Russia's Demographic Decline

	Population	Life Expectancy at Birth for Total Population (Male/Female)	Birth Rate	Death Rate
Russia	140,702,096	65.94 (59.19/73.1)	11.03/1,000	16.06/1,000
Brazil	196,342,592	71.71 (68.15/75.45)	18.72/1,000	6.35/1,000
India	1,147,995,904	69.25 (66.87/71.9)	22.22/1,000	6.4/1,000
China	1,330,044,544	73.18 (71.37/75.18)	13.71/1,000	7.03/1,000

Source: Central Intelligence Agency, *The World Factbook*, available at ‹https://www.cia.gov/library/publications/the-world-factbook/›.

The outlook for Russia remains clouded by a combination of challenges for which there is no near-term cure. Russia suffers from a host of structural weaknesses that will severely constrain its ability to act in accordance with its aspirations as a great power. The Russian population, currently at about 141 million, is declining and projected to fall to 128 million by 2025. It is experiencing a demographic "catastrophe" that no other industrialized nation has experienced in peacetime. Its infrastructure needs vast investments, estimated to be as high as $1 trillion. Its industrial base has been starved of investment for decades, and its defense industries have suffered the same fate. The demographic crisis has resulted in domestic labor shortages and limited the supply of recruits for the military, which relies mostly on conscripts to fill its ranks. The cash cow of the Russian economy, its oil and gas industry, is having to deal with declining production from fields developed long ago. New fields will take a long time to develop and will be expensive. The Russian economy, no longer merely relying on oil and gas revenues, has become "addicted" to oil—a phenomenon that is distorting many other sectors of the economy. Sustaining this habit will be costly; withdrawing from it, painful. The economic crisis and its adverse effect on Russian finances undercut the ability of the Russian government to undertake the ambitious programs it had sketched out earlier in this decade to address the structural problems of the Russian economy.

AP Images (Julia Kellner)

Oleh Dubyna, head of Ukrainian state energy firm Naftogaz, points to map indicating that if Naftogaz fulfills all demands from the Russian side, several Ukrainian regions will be left without gas supplies, January 2009

One of those programs is the long-anticipated plan for an ambitious military reform, including major modernization of the country's armed forces. The Russian military has made a visible comeback by comparison with the previous decade. For most of the current decade, defense spending has been rising, training has improved, and the military has undertaken a number of high-profile missions—long-range bomber flights, naval deployments, and maneuvers—designed to demonstrate to the world that Russia still matters as a military power. The war in Georgia was the most dramatic reminder to Europe and the United States not to write off Russia militarily.

A more robust Russian military posture, manifested in the Georgian campaign and military exercises, reflects both the increased attention of the political leadership to the nation's military capabilities and improvements in the actual capabilities. The military reform program announced by President Medvedev in 2008 and reiterated subsequently in 2009, entails an ambitious new military reform program intended to reduce the size of the military bureaucracy, restructure and reduce the size of the armed forces, and modernize their hardware, all with the aim of making the Russian military a more potent fighting force. Medvedev's proposed reform targets the longstanding and most difficult challenges facing the Russian military. Many attempts have been made before to tackle them; few have been successful, due to powerful institutional resistance in the military and lack of resources. The economic crisis adds to this long list of major obstacles facing Russian military reformers.

The future of Medvedev's reforms is therefore in doubt. Nonetheless, as the Georgian campaign has demonstrated, even with its current resources, the Russian military by virtue of its size is the preeminent force in its neighborhood—something that the United States and its Allies will have to take into account as they contemplate how to sustain their engagement with Russia and its neighbors.

Russian domestic politics has regained a measure of stability on Putin's watch that would have been hard to imagine only a few years earlier. Putin and Medvedev have been popular among their citizens, the opposition has been marginalized, and few Russians seemed to object to the Kremlin's imposition of its own brand of democratic rule described alternatively as "managed" or "sovereign."

However, the economic crisis is likely to take its toll on Russian domestic politics as well. The apparent social contract between the Putin-Medvedev government and the Russian people—constraints

on political freedoms in exchange for stability and prosperity—is threatened by the economic crisis as well. Despite the leadership's assurances that Russia was immune to global economic turbulence, Russian citizens have experienced the country's difficulties first-hand—falling currency, rising prices, and unemployment. The government's efforts to support the falling ruble and the vast sums of money it has spent on that task suggest that it is extremely sensitive to the social and political consequences of the country's economic difficulties. The Russian government's worries about the impact of the crisis on domestic stability are grounded in Russian realities.

Russian domestic politics is not the picture of tranquility that Putin's and Medvedev's strong approval ratings might lead one to believe. Russia in the early 21st century is not the Soviet Union of the late 20th century. Millions of Russians have now travelled abroad. They have largely unimpeded access to the Internet; they are free to read Western literature and news reports about developments in Russia and elsewhere in the world. They enjoy a significant measure of freedom to express themselves, as indicated by the lively Russian-language blogosphere. Public opinion data describe a population that is alienated from the ruling elite but that has accepted certain restrictions on personal freedoms in exchange for the stability and economic security of the new era, which stands in stark contrast with the despair and turmoil of the previous decade. It is, however, a population that, absent the promise of further economic growth, could prove difficult for the ruling elite to control.

Challenges Abroad

As if these domestic problems were not enough, Russia is facing major new challenges in the international arena. It is surrounded by weak states in Central Asia and the South Caucasus that in turn border on the world's most turbulent area—the greater Middle East. Should one or more states on Russia's doorstep stumble, others could fall like dominoes along and across its southern frontier. This would not be a new phenomenon for Russia, which saw its security threatened during the previous decade when the Taliban declared their plans for an Islamic caliphate in Central Asia. Few Russian policymakers are likely to have illusions about their ability to control Russia's borders, something that the Russian security services were unable to do during the 1990s, when the war in Chechnya became a rallying cause for foreign volunteers eager to support their Chechen Muslim brethren in their struggle for independence from Russian occupiers.

