

Sustaining US-Russian Strategic Relations

Report of the 16th CNAC-ISKRAN Seminar, 10 December 2002

*H. H. Gaffney
Dmitry Gorenburg
Eugene Cobble
Malia DuMont*

*Center for
Strategic
Studies*



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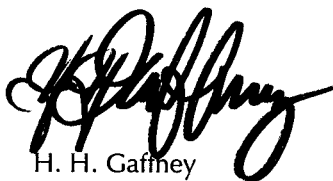
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The Center is under the direction of Rear Admiral Michael McDevitt, USN (Ret.), who is available at 703-824-2614 and on e-mail at mcdevitm@cna.org. The administrative assistant for the Director is Ms. Brenda Mitchell, at 703-824-2137.

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H. H. Gaffney
Director, Strategy and Concepts
Center for Strategic Studies

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Introduction

The sixteenth in the series of seminars that The CNA Corporation (CNAC; originally known as The Center for Naval Analyses) and the Institution for USA and Canada Studies of the Russian Academy of Sciences (ISKRAN) was held on 10 December 2002 at CNAC in Alexandria, Virginia. The series of seminars began in May, 1992.

The seminar was chaired by Dr. Sergey M. Rogov, Director of ISKRAN, and Mr. Robert J. Murray, President of CNAC. A list of the rest of the participants is at annex.

The agenda for the seminar was as follows:

- I. Introductory remarks
- II. Keynote remarks by the Honorable Edward J. Warner
- III. The State of Russian-U.S. and Russian-NATO Relations
- IV. The Soft Underbelly of Russia: The Caucasus
- V. Iraq: Lessons Learned So Far and Strategic Consequences

Summary

This seminar took place in December 2002—after Resolution 1441 on Iraq had been agreed upon in the UN Security Council and after the expansion of NATO membership had been agreed upon. It was a time of relative international peace and cooperation, especially in U.S.-Russian relations, but the inspections in Iraq lay ahead and the threat of war loomed if the inspections were not successful. The U.S. attack on Iraq took place after a second resolution failed to be considered, blocked as it was by a French-German-Russian bloc that had emerged. But the discussions that we had in December 2002 were

quite consensual, revealing many areas of agreement between Russians and Americans, despite the possible tensions over Iraq.

Now (May 2003) the U.S. war with Iraq is over and the reconstruction of Iraq has begun. The broader geopolitical strains between the U.S. and France, Germany, and Russia are being addressed on the diplomatic side. However, many issues among the four countries will still arise over the management of Iraq: ending sanctions, shifting the proceeds from oil sales back to the Iraqis, addressing the problem of Iraqi international debts, and admitting contractors from other countries for the rebuilding of Iraq and the further development of its oil fields.

On the other issues discussed at the seminar—the continued sorting out of the strategic nuclear relationship and the further dismantling and control of nuclear weapons and materials, helping Russia join the global economic community, ensuring the flow of oil by working on the stability of the Caucasus and Caspian regions, and continuing the global war on terror—continuing U.S.-Russian cooperation seemed entirely possible, more subject to resource limitations on the Russian side than other factors. Pragmatism characterizes both the internal and international approaches Russia takes these days. Dr. Rogov pleaded several times for practical projects the two countries, and the international organizations with which they are associated, can work on, for the relationship can expand only with the achievement of practical results, not simply in good dialogues.

On European security, the forums are in place, but the question of what NATO is for and might do remains unclear. Institutionalization of Russia's relations with the other NATO members continues, but what the institution might take up remains to be seen. The question of the Middle East that has divided France, Germany, and Russia on one side and the U.S. on the other, has now become moot—the biggest continuing problem, that of Israeli-Palestinian peace, is up to the diplomats and there is already a four-country group that has presented the Road Map to the two sides. The war on terror is also a subject for consultation, but opens up few opportunities for the coordination of the efforts of formal military forces. It is true that the NATO organization will now recruit country contingents to replace

the German-Dutch forces in Afghanistan, and this is considered a worthy new initiative. Russia would like to get a piece of the military modernization business for the new NATO members, but in the interim the only major sale of fighter aircraft has been secured by the United States (F-16s for Poland).

On the Caucasus, the discussion turned inevitably to the pipeline issue, particularly the Baku-Tbilisi-Ceyhan pipeline. The change in relations from the Cold War has been that private companies now bear the burdens. They find practical business ways to achieve growth. Governments remained the guarantors of security. The seminar heard interesting remarks from the Russians on the recent exercise in the Caspian—led by the Russian Navy, but involving several government agencies and other countries. We did not go into any depth on the issue of Chechnya, but did try to reach understanding on Georgia, and in the interim, the situation in the Pankisi Gorge has been quiet and Russia did not take advantage of U.S. distraction in Iraq to bomb Chechens in Georgia, as some had feared.

On the Middle East, the points of views presented by the Russians at this seminar foretold that Russia would probably not let the issue of Iraq harm long-term U.S.-Russian relations. This was in spite of the rather strong French-German-Russian alliance that arose to oppose a second UN resolution. The Russians made clear that business was their primary concern. They do worry about a great drop in oil prices, a drop that would put the Russian government's budget in jeopardy, if the U.S. promoted a great increase in Iraqi exports after a war and successful restoration of the Iraqi oil industry. At the same time, all agreed that the Iraq situation would have effects on other U.S.-Russian relations, including those in Europe. In the event, the U.S. and Russia have begun to patch up relations since the war.



I. Introductory remarks

In his introductory remarks, Mr. Murray noted that, over the time since 9/11, U.S.-Russia relations had greatly improved, at least in the U.S. view. The Treaty of Moscow has been signed, the NATO-Russia Committee of 20 has been established—leading to an improved NATO-Russia dialogue and relations on defense—and the NATO members have invited seven more nations to join the alliance without Russian demurrals. The members of the UN Security Council reached consensus on Resolution 1441 requiring Iraq to disarm its weapons of mass destruction. The good personal relationship between Bush and Putin helped in all this.