The recent war in Georgia has not made Russia more popular in its immediate neighborhood. Support for Russia has been lukewarm at best among its closest neighbors, all of whom had to one degree or another been looking to build and expand ties with NATO and the EU, and all of whom have been taught the lesson of not sticking their necks too far out for fear of Russian punishment. All of Russia's neighbors are bound to proceed from this point with great caution in forging ties with NATO or the EU, but none is likely to abandon these efforts. Moreover, the EU's lead role in the settlement of the Georgian war is drawing the organization into a region in which, until recently, it had been reluctant to involve itself. Despite Moscow's insistence on an exclusive sphere of influence around its periphery, its neighborhood has long been open to new partners besides NATO and the EU, most notably Turkey in the Caucasus and China in Central Asia. It appears highly improbable that in the aftermath of the Georgian war, this trend will be reversed and Russia's neighborhood will revert to its exclusive sphere of influence. To the contrary: Russia's neighbors are more likely now to hedge against its attempts to reassert itself at their expense by pursuing quiet, cautious engagement with other powers.

What Next?

Triumphant in the aftermath of its victory over Georgia, Russia is confronting a combination of challenges at home and abroad that suggests that despite

AP Images (Dmitry Lovetsky)

Russian armored vehicles moving toward the border with North Ossetia, 70 km (43 miles) north of Tskhinvali, South Ossetia, August 2008

its assertiveness and insistence on revising some key aspects of the post–Cold War order in Europe, Russia is hardly in a position to disrupt the international system. Considering the multitude and nature of the challenges facing Russia, common sense would suggest that it has a compelling interest in preserving and strengthening that system.

Russia wants to be recognized as a major power with its own sphere of influence, but it is unable to secure that position and stand up to other major powers. Russia wants to challenge U.S. dominance in international affairs, but it has a stake in a special relationship with the United States because of the special, unique status that relationship confers on Russia. Russia needs foreign investment and know-how, but it does not want outside interference in its internal affairs and wants to limit foreign investors' access to key sectors of its economy. In sum, Russia wants a bigger stake in the international system, but is not prepared to pay the full price for it.

Russia is also a country that, despite all the difficulties associated with forging a productive relationship with it, will remain very important to the United States as either a partner or an adversary. The task of managing this relationship will remain one of the leading concerns of U.S. policymakers for a long time to come.

Enduring Aims

The United States and its Allies will remain committed to the same four essential objectives with respect to Russia as before the Georgian war:

- the security of Russia's nuclear arsenal and support for global nonproliferation efforts
- a secure and stable Europe, with regional conflicts resolved through negotiations
- a secure and sustainable energy flow from Russia to international markets
- the independence and sovereignty of Russia's neighbors.

This is not an exhaustive list of Western interests in Russia, but merely a list of the essential ones. Some of these interests, such as the flow of energy from Russia to world markets, parallel Russia's own interests. Others, such as the independence and sovereignty of Russia's neighbors, will be areas of tensions and competition.

Different Means

To achieve their objectives, the United States and its Allies will need to devise a new approach to Russia and its neighbors. It will require coordination, patience, and communication on the part of

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AP Images (Hasan Sarbakhshian)

Russian atomic agency chief and head of Iran's Atomic Energy Organization at joint press conference at Iran's Bushehr nuclear powerplant as officials began test-run of Iran's first nuclear plant, February 2009

Russia and Arms Control[1]

As U.S.-Russian relations evolve from an unfulfilled partnership toward an association based on balance of interests and power, arms control has regained a measure of importance by comparison with the previous decade, when it was considered largely a relic of the Cold War. Both the United States and Russia still maintain nuclear arsenals that can be justified only in the Cold War terms of mutually assured destruction. Arms control agreements and their attendant verification regimes provide a measure of transparency and predictability to both sides' nuclear postures that otherwise would be difficult to achieve. Russian interest in arms control can be explained by an overall preference for traditional diplomacy and concerns about the unconstrained nature of U.S. defensive and offensive strategic programs and the long-term impact of these programs on the U.S.-Russian strategic balance. A return to a more traditional, formal arms control agenda could serve U.S. interests as well. It would contribute to a stronger overall global nonproliferation regime as a sign of U.S. and Russian adherence to their Nuclear Non-Proliferation Treaty commitments to reduce their arsenals and would provide the United States with additional leverage to press Moscow for greater cooperation on issues that are more important to Washington, such as Iran's nuclear program or Russian theater nuclear forces.

Strategic Arms Reduction Treaty

The United States and Soviet Union signed the first Strategic Arms Reduction Treaty (START) on July 31, 1991. START officially entered into force on December 5, 1994, limiting long-range nuclear forces—land-based intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), and heavy bombers—in the United States and the newly independent states of the former Soviet Union. Each side can deploy up to 6,000 *attributed* warheads on 1,600 ballistic missiles and bombers. (Some weapons carried on bombers do not count against the treaty's limits, so each side could deploy 8,000 or 9,000 actual weapons.) Each side can deploy up to 4,900 warheads on ICBMs and SLBMs. START also limits each side to 1,540 warheads on "heavy" ICBMs, a 50 percent reduction in the number of warheads deployed on the SS–18 ICBMs in the former Soviet republics.

START contains a complex verification regime. Both sides collect most of the information needed to verify compliance with their own satellites and remote sensing equipment—the National Technical Means of Verification. But the parties also use data exchanges, notifications, and on-site inspections to gather information about forces and activities limited by the treaty. The United States and Russia completed the reductions in their forces by the designated date of December 5, 2001.

START expires in December 2009. The United States and Russia have held discussions about the treaty's future, but the two sides have sharply different views on what that future should look like. Neither side wishes to continue the treaty as is and there are a number of potential stumbling blocks for agreement. Differences are likely to emerge on the establishment of new rules for counting deployed nuclear weapons, stockpiles, and means of delivery. Other issues could include any further reductions in the number of deployed warheads, the regulation of multiple warhead missiles (MIRV), development and testing of new nuclear weapons, and means of delivery. If no agreement can be reached within the year, it is likely the two sides will seek an extension of the existing treaty but only under the condition and expectation that it will be replaced by 2010.

Intermediate-range Nuclear Forces Treaty

The United States and the Soviet Union signed the Treaty on Intermediate-range Nuclear Forces (INF Treaty) on December 8, 1987. The United States and Soviet Union agreed to destroy all intermediate- and shorter range nuclear-armed ballistic missiles and ground-launched cruise missiles, which are those missiles with a range between 300 and 3,400 miles. The launchers associated with the controlled missiles were also to be destroyed. The signatories agreed that the warheads and guidance systems of the missiles need not be destroyed; they could be used or reconfigured for other systems not controlled by the treaty. The Soviets agreed to destroy approximately 1,750 missiles, and the United States agreed to destroy 846 missiles, establishing a principle that asymmetrical reductions were acceptable in order to achieve a goal of greater stability. The parties had eliminated all their weapons by May 1991.

The INF Treaty returned to the news in 2007. Russia, partly in response to U.S. plans to deploy a missile defense radar in the Czech Republic and interceptor missiles in Poland, has stated that it might withdraw from the INF Treaty. Some Russian officials have

claimed this would allow Russia to deploy missiles with the range needed to threaten the missile defense system, in case it were capable of threatening Russia's strategic nuclear forces. Analysts outside Russia have also noted that the Russians might be responding to concerns about the growing capabilities of China's missiles or those of other countries surrounding Russia.

Strategic Offensive Reductions Treaty

The United States and Russia signed the Strategic Offensive Reductions Treaty, or Moscow Treaty, on May 24, 2002. The treaty entered into force on June 1, 2003, and is due to remain in force until December 31, 2012, after which it could be extended or replaced by another agreement. In theory, the parties might be able to increase their warheads above the 2,200 limit as soon as the treaty expires. The treaty also states that either party may withdraw on 3 months' notice. This provision differs from the withdrawal clause in previous treaties, which required 6 months' notice and a statement of "extraordinary events" that led to the nation's withdrawal.

Article I contains the only limit in the treaty, stating that the United States and Russia will reduce their "strategic nuclear warheads" to between 1,700 and 2,200 by December 31, 2012. The text does not define "strategic nuclear warheads" and, therefore, does not indicate whether the parties will count only those warheads that are "operationally deployed," all warheads that would count under the START counting rules, or some other quantity of nuclear warheads.

It does not contain any monitoring or verification provisions, and there are no restrictions on nonstrategic nuclear weapons. During hearings before the Senate Foreign Relations Committee in 2002, Secretary of Defense Donald Rumsfeld and Secretary of State Colin Powell agreed that the disposition of nonstrategic nuclear weapons should be on the agenda for future meetings between the United States and Russia, although neither supported a formal arms control regime to limit or contain these weapons.

Conventional Forces in Europe Treaty

In late 1990, 22 members of the North Atlantic Treaty Organization (NATO) and the Warsaw Pact signed the Conventional Armed Forces in Europe (CFE) Treaty, agreeing to limit NATO and Warsaw Pact non-nuclear forces in an area from the Atlantic Ocean to the Ural Mountains. The participants signed the so-called Tashkent Agreement in May 1992, allocating responsibility for the Soviet Union's treaty-limited items of equipment (TLEs) among Azerbaijan, Armenia, Belarus, Kazakhstan, Moldova, Russia, Ukraine, and Georgia. It also established equipment ceilings for each nation and the implied responsibility for the destruction/transfer of equipment necessary to meet these national ceilings.

The CFE parties negotiated a Flank Agreement in early 1996. This agreement removed several Russian (and one Ukrainian) administrative districts from the old "flank zone," thus permitting existing flank equipment ceilings to apply to a smaller area. CFE placed alliance-wide, regional (zonal), and national ceilings on specific major items of military equipment. It sought to promote stability not only by reducing armaments, but also by reducing the possibility of surprise attack by preventing large concentrations of forces. The CFE Treaty also provides for detailed data exchanges on equipment, force structure, and training maneuvers; specific procedures for the destruction or redistribution of excess equipment; and verification of compliance through on-site inspections. Its implementation has resulted in an unprecedented reduction of conventional arms in Europe, with over 50,000 TLEs removed or destroyed; almost all agree it has achieved most of its initial objectives.

On April 26, 2007, in his last state of the union speech, President Putin announced a "moratorium" on Russian CFE compliance, pointing to, among other things, the fact that the NATO nations had not ratified the treaty as adapted. A Russian request to the Organisation for Security and Co-operation in Europe for a special conference of CFE signatories in June was granted. The conference failed to resolve any of the outstanding issues, and the state parties were unable to find sufficient common ground to issue a final joint statement.

NOTE

[1] This text is based on Amy F. Woolf, *Arms Control and Nonproliferation: A Catalog of Treaties and Agreements, Congressional Research Service Report for Congress* (Washington, DC: Congressional Research Service, April 9, 2008).

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both the United States and Europe. It will require a much keener sense of priorities with respect to U.S. objectives vis-à-vis Russia than what was implicit in the old, non–zero-sum-game approach, whereby U.S. interests were presumed to be the same and of equal urgency as Russia's and therefore did not require tradeoffs by the United States. In the future, the United States may have to choose between Russian support for U.S. nonproliferation objectives and NATO membership for some of Russia's neighbors.

Coordinating actions between the two sides of the Atlantic and among the Group of 7 partners will be essential, considering the asymmetrical but uniquely important relationships the United States and Europe have with Russia. The United States and Russia have the special relationship that is rooted in the Cold War and the legacy of their nuclear competition. Europe and Russia have geographic proximity, trade, and human ties that bind them together. Together, Europe and the United States are in a unique position to influence Moscow. Their failure to agree on a common vision and set their priorities accordingly could be fatal to the entire enterprise of developing a new approach to Russia.

The Allies should tackle the challenge of a new Russia policy with alacrity, but with patience that does not count on quick results. Considering the breadth, depth, and longevity of popular support for the Kremlin's policies, elite, middle class, and rank-and-file attitudes will not change quickly. The United States and its Allies should allow themselves ample time to demonstrate to Russia the benefits of cooperation, as well as the costs of competition.