In his introduction, Dr. Rogov agreed that the U.S.-Russian relationship is in better shape than at any time since the days of President Taft, that is, before World War I (and the Soviet Union), but that the relationship is still fragile. If the Jackson-Vanik amendment is repealed in 2003, then relations between the two states will be the best ever.

Dr. Rogov reflected on the new U.S. National Security Strategy, which contains the philosophy of the present Administration. Many people in Russia and elsewhere accuse the U.S. of unilateralism, but the Strategy lays out a bigger agenda. There are better chances to manage peaceful relations between the major powers. The strategy contains the phrase “balance of power for freedom,” which he interprets as an effort to combine realpolitik with an internationalist vision. He noted that, per the strategy, Russia is to be integrated into the EurAtlantic community, and that Russia and China are to be brought into the community of market economies and democracies. There is a triangular relationship between North America, Europe, and Russia; Russia is perceived as belonging—or that it should belong—with Western Europe.

Current disagreements in the U.S.-Russia relationship are fundamentally different from the ones experienced during the Cold War, when the two countries were mortal rivals. Now, Russian disagreements with the U.S. or Europe are those that arise between friends and partners rather than between enemies and competitors. On some issues, the U.S. and Russia are closer than the U.S. and Europe. On Iraq, however, Russian views are closer to those of the Europeans than to those of the U.S.

Dr. Rogov sees three baskets of issues in U.S.-Russian bilateral relations. The economic basket is the most important, and involves the negotiations to bring Russia into the WTO (World Trade Organization) and the possibility of joint economic projects, especially supplying Russian oil to the U.S. He also raised once more the possibility of Russian foreign debt reduction in exchange for Russia spending the money instead on the reduction of its nuclear weapons and materials.

The second basket of issues Dr. Rogov raised were regional issues. He foresaw continuing U.S.-Russia cooperation in Afghanistan. Both countries have a strategic interest in a stable Afghanistan. He noted that the Russia-NATO relationship is better than ever. With the advent of the NATO-Russia Council (NRC) and other improvements in relations, there was no crisis between Russia and the West upon the announcement of the second wave of NATO enlargement. But the NRC must take up real issues if it is to be more than an empty shell.

The third basket of issues according to Dr. Rogov is the military one. The U.S.-Russian relationship should no longer be based on mutual nuclear deterrence, but the two countries have not yet found the alternative. He noted that the new U.S. National Security Strategy is a retreat from deterrence as the cornerstone of U.S. policy. The U.S. assessment is that deterrence does not work against rogue states. Thus, it declared a strategy of preemption.

Finally, Dr. Rogov said that we should do more to institutionalize the relationship. Bush and Putin have had seven meetings, more than each of them have had with any other heads of state. Does too much depend on the two Presidents and their summit meetings? Is there a lack of enthusiasm in the U.S. and Russian bureaucracies to follow up on these meetings? Now we have the NATO-Russia Council and the

2+2 ministerial meetings (U.S. Secretaries of State and Defense and their equivalents on the Russian side), but are they doing anything? We need to produce practical results that show that the partnership is not declaratory and is working for both sides.



II. Keynote remarks by the Honorable Edward J. (Ted) Warner

Dr. Edward (Ted) Warner gave the group a general view of U.S.-Russian relations. Based on a professional career that has largely dealt with U.S.-Russia issues, he envisions five principal “issue-groups” that color or define current U.S.-Russia security relations. He was careful to stress “security relations” because defense-to-defense relations between the two countries are very small.

1. The Global War on Terrorism. This is most definitely true with the first security “issue,” the Global War on Terrorism. Putin chose to align himself with the U.S. and West upon 9/11. Much of the coordination since then has been diplomatic, as in the Trubnikov-Armitage dialogue. He himself used to have a defense consultative group with General Manilov, First Deputy Chief of the General Staff. They had even gotten around to discussing terrorism in the summer of 2000. The institutionalization of the new relationship is reflected in the agreement that the “2+2 group—the Secretary of Defense and the Secretary of State from the U.S., and the Minister of Defense and Minister of Foreign Affairs from Russia—should meet periodically. The “good feelings” that have emerged from cooperation in the global war on terror have spread to other areas, most significantly to NATO expansion—which was facilitated politically by the end of vocal Russian resistance.

2. WMD. The second issue group concerns work done to reduce the threat of Weapons of Mass Destruction (WMD). The U.S. has pushed the Russian government not to aid proliferation. Sales of equipment and expertise have become more tempting over time because the Russian defense industrial base has imploded and is so strapped for cash that it is compelled to sell dangerous technologies. The vast stores of legacy weapons in Russia also remain a problem. This is particularly true with the plentiful chemical weapons. A number of stick-

ing points exist in this issue area, especially Russo-Iranian nuclear cooperation and how best to improve Russian safeguarding of their legacy material and technology. Most of the Cooperative Threat Reduction (CTR) work is not military-to-military, but involves training in facilities protection, installation of sensors, and personnel management. CTR funding is a bipartisan effort in the U.S. that has been sustained for a dozen years now.

3. Strategic stability. The third issue group is strategic stability as it relates to the residual strategic nuclear weapons confrontation. The traditional high security politics of U.S.-Russia relations have endured and will continue for the foreseeable future. Both states continue to count on nuclear weapons to deter the other.

That said, the Bush Administration has done much to advance strategic arms control, despite withdrawing from the ABM treaty. They came into office strongly against the ABM treaty, in favor of ballistic missile defense, and against further arms control negotiations. But they have agreed to the Treaty of Moscow. The agreed cap of 1700-2200 operational warheads is similar to the numbers discussed for the last proposed strategic arms reduction treaty (START III, as discussed at Helsinki). It is lower than what the U.S. military desires and more than what Russia can afford to sustain.

Strategic stability is not only about reductions, but also about shared early warning. And the forces are still on hair-trigger alert. We need to wire all early warning together and share data. The setting up of the joint center in Moscow for this purpose has been paralyzed by bureaucratic details. Additionally, there has been little interest in de-alerting weapons on either side. The U.S. took its bombers off alert early in the 1990s. It's harder to take missiles off alert.

Yet the situation altogether looks pretty stable, notwithstanding the end of the ABM treaty. The whole arms control regime is now on the back burner, including changes to CFE. There is some missile defense exchange and cooperation, but this is run on the U.S. side by the Missile Defense Agency, not by the policy level.

4. Military-to-military cooperation. The fourth issue group covers the real military-to-military cooperation that has occurred. Much of this

has been limited to peacekeeping operations and exercises. We've had our shared experience in the Balkans (he had personally negotiated the details of the Russian presence in Kosovo). There had been two exercises back in 1995, one in Russia and the other in the U.S. These have not been repeated since actual operations are ongoing. That said, the work that has been done on peacekeeping, humanitarian assistance, search-and-rescue, and disaster responses (though the latter has been done mostly with Shoigu and the Ministry for Emergency Responses)—in addition to the military-to-military work on WMD force protection and defense reform—has had some utility in moving the two military establishments from confrontation to cooperation. There is friction between our two countries about the U.S. training of Georgians. There is a U.S. presence in Central Asia with Russian acquiescence.

5. Defense reform. Russian pride has kept U.S. advice on defense reform at arms length. Mikhailov, now First Deputy Minister of Defense, said he used to teach U.S. stuff in the General Staff Academy and therefore he knows it and doesn't need our advice.

Discussion of Dr. Warner's remarks

Dr. Jeremy Stone noted that the U.S. and Russia could cooperate on the North Korean problem. The Bush Administration needs help, since it won't do much about the issue itself.

Dr. Rogov noted that the U.S. has not abandoned deterrence, but it now has a weaker emphasis. The end of the ABM treaty is an indication of the end of the old game. He agrees that legacy politics (“playing the old game”) remain a problem, and asks what can be done to demonstrate that the U.S. and Russia are not eager to fight each other. He also noted that deterrence doesn't work against terrorists, but he cannot understand why the U.S. believes that state leaders such as Saddam Hussein cannot be deterred. If Stalin could be deterred, why not the “little Stalins” in the developing world? Rogov also asked why the U.S. had lost enthusiasm for arms control. The end of arms control negotiations between the U.S. and Russia is not necessarily a bad thing given good relations, but they must be renewed to address the proliferation problem. In ten years, India and China

could have up to 1,000 nuclear weapons each. The old emphasis on strategic parity will not apply to that new international order where there are 3, 4, or 5 players. The U.S. and Russia badly bungled the Indian-Pakistani round of testing and must not drop the ball again.

Dr. Warner asked, “Who are you deterring and from what?” Deterrence today is not just avoiding war, but also denying the diffusion of capabilities. Iraq has been deterred from external aggression. There is a greater worry that states like Iraq could transfer their WMD to terrorists. He also noted that there is concern about North Korea. It is a barbarian regime. We came close to war 1994 and may be close again if certain factions in the U.S. government have their way once victory in Iraq is achieved.

Dr. Ariel Cohen noted that the Iranians are on record that they want WMD, and they are a terror-sponsoring state (Hezbollah and Islamic Jihad). Cohen asked what the U.S. and Russia should do to deny them WMD, especially given their refusal to agree to return spent nuclear fuel rods from the Bushehr reactor.

Dr. Rogov responded to this point by noting that Moscow—wrongly, in his view—doesn't see Iran as a problem and regards the Russian pretense of not knowing what the mullahs are up to as a sham. Iran, Iraq, and North Korea are not threats to Russia. Pakistan poses the most serious proliferation problem, and the blame for that lies with the U.S. Further, the American support of authoritarian regimes in the Middle East in order to gain support for the U.S. attack on Iraq will cause future problems. The repression of people by these regimes will create a pool of future terrorists. Despite all their talk about non-proliferation, the U.S. and Russia are not doing much about it.

General Pavel Zolotarev noted that we all should be more worried about the new nuclear states. India and Pakistan have shoddy command and control systems, at a level of technology similar to the systems the U.S. and Russia had during the Cuban missile crisis in 1962. The U.S. and Russia could do much to further the South Asians' maturation by promoting multilateral arms control.

III. The state of Russia-U.S. and Russia-NATO relations

Remarks by Ambassador Robert Hunter

The U.S.-Russia relationship is very good. We have reached a point where there is broad understanding of the strategic nature of the relationship. We should institutionalize the good parts of the relationship like we institutionalized arms control. It has to be done together, step-by-step. He also noted that Russia-U.S. relations and Russia-NATO relations are not the same thing. There is tension in the U.S. views as to whether the U.S. considers NATO or Russia more useful for cooperation around the world. He noted that the National Security Strategy is not the final definitive view of the U.S. government. He had written more of those documents than he had read (i.e., not many senior officials know what's in them beyond the drafters). There have been many changes in the United States since 9/11, although most of the world goes on as before. The recent changes in the U.S.-Russian relationship are fundamentally strategic, but are they tactical too? These changes are mainly in U.S. perceptions, not in the world system.

The U.S. and Russia should adopt a new focus on the Middle East. The U.S. has to find a balance between its focus on terrorism as a global phenomenon and its focus on the Middle East. The U.S. should also help Russia to integrate with the outside world. In this regard, economic relations between the U.S. and Russia are now more important than the strategic relationship.

As for Russia-NATO relations, the NATO-Russia Council is very important. But the NRC is not that different from its predecessor Permanent Joint Council (PJC), which Ambassador Hunter had helped to set up. The PJC also had the three principles of cooperation, consultation, and common action, including 19 specific areas of cooper-

ation, just as the NRC does. The PJC had failed because the parties were not ready for it, and Kosovo intervened to set back relations. The change between then and now is not mainly structural, but is in the presentation. Any of the countries can still pull agenda items off the table. But the goal is to show that the two sides are trying again to cooperate and to reassure the Central European states. The U.S. objectives in Europe are a free and open Russia and partnerships in Central Europe.