Communication will be essential, for the Allies will need to reach their critical target audience—the Russian people. Western dialogue with Russia should make clear that the goal of the United States and Europe is not to isolate Russia, but rather to encourage its greater openness to Western contacts and cooperation.

To that end, the Allies should weigh carefully any steps they might be tempted to take as retribution for Russia's war in Georgia. For example, does it make sense to hold up Russian membership in the World Trade Organization (WTO) if membership carries with it the possibility of greater Russian openness to international pressures, and a greater Western ability to influence Russia through WTO institutional arrangements?

By contrast, the G–8 could be an appropriate venue for letting Russia know that its actions in Georgia are not without consequences. The group lacks formal institutional structure and responsibilities, but has an established parallel format, the G–7, that allows the United States and its key Allies to address major issues of the day *without* Russia.

Which Way NATO after the War in Georgia?

The assumption that Russia will accept—eventually—NATO enlargement and see it as beneficial to its interests has proven unrealistic, at least for the foreseeable future. The notion that NATO enlargement has been accompanied by its transformation into a 'new' organization, different from its Cold War-era predecessor, has faded in the wake of the Georgian war, threatening Russian statements aimed at Poland and the Czech Republic, and the cyber attack on Estonia in 2007. NATO's Article V guarantee, always viewed as the cornerstone of the Alliance, had nonetheless lost some of its saliency when the Cold War ended, and a new confrontation in the heart of Europe seemed unthinkable. Renewed concerns about Russia and its direction have once again underscored the importance of 'old' NATO with its Article V guarantee, especially to NATO's newest members, who continue to treat the Article V guarantee no less seriously than they did during the Cold War.

Moreover, the Georgian war has demonstrated that extending NATO membership, or holding out the possibility thereof, to countries that the Alliance is not fully committed to defend makes them potentially more vulnerable to Russian pressures. NATO's Bucharest promise to eventually admit Georgia arguably left that country more vulnerable to Russian actions than if the Allies had said nothing about its membership prospects.

With Georgian and Ukrainian NATO prospects on hold, the United States and its European allies need to develop a new formula for integrating these two countries, whose Euro-Atlantic aspirations are not in doubt, into European political and security architecture. The approach adopted by the United States and Europe after the Cold War—NATO membership first, EU second—has worked well elsewhere in Eastern Europe, but is unlikely to work in Ukraine and Georgia. Many European allies of the United States are opposed to Ukrainian and Georgian membership in NATO, even if some of NATO's newest members are strongly in favor of it. The debate surrounding this issue promises to be deeply divisive for the alliance and—ultimately—probably inconclusive, and is therefore likely to do more harm than good.

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The Russian Far Eastern Energy Complex and Russia's Reemergence in East Asia

In recent years, the Russian government has emphasized the urgency of socioeconomic development in the Russian Far East, a region mired in economic and social stagnation. The Russian Far East (or the Far Eastern Federal District) has always lagged behind European Russia economically. Russia has long felt strategically vulnerable in the region due to its remoteness from the center of Russian power in Europe and its proximity to rival powers China and Japan. Today, the region is facing yet another threat: a demographic decline of unprecedented proportions. The region's population has declined by almost 15 percent since 1989 and is projected to continue falling over the next decade, giving China's ponderous proximity and vibrant economic growth a highly sinister aspect in the eyes of many Russians. The Russian government has stated on numerous occasions its commitment to reverse the situation in the region, though its chances of accomplishing that task appear in doubt.

At the heart of the Kremlin's vision for the Russian Far East is a plan for a massive development project known as the Far Eastern energy complex, which will include pipelines, regional gasification efforts, electrical grids, rail lines, and even tunnels to Sakhalin Island's oil and gas fields. The government has also drawn up a blueprint for a socioeconomic development plan, wherein it would invest as much as $300 billion in the infrastructure of the region. The accomplishment of such a plan would definitively mark Russia's strategic reemergence in northeast Asia after almost two decades of marginalization.

The centerpiece for the energy complex is the East Siberian–Pacific Ocean (ESPO) oil pipeline. The pipeline is under construction and will travel roughly 3,000 miles from the town of Taishet in an oil-producing region northwest of Lake Baikal to a terminus on Kozmino Bay, near Vladivostok on the Pacific Ocean. The cost for the first stage of the pipeline is expected to exceed $12 billion. The second stage would likely cost more than $15 billion. The primary partners in the project are Transneft, a state-owned pipeline monopoly, which would be responsible for constructing the pipeline, and Rosneft, a state-controlled oil company.

The ESPO pipeline captured the attention of many observers beginning in 2002, as the Chinese and Japanese governments became engaged in a diplomatic tug-of-war over the route of the still-uncompleted pipeline. The Chinese government thought that it had reached an agreement for the construction of a pipeline to the refining center of Daqing in northeastern China in 2002. But the Japanese government intervened at the eleventh hour and put forth an attractive proposal for a Pacific-bound pipeline, which the Russian government tentatively agreed to in 2004. As of 2008, however, there is still no firm commitment from the Kremlin as to which branch will have priority, though it appears that the pipeline eventually will go to both places.

As part of a national energy strategy published in early 2006, the Kremlin announced that it plans to increase gas and oil exports to the Asia-Pacific region from their current level of 3 percent of total Russian energy exports to 30 percent. The ESPO pipeline would be expected to export 80 million metric tons of oil annually by the year 2020 (or roughly 1.6 million barrels of oil per day). As of the end of 2006, however, East Siberian fields were producing only 1 million tons per year. Thus, the commercial viability of the project is still in doubt, unless new discoveries are made in Eastern Siberia.

Nevertheless, the Russian leadership sees the issue of Russian Far Eastern economic development in terms of national security; therefore, economic viability is not an overriding factor. In a speech several years ago, Vladimir Putin warned that if the economic and social conditions in the Russian Far East were not improved, residents of the region would be speaking Chinese, Japanese, or Korean in future generations. Later, he warned that the crumbling socioeconomic situation in the region was a "threat to national security." Ironically, in order to complete these massive Far Eastern development projects, the Russian government will probably need to import—at least temporarily—foreign labor.