In the post-9/11 environment, Russia has been very cooperative in the war on terrorism. Given the new strategic preoccupation of the U.S. with the Middle East, it is a fact that Russia is closer to the Middle East than Europe is to the region, and the U.S. and Russia have common interests there. Is Putin focusing on the tactical (economy and Chechnya) or the strategic (Russia realigning with West)? The critical question is whether Russia has thrown its future in with the West for all time. We have to help Russia say yes. Putin has been good at trading unimportant items for important ones, including the ABM Treaty and NATO enlargement. Russia's support for the war on terrorism has allowed the U.S. to establish a force presence in Central Asia. While some of the old Soviet types see the U.S. encircling Russia with its forces, the new thinkers see it not as a threat, but rather a part of the change in U.S. strategic focus.

The following problems persist in the relationship:

- The U.S. interest in NATO is stronger than Russia's interest.
- With regard to strategic vs. tactical engagements, though, NATO is less relevant for the U.S., Russia more so.
- There's been a shift in the balance of U.S. interests from Russia to the Central European countries.
- The Central European countries want to replace their old Soviet equipment with western equipment, but it is expensive and may not be needed. Russia should be allowed to sustain old Soviet equipment in new NATO states if the countries are willing.

- There are Russia sensitivities about western interventions in the former Soviet republics—for instance in Georgia. We don't want to be seen as preempting Russia in the long-term, which could lead to anti-Putin feelings in Russia.

We need to be sensitive to the potential of a great game scenario, in order to avoid being drawn into it. We should take step-by-step measures in the relationship, that is, select several areas and build on them assiduously.

Discussion of Ambassador Hunter's Remarks

In the ensuing discussion and in response to earlier comments by Dr. Rogov, Dr. Henry Gaffney noted that deterrence of nuclear war is less important in framing US-Russian relations, and is being replaced by more important issues that affect the future, not the past. These especially include economic issues and the global war on terror. Deterrence itself as a concept only took shape over a period of time, and was only institutionalized in the two countries' declaratory strategies as the two sides weathered various Berlin crises and the Cuban Missile Crisis. But it was a static concept, with the two sides holding each other at arms length while they both pursued other initiatives in the world.

On the question of institutionalizing relations, Dr. Gaffney noted that it was important not to lose the personal involvement of high-level politicians while delegating routine contacts to lower officials. He had found that the Europeans may be more comfortable about leaving relations to the bureaucrats than we Americans are. Whereas only two people at the top in European ministries are political appointees, the U.S. bureaucracy is dominated by several layers of political appointees. However, it should be recognized that U.S. political leaders can only handle one major initiative at a time. They may give strong initial guidance, but then leave matters to lower-level officials when their attention is turned elsewhere.

Dr. Gaffney also noted that the U.S. National Security Strategy operates at several levels. It does not simply focus on preventive war against proliferators. It makes much of maintaining relations with

allies and friends. It promises to strike the rogues if necessary rather than relying on deterrence. Where deterrence is most strongly stated is in deterring military competition in the future by maintaining a large, technologically capable force that would be difficult and expensive for an competitor to stay up with—this strategy is being called dissuasion, a fine distinction given that “deterrence” translates as “dissuasion” in French.

Dr. Rogov noted that NATO is unique in the history of alliances because it survived its victory over the enemy. The challenges it faces are different today from the challenges of the past:

1. There is tension over the possible roles of NATO: the Alliance is adding the function of collective security to the function of collective defense.
2. With the consolidation of the EU, the U.S. will increasingly deal not with individual European allies, but with the EU as an entity.
3. The NATO-Russia Council is going to be more suitable for collective security than collective defense. It can become an institutionalized mechanism for forming coalitions of the willing.
4. As for military modernization, the newest members of NATO are too poor to buy new equipment. The new members will not be able to modernize by buying U.S. weapons. With their inclusion in NATO, ironically the USSR became the largest supplier of weapons to NATO, assuming CFE-limited levels. 60-70% of these weapons and equipment are obsolete, but can they be modernized? This question will lead to a choice: involvement by the Russian defense industry in NATO modernization (which will bring up interoperability issues), or unilateral disarmament by the new members. In 5 years, Russia will want to buy Western arms, since it will not be able to produce all types of weapons. This can lead to two-way cooperation.
5. Russian defense industry has been nationalistic and anti-Western. They want money to arm against the West, but what if the money comes from NATO?

Dr. Irina Modnikova said that, since NATO is becoming the basis of the general European security system, Russian leadership needs to change Russian attitudes so that people believe that NATO is not against Russia. This change is gradually taking place. In a recent poll, 56% of those polled welcomed Russia-NATO cooperation, while only 26% were opposed. She thought they needed a breakthrough, not half-measures, but that they should continue to move step-by-step in the interim. Is it possible that in the future Russia would enter NATO, say, in 10-15 years? The moral and material preparations that would have to be made for that to happen could provide us with the steps for strengthening bilateral relations.

Admiral Michael McDevitt agreed that we need to focus on the process of institutionalization. The plan for 2+2 ministerial meetings is a very important piece of the process, but only if the parties want the meetings to happen (e.g., not yielding to the difficulty of scheduling, etc.). There are parallels with Russia's relations with the Japanese. Moscow needs to keep the pressure on Washington to make these meetings happen.

Admiral McDevitt said that deterrence is not receding as an element of U.S. strategy. Usually, deterrence is comprised of two concepts: 1 - the threat of overwhelming response, and 2 - denying the ability of an aggressor. These concepts are woven throughout the foreign policy documents produced by the Bush Administration, including the new National Security Strategy.

General Zolotarev asserted that deterrence (that is, mutual assured deterrence) remains a strategic foundation of the relationship, since both countries continue to maintain large arsenals of nuclear weapons. We have done nothing to reduce the threat these mutual deterrence postures still pose. Old targeting plans still exist. The U.S. continues to conduct surveillance over Russian territory, but Russia is incapable of doing the same over U.S. territory. The Russian command and control system is well-protected, though. We should work together to protect our command and control systems.

General Zolotarev noted that, beyond deterrence, terrorism is the main long-term modern threat. The terrorists take advantage of globalization to move around. There is a sharp differentiation process in

the developing countries, which is leading to increased inequality and mass migrations. There are no developed mechanisms for confronting these problems. Cooperation among intelligence services is necessary, but they will never fully trust each other and will never surmount their paramount priority of protecting their agents.

General Zolotarev recommended studying the reasons behind terrorism, creating joint structures to take specific steps (operations in reaction to specific incidents is not enough), and focusing efforts on organizations, not against specific countries. The current focus on Iraq takes away from the efforts in Afghanistan. As a result, we have seen increased drug production in Afghanistan and the Taliban regrouping. At the moment (i.e., December 2002) international terrorism is focused on Kashmir, but it will return to the West. The Saudis have a double standard: the government is pro-U.S. but draws support from fundamentalist Islam. We should focus our efforts on the economies of developing countries in order to get at the root causes of terrorism.

Ambassador Hunter said that we need a new concept which falls between collective defense and collective security. It could be called “comprehensive security,” and would deal with the causes and consequences of terrorism. Otherwise, we could be leveraged by the terrorists. Could Russia be a member of NATO as a collective security organization? He thought not. Article 5 of the NATO charter, collective defense, starts with the fundamentals of national security. Article 5 should be the basis of the alliance; if NATO moved towards collective security, there would be no basis for joint military cooperation. Are we ready to defend Russia against China? With Russia in NATO, we would have an ordered northern hemisphere.

Dr. Rogov thought that NATO would not give up the mission of collective defense, but it will develop a new mission in addition.

IV. The Soft Underbelly of Russia: The Caucasus

Remarks by General Vladimir Danilov, Advisor to the Minister of Energy

The starting point for explaining the many regional and international conflicts in the Caspian area is the energy resources of the Caucasus, and not military or disarmament issues. He noted that Chechen oil had been shipped to Russia without interruption throughout the war, and even during the blockade between the wars. This allowed the conflict to continue. As for pipelines, the relevant issues and calculations are more political than economic, because the resources required to build them have not been quantified. There are no firm estimates of the amount of oil and gas reserves; they differ by company. Many energy contracts have not gone into force because the parties could not confirm the claimed amount of reserves. One hopeful measure is diversification, which leads to cooperation in the development of the Caspian Basin oil and gas reserves. Examples include the Caspian Pipeline Consortium and the Blue Stream gas line from Russia to Turkey. As the proven reserves increase, so do opportunities for cooperation.

Instability in the Caspian area is due to both internal and external factors, such as the tensions between Turkey and Azerbaijan and between Azerbaijan and Armenia, unresolved ethnic conflicts, Abkhazia, Chechnya, the Caspian Sea delimitation disagreements, the Islamic radical movements, corruption in oil supplier and transit states, and the coming succession crises in Georgia and Azerbaijan. There is no unified policy within Russia about dealing with Islamic radicals. The Caspian must become a Russian priority. Stability and economic growth in the Caspian will be of economic benefit to Russia. Unlike in many other areas of concern, in the Caspian area Russia can act both independently and multilaterally, and has mechanisms and resources to affect the situation. We should cooperate with the CIS countries and the U.S. on these issues.

General Danilov's suggested policy steps would include:

- Links between the governments and private business (e.g., Lukoil, which has created a lot of employment in the Caspian).
- Creating a collective security system to protect the resources. The absence of such a system forces Russia to retain military capabilities to protect its interests, limiting its possibilities for demilitarization.
- Making investment decisions about pipelines. Right now there are debates about whether one should be built to China or to Vladivostok. The pipeline to Vladivostok will cost twice as much to build.

The current Russian military exercises in the Caspian with participation from Azerbaijan serve diverse goals, not just those of the military. They enable the littoral countries to confront localized, non-military threats, defend marine traffic and private enterprise, and protect oil platforms from terrorists. Various Russian ministries and the government of Iran have been observers. The issue of Caspian demarcation lines remain. The only possible compromise is to have the main area of the sea slated for common use and the rest divided into country sections. Priority would be given to countries whose companies have invested in extracting the resources. Capital investments are needed to maintain the Caspian environment. The sturgeon are in danger of dying off, and yet they are potentially as valuable as the energy resources. Lukoil is setting a positive example; it uses environmentally sounder (but more costly) practices. We should permit drilling only by those companies who have the resources to do it in an environmentally sound manner.

There is a bilateral Energy Commission set up between the Russian Ministry of Foreign Affairs and the State Department, but it has not been having general discussions about these issues.

Remarks by Dr. Zeyno Baran

The U.S. wants to ensure the independence and sovereignty of the countries in the Caucasus. Pipeline politics can serve those purposes. Georgia is the main tension point between Russia and the U.S.

With regard to security, U.S. policy has been changed very little by the Bush Administration. They are providing counter-terrorism training in Georgia. They want to prevent destabilization by external powers (Islam, Iran). They support resolution of the conflicts that Georgia has over Abkhazia and Ossetia. The U.S. and Russia have a common interest in finding solutions to the problem of radical Islamic groups in the region, but have continued disagreements over Iran.

With regard to energy, the Baku-Tbilisi-Ceyhan pipeline has political elements, including cooperation among Turkey, Azerbaijan, and Georgia. But it is not simply a political project. It is not a U.S. government project. Companies, not governments, are providing the money for the pipeline, but U.S. government intervention is needed at critical points. Western companies' environmental standards are higher. The prospect of building the pipeline has also fostered cooperation on border security.

On the stability of the countries in the area, internal reform is in the common interest of Russia and the U.S. We both want to avoid states failing, to promote democracy and the rules of law, and to ensure smooth leadership successions. All of this depends on economic reform, transparency, and anti-corruption.