Aside from the ESPO pipeline's commercial feasibility, and doubts surrounding the overall viability of the ambitious $300-billion government-sponsored development project in the Far East, there is the larger question of whether Moscow's plans for the Far East are likely to restore Russia's position as a major power in northeast Asia or to further marginalize it by increasing its dependence on Chinese labor, Chinese markets, and Chinese imports of industrial equipment, consumer goods, and the like. If, as some Russians fear, economic development of the Far East comes at the price of its de facto colonization by China, then what is Russia's interest in it?

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Instead, the United States and Europe should launch a new trans-Atlantic project to help Ukraine and Georgia launch firmly toward their goal of EU membership. The project would entail a U.S.-EU commitment to support Ukrainian and Georgian reforms necessary for the two countries to undertake in order to become viable candidates for EU membership, as well as a commitment from the EU to consider them eligible for membership once they implement those reforms. Ukraine, much like Georgia, should be focused on domestic consolidation and a lengthy reform agenda whose purpose should be to move them ever closer to the goal of EU membership. This approach should make it possible for the United States and Europe to continue working toward their goal of Europe whole and free, while avoiding new divisions within the Alliance and new tensions with Russia, whose cooperation both Europe and the United States need in the Middle East, the Far East, and Afghanistan.

Frozen Conflicts

The war in Georgia has demonstrated that the so-called frozen conflicts on the territory of the former Soviet Union can thaw in unpredictable and dangerous ways. Moreover, the explicit connection made by Russia (and prior to that, ironically, by Georgia) between Kosovo on the one hand and South Ossetia and Abkhazia on the other suggests that the argument put forth by U.S. and other European officials that there is no similarity between the two types of conflict, and that therefore the former is not a precedent for the latter, lacks credibility. There can be little doubt that the Kosovo settlement—leading up to its independence from Serbia—was seen as a precedent-setting event in Georgia with its breakaway territories, as well as in Russia. With the map of Georgia de facto redrawn as a result of Russian military actions, the premise of a return to status quo ante through negotiations to restore Georgian sovereignty within its Soviet-era borders appears highly unrealistic. What, then, is the way ahead and out of the impasse that these frozen conflicts have reached?

There appear to be few alternatives to deadlock other than for the United States and its EU partners to acknowledge that the Kosovo settlement *could* serve as a precedent for settling frozen or separatist conflicts. This approach calls for considerable compromise on the part of the United States and Europe, premised on the strength of their systemic advantages, as well as a long-term and profound commitment to the well-being and security of the Caucasus region. This course of action would recognize, in principle, that the Kosovo experience *could* constitute a precedent for settling frozen conflicts in the Caucasus, provided that certain critical conditions are met. These conditions should be patterned after those established for Kosovo but adapted to the specific circumstances of each conflict situation.

This course of action would require a full and impartial examination of the successes, failures, shortcomings, and missed opportunities of the Kosovo experience, so as to draw the correct lessons.

Nor are U.S. interests in this situation easily identified. On the surface, more oil pumped into the global marketplace from anywhere would appear to serve U.S. interests as an energy consumer. Given China's thirst for oil, quenching it with the help of Russian producers appears overall to benefit the economic interests of the United States.

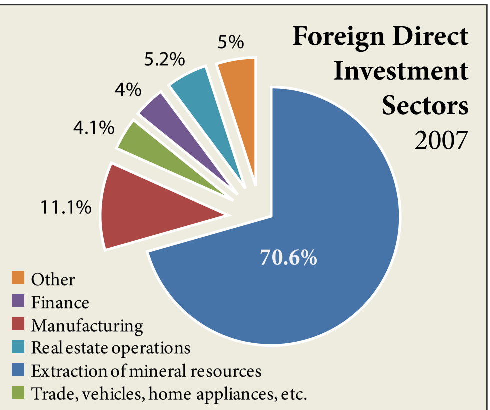
The question is whether Moscow's attempts to reassert itself in northeast Asia will prove to be a factor for increased regional stability or tension. What if its current plans lead to more, not less, Russian dependence on China as a trade and investment partner? What if the result of this development is that Russia emerges as Beijing's junior partner in the region? It is highly improbable that in the next decade Russia could, through its "pipeline diplomacy," gain a position of influence in northeast Asia remotely comparable to its current clout in Europe thanks to its energy role there. The most optimistic forecasts predict that East Siberian oil would only account for 15 percent of Chinese and Japanese oil imports. Therefore, the completion of the ESPO pipeline is unlikely to drastically change the strategic balance in northeast Asia, and despite its ambitions, Russia's options are likely to remain constrained in the Far East.

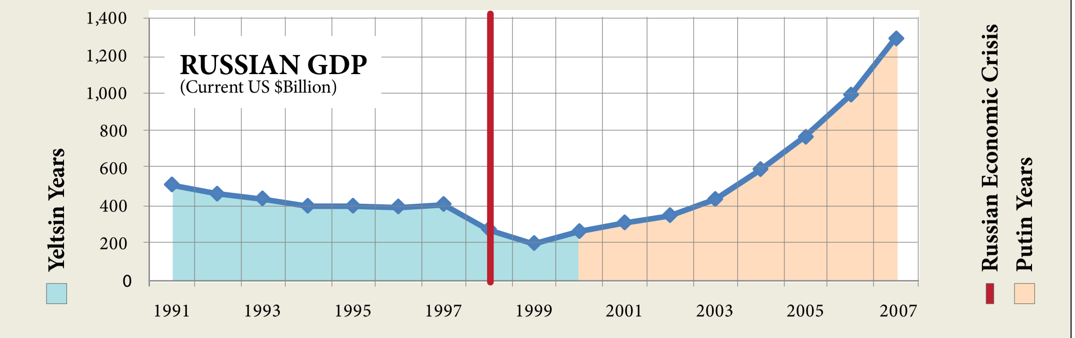
How would Russia try to avoid or cope with this predicament? Would it lead to renewed Russian-Chinese tensions? Or would Moscow simply accept the inevitable and agree to ride China's economic coattails in the region? Would that in turn lead to Russia falling in as China's junior partner? None of these scenarios has obvious implications for U.S. interests in northeast Asia, beyond further complicating the situation in the region. All of them, however, call attention to the evolving situation in northeast Asia, including Russia—a region where the United States has much at stake, and where fading Cold War memories are likely to produce more, not fewer, tensions.