On U.S.-Russia cooperation in the area, the relationship is seen as tactical, not strategic, and the result of both sides' interests elsewhere in the world. The Caucasus is an emotional matter for Russia. Russia is very sensitive to the proximity of Turkey and Iran to the area, as well as the growth of U.S. military bases in the region. Russia fears being encircled.

Relations with Georgia are the most difficult issue between Russia and the U.S. Some in Russia resent Shevardnadze's role in bringing down the Soviet Union and his tendency to play the U.S. and Russia against each other. His anti-Russian rhetoric has at times been counter-pro-

ductive. Georgia wants to join NATO. Because of its instability, Georgia is also the weak link in energy and pipeline issues. The U.S. and Russia therefore have a common interest in leadership succession in Georgia. They both would like to see a leader who is more cooperative with Russia. Moreover, the separatist conflicts in Georgia make Georgia a weak link in the East-West energy corridor. There is a fear that Russia will annex Abkhazia.

Putin's statements may not always coincide with developments on the ground. There's good cooperation against terrorism, but only on soft issues such as border security and intelligence sharing. There's no cooperation on the hard issues. Russian statements equate Iraq with Georgia. The big question is what happens when the U.S. attacks Iraq: there is fear that this would prompt a Russian attack in the Pankisi Gorge.

Discussion of the Caucasus and Caspian Regions

In his commentary on the situation in the Caucasus region, Dr. Dmitry Gorenburg noted that the three main interests of energy, security, and internal reform are closely linked. Suspicion links energy and security; there is a perception that energy wealth is a barrier to internal reform. Will Russian military bases in Georgia be used to influence domestic politics? Russia needs a government-business dialogue to allay these suspicions. The war in Chechnya is a major source of instability, with spillover effects into Georgia and with refugees. Is it possible to separate the radicals from the moderates?

Dr. Alexey Shumilin commented that there is unnecessary politicization of the problems in the Caspian. Before 9/11, this was a major zone of U.S.-Russia tension. After 9/11 there have been changes: the geopolitical focus of both Moscow and Washington has shifted towards Afghanistan, Central Asia, and Iraq. That has led to a decreased politicization of the Caspian, closer bilateral political partnerships, and increased economic opportunities.

Ms. Frances Burwell asked whether Russian military-oil company cooperation is simply a matter of keeping each other informed or does it represent strategic cooperation?

She also wondered if the Caspian a region was a subject for NATO-Russian discussion in the NRC. Could the new NATO Response Force participate in peacekeeping efforts there? Would that be a hindrance or an assistance to NATO-Russia or U.S.-Russia relations? General Danilov replied that President Putin had formally made the strategic decision that the military and oil companies should cooperate.

In response to Dr. Gorenburg, General Danilov said the Russian bases in Georgia are seen as a stabilizing factor. Their retention is not entirely up to the Russian Federation, since the Ajarian leadership wants the base in that area of Georgia to stay. The base employs a large number of the local population. Shutting it down would increase instability because of the resultant economic problems.

Vice Admiral Konorev agreed that there were both economic and military bases for the recent Caspian exercises. The USSR had never had exercises there on such a scale. After the May 9 terrorist attack in Kaspiysk, there was a recognized need for a stronger Navy presence to protect Russia's borders, but the recent exercise went beyond the Navy. There were up to 20 agencies and ministries involved, and the plan was approved personally by President Putin. The significance of the Caspian was signaled by the President's decision to hold the exercise and his tasking of the relevant military organizations to carry it out. There was a lot of cooperation in the planning and implementation of the exercise. All the agencies and ministries were able to find mutual understanding during the planning stages, even though they have had no similar previous experiences. We considered inviting the U.S. to participate as an observer, but we kept it a local regional event, lest external presence further contribute to the instabilities in the area. There were observers from all four of the littoral countries, including their militaries and energy departments. Iran wanted to participate with its navy, but that idea was rejected by Russia, so Iran participated with forces it already had in the area.

Admiral Konorev commented that President Putin knows that Russia needs to reform the military and the fleet, including reforming the military's organization in peacetime. Not all of the functions we were testing in the exercise were military functions; the Ministry of

Defense does not always have the resources to carry out these kinds of projects.

Dr. Rogov added that no one is looking for the U.S. Navy to be a presence in the Caspian Sea. Previously, there were many separate Caspian policies pursued by different Russian agencies. Now there is a more coherent approach, and there is serious consideration of the threats that would destabilize the area.

With respect to Georgia, Dr. Rogov noted that imperial desires have been Russia's legacy, but the consensus within Russia now is that the republics in Central Asia and the Caucasus will never come back to the Russian fold. All the former republics are trying to establish themselves as nation-states, though they have no experience in that. They don't want to give their interior provinces the right to self-determination, i.e., to create mini-states, since it can only lead to instability.

Dr. Rogov continued that there are overlapping threats to Russia from the current instabilities. The lower Caucasus is not Russia's. The North Caucasus is part of Russia and is part of the Caucasus as a whole; it cannot be separated. The conflicts in the region require strong third party intervention. Russia is not strong enough to leverage a solution to Nagorno-Karabakh on its own, but it is trying to contain this and other conflicts. This is sometimes seen in the U.S. as Russian manipulation, but the potential resumption of these separatist wars would only hurt Russia.

Dr. Rogov noted that hostility among the Russian military toward Georgia exists, and it has not been helped by Shevardnadze's actions. Shevardnadze miscalculated, thinking that he could use the Chechen conflict to put pressure on Russia to press Abkhazia to come to terms with Georgia. He now understands his mistake, so in the last few weeks Russia has had better cooperation with him.

On Chechnya, Dr. Rogov said that there is no Russian political-military strategy for winning the war. The situation is similar to Israel's vis-à-vis the Palestinians. There is no strategy that could lead to peace. The Bush administration now has a better understanding of the terrorist aspect of the Chechen war. The radical Islamization of Russia's part of the Caucasus is the greatest danger for us.