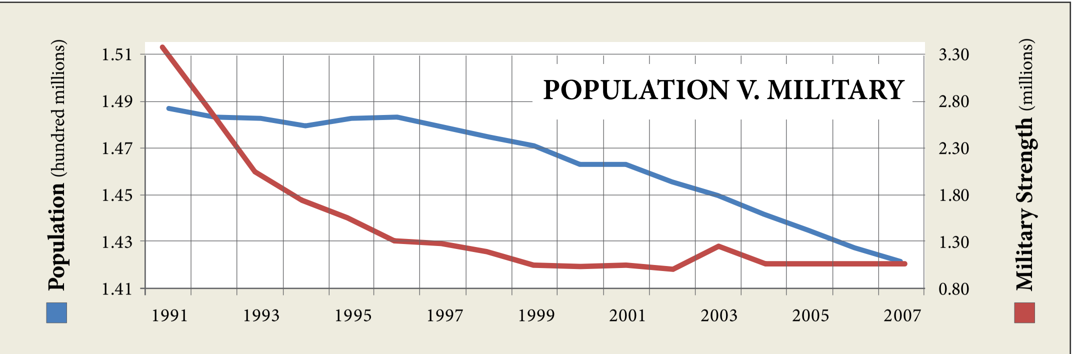
Russian Economy Since End of Soviet Union

Country 2007	GDP (millions)	Population (millions)	Military (thousands)
USA	$13,843,825	305.4	1,380
Japan	$4,383,762	127.7	239
Germany	$3,322,147	82.2	285
China	$3,250,827	1,326.7	2,255
UK	$2,772,570	61.2	195
France	$2,560,255	64.5	225
Italy	$2,104,666	59.6	240
Spain	$1,438,959	46.1	177
Canada	$1,432,140	33.4	62
Brazil	$1,313,890	187.9	287
Russia	$1,289,582	141.9	1,027

Russian GDP is 2.4% of the world economy.







LIMITS ON RUSSIAN RESURGENCE

Russian resurgence in the current decade is a product of a combination of factors, which are largely outside Moscow's control, chief among them the world's appetite for Russian resources.

Russian strength is a product of the country's mineral wealth, geography, and transportation arrangements built up in the course of the Soviet and pre-Soviet eras.

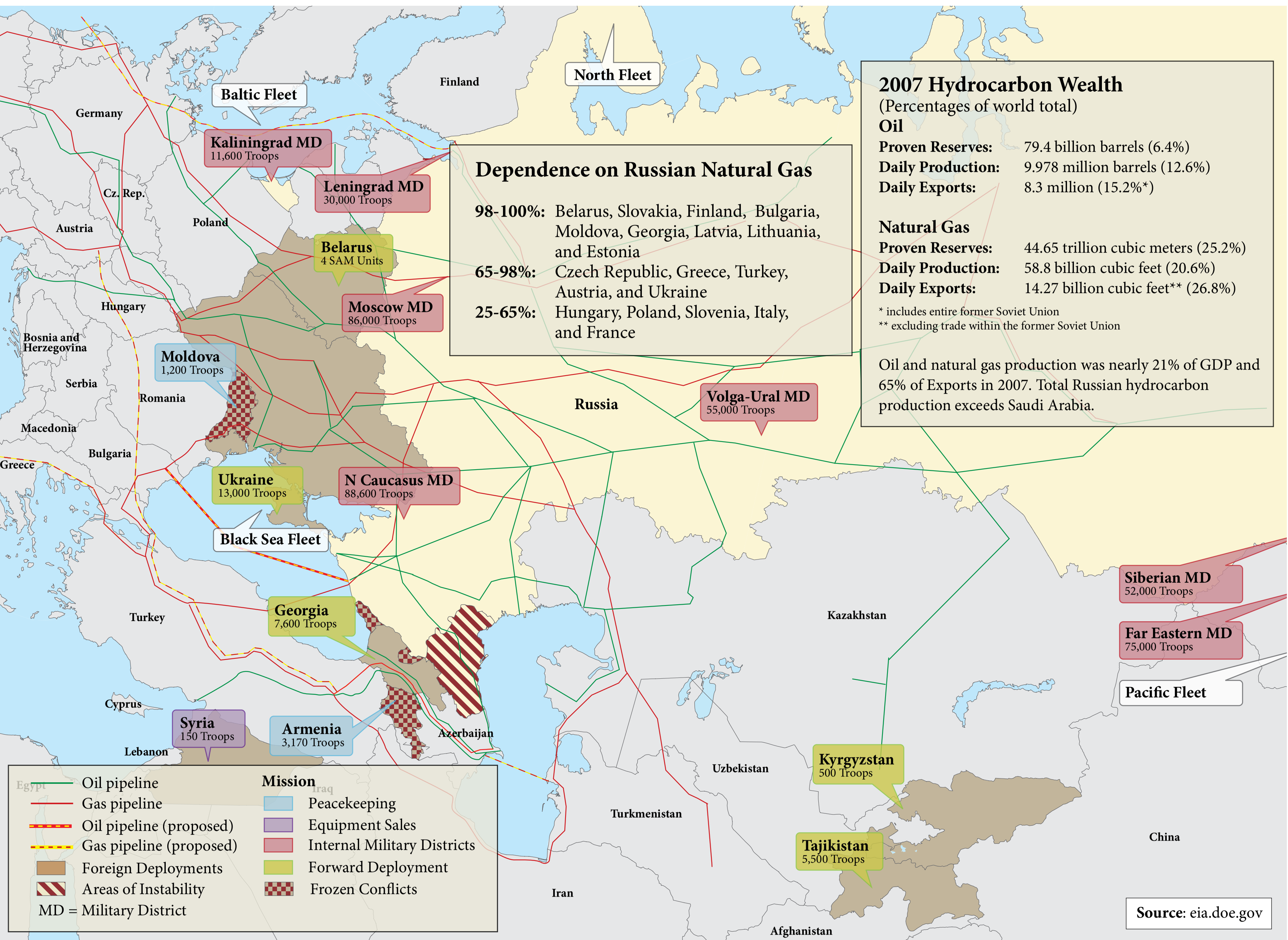
Those factors also constitute the Achilles' heel of Russia:

- Russia is too big to be governed effectively and lacks the political arrangements and the communications infrastructure to support effective government
- Russia is too dependent, addicted to its oil, gas, and mineral wealth to the detriment and neglect of other sectors
- Russia is becoming de-industrialized.

Russia will have a tough time sustaining its gas and oil output because of depleting old fields and the need for vast new investment and unique technology not available in Russia.

Its population is shrinking and unable to support its economic development and military establishment, while its financial resources do not allow it to keep the professional military organization of the size its leaders feel it requires.

Russian Energy and Security at a Glance



Before embarking on this course, the international community—under the auspices of major international organizations—would have to fully record, analyze, and assess the Kosovo experience to produce an impartial lessons learned document, including recommendations on what and what not to do in future crisis situations, that could provide a road map for the future.

A shift of this magnitude in U.S. policy does not need to come without preconditions set by the United States and Europe. In exchange for conceding that Kosovo could serve as a precedent for resolving separatist conflicts in the South Caucasus, the United States and the European Union could and should insist that international recognition be accorded the de facto states only as a result of their own domestic transformation and their ability to fulfill commitments in the areas of civil society, rule of law, political reforms, return of refugees, minority rights, and willingness to negotiate peaceful settlement with their former metropoles. The United States and Europe would thus take an impartial approach to the issue of frozen conflicts, but would offer a path toward their eventual resolution rather than stay on the open-ended course of attempting to negotiate settlements that have little or no chance of acceptance by either party to the conflicts.

AP Images (Mikhail Metzel)

Man changes figures on exchange rate display as Russian ruble dropped against U.S. dollar and Euro, February 2009

Taking Russia at Its Word

In recent months, Russian leaders have issued several appeals to the West to devise a new security architecture for Europe. Lacking specificity, these proposals have been viewed with suspicion in the West, where some have interpreted them as an attempt to weaken NATO and the transatlantic ties. This proposal is worth exploring, however, as an opening to a new dialogue about European security and its underlying principles. With skillful diplomacy, patience, and a firm commitment to their core principles, the United States and its European Allies, as well as quite a few other countries around Russia's periphery, would have a strong hand to negotiate a new arrangement with Russia that, just like the Commission on Security and Cooperation in Europe a generation ago, will not replace NATO, but will provide a new venue for Russia and the West to address their differences.

The Shanghai Cooperation Organization: The Lowest Common Denominator

The establishment of the Shanghai Cooperation Organization (SCO) in 2001 has been referred to as the emergence of a new anti-Western alliance in the heart of Eurasia; as a Russian-Chinese condominium in Central Asia; and as the start of a new, powerful regional bloc that could rise to dominance in Eurasia if it were to admit to its ranks India and Iran. These descriptions seem to ignore, or at the very least underestimate, some of the fundamental trends in Eurasia, particularly as they pertain to the changing fortunes of Russia and China, as well as the outlook for the four Central Asian states that make up the rest of the organization (Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan).

After 7 years, the SCO remains much less than the sum of its parts. The fact that it brings together the two biggest countries in the world and more than 2 billion people (counting the observer states of Mongolia, Pakistan, India, and Iran) is likely to

foster an inflated notion of the organization's cohesion and capabilities. The number and size of SCO member-states say nothing about its vision, interests, differences, and ability to act. A closer look at the organization reveals that it is, paradoxically, held together to a large degree by its differences. To be sure, organizations that are established to manage their members' differences can make a valuable contribution to the security of both their members and the international community. But when considering their capabilities and potential, it is important to keep in mind their inherent limitations.

Not an Alliance

Unlike NATO, the SCO is not an alliance. It does not have a binding set of agreements among its members about joint action or mutual assistance in case of need. The SCO does not have committed military capabilities or command arrangements. It is an organization that, far from promulgating internal cohesion in its ranks, has held respect for each member's differences as one of its key founding principles.

Far from being an alliance, the SCO resembles a loose association of countries with diverse interests, where the balance between cooperation and competition is shifting gradually toward the latter. The shared interests of the organization's biggest and most important members, China and Russia, are outweighed by their competing interests. Although both play a very important role in Central Asia and in the SCO, Russia and China are going in very different directions and face different strategic predicaments, which in turn shape their respective interests in Central Asia and the SCO.

China's Gain

China's interests in Central Asia, which presently manifest most clearly in the economic sphere, in the future are unlikely to be limited to trade, investment, and energy flows. Central Asia borders on China's western provinces, where separatist Uyghur movements have long challenged Chinese control. The breakup of the Soviet Union and the resulting destabilization of Central Asia must have been a worrisome development for Chinese leaders, one that they certainly are not prepared to accept as precedent-setting.

From China's point of view, Central Asia represents an opportunity for a long-term investment in an important area, which nonetheless is secondary to the premier strategic arena for Beijing: the Pacific Rim. Chinese interests in Central Asia pale in comparison to Chinese interests in the East: Taiwan, and relations with North Korea, Japan, the United States, and a whole host of neighbors in Southeast Asia. With its strategy for securing its Western provinces resting on the domestic pillars of economic development and ethnic assimilation, Beijing appeared content to leave Central Asian security to Russia and the United States, while expanding its economic ties in the region. The fruits of that expansion have begun to ripen in recent years, as China emerged as a major player with regard to Central Asian energy resources.

Thus, membership in the SCO has served China well, giving it a major voice in Central Asian affairs without antagonizing Russia or alarming regional leaders, and while keeping the United States at bay.

Russia's Loss

Russia, despite its economic rebound and international resurgence during Vladimir Putin's tenure as president, is a country in a state of long-term decline. Demography, geography, and globalization, the factors that will define its glide path and strategic direction, are largely outside its leaders' ability to manage in the short and medium term. China looms large on the agenda of Russian policymakers in all three of these areas.