V. Middle East issues

Remarks by Dr. Alexander Shumilin

Dr. Shumilin was optimistic about U.S.-Russia Relations in the Middle East, at least on issues other than Iran. Cooperation is a necessity in an area that is in the midst of a civilizational clash. Russia does not need to stress that it is a player in the region, and must not pursue a conflicting course with the U.S.—again, except on Iran. Of concern is that Russia opposition to U.S. (or Israeli) policies might have as an unintended consequence encouraging Arab radicals who don't fully appreciate the new international order and believe that the Russians will support them. Russia has no love of Islamic terrorism, however, and well remembers Arab silence concerning the most recent Chechen atrocity in Moscow.

Russia's driving concern in the Mideast is the protection of its economic interests there. Moscow will happily permit U.S. political dominance in the region as long as these interests are safeguarded. The U.S. shouldn't prevent Russia from doing business in the Middle East. Russia never could get into Saudi Arabia, and got kicked out of Egypt after Camp David. He said that Russia and the U.S. together should move to jolt the Arab world out of its the political inertia. He noted that many of the Arabs see Russia as either as an “old friend,” perhaps rooted in their Cold War experiences, while many others yearn to see Russia as a “new friend” to act as an opponent to the U.S. But Russians now have more sympathy with the Israelis than with the Palestinians.

One potential point of friction between Russia and the U.S. lies in Iraq. Moscow believes that it has a gentlemen's agreement with the U.S. on the protection of Russian economic interests once the occupation begins. Contacts with Iraqi corporations are more important to Moscow than the survival of the Saddam Hussein regime. They have embraced a position of critical neutrality on the war, but will cooperate with the U.S. nonetheless—as Russia did with the recent

Iraq resolution in the UN Security Council. Putin has no love for Saddam or Saddam's support of Arab terrorism. Russia is not concerned with the fate of Saddam; they just want their contracts. Russia sees inspections as sufficient to get rid of Iraq's WMD. Shumilin suggested, however, that a new resolution will be required that details how Iraq will be punished once a material breach has been identified.

Putin will not break with Bush over Saddam. He has no love for Saddam or Saddam's support of Arab terrorism. Saddam's condemnation of Moscow terrorism was too blatant a ploy. Moscow doesn't like Iraq making payments to Palestinian suicide bombers' families. It also doesn't like the other Arab states' silence on the terrorism issue. Saddam Hussein is now isolated. His statement that he has no WMD is his last chance. The situation (for retaliation) is not as clear as it was in Afghanistan. But Russia sees military operations in Iraq as inevitable, and should look for gains in the situation. However, they would object publicly to an American attack (unless it was in accordance with a new UN resolution). The Russians don't favor a military solution because of post-conflict uncertainties, but Putin doesn't stand to lose popular support should it happen.

Remarks by Dr. Eric Thompson

From an American perspective, a war vs. diplomatic solutions to the Saddam problem and examined the consequences from those two potential outcomes on democratization, regional stability, the Arab-Israeli conflict, and oil prices. His analysis was that the either war or the absence of war will have significant impact on the first three issues:

- Democratization in any of the countries in the Middle East would be driven largely by internal factors.
- The Arabs will continue their long downward spiral in terms of social, economic, and political development regardless of what happens in Iraq, so consequently we can expect little change in regional stability.
- U.S. preoccupation—or possibly occupation—with Iraq will lessen U.S. interest in the Arab-Israeli issue. Lacking that

source of potential pressure, the Arab-Israeli situation will continue to fester.

- Oil prices will likely diminish over the intermediate term in either scenario.

Discussion of the Middle East

Ms. Alexia Suma agreed that the U.S. and Russia have congruent interests in the Mideast, and noted that the personal relationship between Bush and Putin has been crucial in advancing this. But we should not rely entirely on personalities: Bush and Mexican President Fox started out well, but that relationship has now soured. She is not optimistic that Russian economic interests will be safeguarded, and sees competition likely to arise. She is more pessimistic than Dr. Thompson. She was hearing that Russia didn't want radical changes in the Middle East, but the genie may be out of the bottle. The Arab downward spiral will continue leading to less democracy and stability and more conflict, especially given their untoward demographic growth. On this last point, she fears that the longer the situation plays out in Iraq, the greater the opportunity for Arafat to make profoundly inappropriate decisions on his own situation.

General Danilov noted that low oil prices are not necessarily good for consumers given the harmful effect on producers. Low prices could be disastrous to Russia and could lead to collapse of oil production throughout the northern oilfields in Russia. That is, those oilfields would be priced out of the market since extraction is so costly and the construction of pipelines and port facilities at Murmansk would not be economical. He also feared that unilateral U.S. action would be a blow to international law. Further, Iraq defeat, should it be total, would radicalize Arabs and goad rogues to speed up their WMD programs. Thus it would be the death of the non-proliferation regime worldwide as well, allowing all states to violate agreements. The defeat of the Iraqi regime would radicalize the Iraqi and other Arab populations. Terrorists would broaden their activities.

Dr. Rogov agreed with General Danilov's last point and noted the mullahs in Iran see a 2-3 year window to get nuclear weapons in order

to deter a U.S. strike on them as the next U.S. target in its prevention strategy. War with Iraq is unnecessary. Saddam can be deterred. Russia would gain nothing by a war. War would contribute to the destabilization of the Middle East. If Russia felt obliged to dissociate itself from the U.S. because it could not agree to a war, it would be bad for our relations. But if Russia is associated with the U.S., it could go badly for Russia in the region. If oil prices go down, it would be even harder for Russia to pay its debts. Moreover, if oil prices go down, it may not be worthwhile investing in Caspian oil (and much less worth investing in oil in the north of Russia). If no oil terminal is built in Murmansk, Russia won't get a share of the U.S. oil market. Nobody in the Middle East is paying off its Soviet-era debts to Russia. LukOil in the Caspian is good for Russia, but LukOil in Iraq is not. The U.S. has invested only \$800 million in Russia, but Russians have invested \$8 billion in the U.S. (in oil).