There are fewer Russians than there were a decade ago, and likely to be fewer still as time goes by. With a total population projected at 128 million by 2025, Russia will need to import labor to sustain economic growth, develop new mineral resources, and man its military.

Russia's geography does not leave the country's leaders much room for maneuver. The country shares a 3,600-kilometer border with China in the Far East. This is a situation that many Russian analysts view with growing unease, considering the demographic imbalance between the two neighbors and China's latent territorial claims against Russia, as well as a Chinese economic dynamism that acts like a magnet for nearby regions of Russia, which are experiencing a much weaker gravitational pull from the rest of their country.

Russia shares an even longer border—6,800 kilometers—with Kazakhstan, which also shares a 1,500-kilometer border with China. Once the dominant power in Central Asia, Russia is having to adjust to the fact that since the breakup of the Soviet Union, the region's geographic proximity to China has enabled the latter to expand its presence and influence in Central Asia.

This combination of geography and politics has resulted in a new and complex challenge for Russia: it has to keep a wary eye on the unstable Central Asian region, which borders on Afghanistan and Iran, and it has to contend with growing Chinese economic and political influence there. The benefits that Russia has long derived from its proximity to Central Asia, particularly the ability to exploit the region's mineral wealth and control its exports, are being eroded by Chinese economic expansion and pursuit of Central Asian resources, in particular oil and gas, just as Russia is becoming more dependent on Central Asian gas to make up its own shortfall in production from existing fields.

The unfavorable picture for Russia is further clouded by the effects of globalization, including rapid technological change and the emergence of new manufacturing powerhouses in Asia, coupled with abundant and cheap labor, also in Asia. These developments render Russia—with its crumbling infrastructure, limited and comparatively expensive labor supply, and obsolete industrial base—unable to compete, especially with China.

A Tough Neighborhood

There is no doubt that Russian-Chinese relations have improved immeasurably since the era of Sino-Soviet confrontation. But Russia remains deeply suspicious of its giant neighbor and shares only a limited agenda with China in Central Asia, for which the SCO provides a useful vehicle.

One of the key items on that agenda is to limit the U.S. presence in the region. This has long been a key objective of Russia, given the priority it has assigned to the task of securing an exclusive sphere of influence in the territories of the former Soviet states. Russian zeal for containing U.S. influence in Central Asia subsided somewhat in the aftermath of September 11, and Moscow most likely saw an added benefit to its security interests from the demise of the Taliban regime in Afghanistan. The long-term U.S. military presence on Central Asian bases, however, has been an irritant for Russian policymakers, as demonstrated by Russia's reported push to expel the United States from the Manas airbase in Kyrgyzstan in 2009.

Moscow's and Beijing's positions were pushed closer together as the United States embarked on a course of democracy promotion in the second George W. Bush administration. Both saw the U.S. initiative as fraught with dangerous destabilizing consequences that would not necessarily be contained in one Central Asian country, or even in the entire region, and that could spill across their borders to endanger their own domestic stability. United in their opposition to U.S. influence, Moscow and Beijing have used the SCO to declare their region-wide opposition to Washington's pursuit of democracy.

This Russian-Chinese united front has served the interests of the Central Asian countries as well. Their leaders, ranging from mildly authoritarian to kleptocratic, were eager to enlist the support of the two giant neighbors in opposition to U.S. policy.

The Central Asian states' interests are also well served by the SCO. For these relatively small countries, long isolated from the outside world and forced to navigate an independent course in what one of them described as a "tough neighborhood" with little advance warning when the Soviet Union broke up, the SCO has served as a vital forum for engaging two giant and important neighbors.

Wary of the two giants, however, and fearful of domination by them, the Central Asian countries have pursued their own careful balancing act intended to offset growing Chinese and Russian influence in the region with ties to other powers. Key among them has been the United States, whose presence in Central Asia has served as a useful check on Russian influence and could play a similar role vis-à-vis China in the future. But for the Central Asian countries, any rapprochement with the United States has to be balanced with ties to China and Russia for fear of provoking their negative responses. There is also the danger of getting too close to the United States and in the process exposing the region to too much destabilizing U.S. influence. For all of these pursuits, the SCO has proved a reliable and useful vehicle.

No Greater than the Sum of Its Parts

Despite its utility to all of its participants, the SCO as an organization is hampered by limitations that stem first and foremost from members' diverging interests. Russia and China are competing for influence in the region. The Central Asian countries want to have a common forum for engaging Russia and China but, fearing their domination, do not want to endow the organization with too much power and authority. At the same time, they would like to maintain ties to the United States, Europe, and other powers that are taking more and more interest in Central Asia. However, they do not want to be too closely associated with the United States, fearing its disruptive influence on the region's politics.

Russia's military campaign against Georgia, and its subsequent recognition of the two breakaway territo-

ries of Abkhazia and South Ossetia, have introduced new tensions into the SCO. Russia's neighbors and erstwhile colonies, some of which still have sizeable Russian populations, no doubt feel vulnerable and fear that Russia will intervene in their domestic affairs or, worse, use force against them under the same pretext that Russia used in Georgia, namely, protecting its citizens abroad. For China, Moscow's decision to recognize South Ossetia and Abkhazia was an unwelcome surprise, considering Beijing's own problems in Tibet and Sinkiang and of course with Taiwan. This lack of support for Russia's move was evident in the lukewarm reaction from the SCO summit participants in August 2008, in Dushanbe, Tajikistan.

Amidst all this discord and competition, one pattern appears to emerge as the critical long-term trend in the region: China's continuing economic expansion, and with it, growing influence in Central Asia, most likely at the expense of Russian influence. The SCO is almost an ideal vehicle for Beijing's interest in the region: it provides China with a major voice in regional affairs but is in no way binding and leaves it full freedom to pursue its bilateral initiatives in Central Asia and elsewhere. As China is pursuing its economic and ultimately political agenda in the region, Russia and the United States provide for the region's security. It is an arrangement that in the short and medium term serves its stakeholders well. **gsa**

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