Dr. Rogov asked whether the U.S. can handle nation-building in both Afghanistan and Iraq. A war in the Middle East is unlikely to have any positive impact on any issue in the area. For one thing, the U.S. wouldn't put more pressure on Israel, especially with Elliot Abrams back in the picture as the NSC overseer of the peace process. Dr. Rogov wryly noted that perhaps the whole business of war with Iraq is a Democratic Party conspiracy: every time a Bush wins a war with Iraq, he loses an election.

Ambassador Ridgway was in sympathy with the views expressed by Dr. Rogov and agreed that the U.S. should not cut Russia out of the economic life of the Mideast. But she also stressed that the Russians should be wary of broad U.S. promises, like the one Bush made to Putin in St. Petersburg. The follow-through may not yield a commitment. Russia should get the commitment in writing.

Dr. Shumilin reemphasized that Russian economic interests are vital. Of particular concern are guarantees that Iraqi debts to Moscow will be repaid. A new regime would not have the same obligations that Saddam had, and besides, it would be a puppet regime of the U.S.

Mr. Hirschfeld asked whether Russia could be helpful on the North Korean issue. He asked whether Iran has refused to agree to send spent fuel back to Russia.

Dr. Rogov said the issue is unresolved. He said with regard to North Korea that Moscow is concerned about who's next on the U.S. hit list. He also went on to say that U.S. must alter its tone on the WMD issue and not preach: Russia feels humiliated as it is. The U.S. could contribute more to Russian efforts to destroy its legacy WMD. The U.S. spends \$500 million a year on CTR, but 80% of that is spent in the U.S. Russia spends \$300 million a year itself on dismantlement, but only \$15 million is used to dismantle munitions not covered under reduction treaties.

Admiral McDevitt argued for a nuanced view of potential Iraq war outcomes. Should the war drag on, regional stability will be more negatively impacted than a quick kill, which might actually lessen tensions as the U.S. could lower its footprint in the Gulf.

Mr. Murray said that Moscow is right to worry about the Bush Administration's "hit list"—some of the Bush people want to move on Iran.

Dr. Gaffney noted that there is a race in Iran between the mullahs carrying out their plans to develop WMD and the missiles to carry them and the reformers trying to overturn the mullahs. Unfortunately, the mullahs are likely to get there first (to WMD), since political reform is going to take a long time.

Dr. Thompson noted that a U.S. unilateralist policy is important in that it could limit U.S. options in post-conflict management. He also noted the U.S. will continue to play a leading role in the region, given the considerable presence that would remain and especially since some of the states want that presence.

Dr. Rogov said that Russia's weakness is leading to its appeasement of rogues by accepting their "shopping lists." Russia's population is shrinking while the populations explode in all the countries to its south. He fears that China is destined to become an economic powerhouse. The problem of containing it could become the new axis of U.S.-Russia cooperation. Russia could become a very important partner of the U.S. based on the statements presented in the National Security Strategy. Russia will have to find some kind of accommodation. Russia needs robust security guarantees from the West so it will no longer feel the need to accommodate the world's losers. Perhaps

this would entail Russia joining NATO. But would the U.S. and NATO come to Russia's defense? Russia has to be reassured that it belongs in the West. In any case, if the U.S. leads Russia into a stupid situation, Russia would have no choice but to follow.

Appendix

Russian participants:

Dr. Sergey M. Rogov, Director, Institute for USA and Canada Studies, Russian Academy of Sciences (ISKRAN)

Major General Vladimir Danilov, Special Advisor to the Minister of Energy

Vice Admiral Nikolay Konorev, Head of Plans and Operations, Main Navy Staff

Dr. Irina Modnikova, Scientific Secretary, ISKRAN

Dr. Alexander Shumilin, Director of the Center for the Study of the Greater Middle East Conflict, ISKRAN

Major General Pavel Zolotarev (retired), President of the Institute for Military Reform

American and other participants:

Presenters and commentators:

Mr. Robert J. Murray, President and CEO, The CNA Corporation (CNAC)

Dr. Zeyno Baran, Director, Caucasus Project, Center for Strategic and International Studies (CSIS)

Dr. H. H. Gaffney, CNAC

Dr. Dmitry Gorenburg, CNAC

Ambassador Robert Hunter, RAND

Ms. Alexia Suma, CNAC

Dr. Eric Thompson, CNAC

Dr. Edward Warner, Booz-Allen Hamilton Company

Other participants

Captain Robert Brannon, USN, National War College

Ms. Frances Burwell, Atlantic Council of the United States

Mr. Eugene Cobble, CNAC

Dr. Ariel Cohen, The Heritage Foundation

Ms. Malia DuMont, CNAC

Ms. Sherri Goodman, CNAC

Mr. Thomas Hirschfeld, CNAC

Colonel Zbigniew Komanski, Assistant Defense Attaché, Polish Embassy

Lt. Justin Lemmon, USN, CNAC

Captain Marc Luoma, USN, CNAC

Rear Admiral Michael McDevitt, USN (Retired), Director, Center for Strategic Studies, CNAC

Mr. David McGiffert, Chairman of the Board of Trustees, CNAC

Ambassador William Miller

Mr. Paul Olkhovsky, Department of the Navy

Maj. Gen. Cloyd H. (Mike) Pfister, US Army (retired)

Colonel Stanley J. Prusinski, US Army, Office of the Secretary of Defense

Colonel Edward Pusey, US Army (retired), Office of the Secretary of Defense

Ambassador Rozanne Ridgway, Member of CNAC Board of Trustees

Mr. Donald Shultis, CNAC

Mr. Jed Snyder, CNAC

Dr. Jeremy Stone, Catalytic Diplomacy

Captain Stephen Szyszka, USN, OPNAV

Commander Harry Willson, USNR, OPNAV.

