

**Testimony of  
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Mr. Chairman, I want to thank you and your colleagues for the invitation to join you in today's hearing on Russia and Russian-American relations.

Your discussion of these questions is important and timely. Not so long ago, Russia's internal evolution and the state of relations between Moscow and Washington were hardly topics of public debate. We can already regret this inattention. Certainly when the leaders of the G-8 agreed in the summer of 2002 to hold this year's meeting in St. Petersburg, they did not imagine that four years later legislators, policymakers and experts might be discussing whether we have entered a "new Cold War" with Russia.

Has the Cold War resumed? My emphatic answer to this question is, no. The interests of neither side would be served by such a conflict, and there is no serious basis for it. But something does appear to have gone wrong with the widely-shared expectation of a few years back, that Russia was rejoining the West. Its internal evolution, its foreign policy, and the outlook of its leaders were thought to be creating the basis for a stronger partnership with the United States and the world's leading democratic states. How differently things have turned out is suggested by the very title of Dmitri Trenin's article in the current issue of Foreign Affairs: "Russia Leaves the West."

I should note here that, to understand precisely what has gone wrong, the Council on Foreign Relations last year constituted an independent task force on U.S. policy toward

Russia, under the co-chairmanship of John Edwards and Jack Kemp. Its members included distinguished scholars, business leaders, representatives of non-governmental organizations with long experience in Russia, and former senior officials from administrations of both parties. My remarks to you today are shaped by the conclusions and recommendations of this group, whose report was issued last March under the title, Russia's Wrong Direction: What the U.S. Can and Should Do.

The Task Force began its deliberations with this assumption, to which it remained committed throughout its work: Russia matters. If one looks at the big issues that affect the security and well-being of the United States now and in the future – terrorism, the proliferation of weapons of mass destruction, tight energy markets, climate change, the drug trade, infectious diseases, human trafficking – it's hard not to notice that Russia is a major factor in almost all of them. The United States will have a better chance of dealing effectively with these issues if Russia is on our side, sees problems the way we do, and can contribute to resolving them.

Of course, it would have been possible to say exactly this at virtually any point in the past 15 years. During most of this period Russia was treated as a major power largely as a matter of courtesy. In 1998, had the other members of the G-8 doubted Russia's fitness to sit at the same table with them, it would probably have been because Russia was the only one present in danger of an imminent financial meltdown.

The revival of sustained economic growth has changed all this. In the 1990's Russia struggled to pass its annual budget, limped from one unsatisfactory agreement with international lenders to the next, and attracted less foreign investor interest than tiny countries of Central and Eastern Europe. In 2006, Russia will record its eighth

consecutive year of growth (a cumulative expansion that has increased GDP by 65%), and its fifth consecutive budget surplus. Last week its finance minister announced that Russia will pay its remaining Paris Club debt early. Wage and pension arrears – for years a source of routine hardship for teachers, civil servants, doctors and millions of other Russians – have virtually disappeared. The national unemployment rate has dropped from 10 percent to 7 percent since 2000; and the number of Russians living below the government’s poverty line dropped from forty-two million in 2000 to twenty-six million in 2004 (and strong growth since then has surely reduced the number further).

This success story goes beyond the easing of everyday life for the poorest of Russian society, or the burgeoning number of its billionaires, or the strength of the government’s credit rating. For the first time in a century, a Russian middle class is emerging.

Measured by many Russian sociologists at approximately a quarter of the national population, it reflects changing consumption patterns, the confidence of those who have at last become property owners, the expansion of small business, higher educational levels, greater travel opportunities, and a mindset of new attitudes and expectations.

Any political scientist can tell you that such a social and economic transformation is the essential guarantee of a “normal” political system -- and should cement a positive Russian-American partnership. This was the hope and conviction of all who were involved in U.S. policy toward Russia in the 1990’s, and I am sure it remains so today. Over the long term the emergence of a Russian middle class may well play exactly this crucial historical role. But in the short term it has not done so.

Instead, at every level of Russian politics, the dominant trend of the past five years has been toward the erosion of pluralism and, in its place, the arbitrary and unregulated

exercise of state power. This has been true of relations between the branches of the federal government, between center and periphery, between the government and the media, between government and civil society, and between those who wield political power and those who command economic resources.

The result of this concentration of power is easy to summarize: Russia's institutions are less transparent, less open, less pluralist, less subject to the rule of law, and less vulnerable to the criticism and restraints of a vigorous opposition or independent media. In today's Russia there are no real counter-weights of any kind to the Kremlin and the state bureaucracy. The most important decisions concerning the future of the nation are made by a handful of people exercising power for which they will not in any meaningful sense be held accountable.

Even where elections continue to take place (and this is for a shrinking number of offices) they are under very careful and effective control. Opposition parties can be kept off the ballot by denying them registration. Once on the ballot, they can be removed in the course of a campaign if they seem to be building too much popular support. They can be denied television time and starved of political contributions. This past spring the leader of one opposition party was actually removed from his post because he had fallen out of favor with the Kremlin.

In 1998, then, Russia may have stood out at the G-8 as the only member on the verge of financial collapse. Today it stands out as the only member moving away from the modern political mainstream.

It is often said that by the end of the 1990's – a decade that brought economic privation, fractious politics, bureaucratic corruption and a seeming break-down in the

effectiveness of state institutions -- the Russian people desired relief from disorder. They do not really mind, it is thought, a little authoritarianism if that's what it takes to solve their country's problems. President Putin's centralization of power, in this view, is exactly what the people want.

It is impossible to question Mr. Putin's popularity – polls consistently give him a high approval rating, most recently 70%. And if Russians like their president, Americans have no business second-guessing them. But we should not over-interpret Mr. Putin's popularity – or equate it with stability and, still less, effective governance. It is one thing to say that Russians like their leader, quite another to say that they think he is actually solving their problems, or that they like bureaucratic authoritarianism, think it should continue, and would vote for it if presented with serious alternatives in an open political process. The same polls, after all, show that 70% of Russians disapprove of the performance of Mr. Putin's government. And although one sometimes hears that he captured strong support for his populist campaign to exile or imprison a number of “oligarchs,” a recent poll suggests that ordinary Russians have different priorities: 79% answered that it is corrupt state officials that are harming the country most. (Only 12% said rich businessmen were doing more harm.)

Similarly, while it is very common to hear that Russians do not understand and are not ready for democracy, polls show that in fact strong popular majorities want a vigorous opposition and independent media able to criticize public officials. In this, they seem to know something that President Putin does not. Although he promises to attack official corruption, he has apparently not made the connection between this goal and a competitive political system, bureaucratic transparency and accountability, investigative

journalism, and a vigorous non-governmental sector. To the extent the Kremlin has a policy on corruption, it is this: systematically to weaken the most potent tools for combatting it.

Mr. Chairman, this reading of Russia's domestic evolution is not a matter of much dispute among informed observers, either here or in Russia itself. Specialists may disagree about certain points, such as how great the differences are between the current situation and that of the 1990's. There are also disagreements about the likely future trajectory of Russian politics – about whether things are likely to get worse before they better, about how unified the current ruling group is, about the time frame over which a more normal system serving the interests of the emergent middle class might take shape.

But these disagreements are at the margin. They do not really alter the basic judgment about the extreme centralization of power in contemporary Russia or about the absence of checks on its arbitrary use. There is, however, more room for disagreement about what all of this means, or should mean, for Russian-American relations.

Let me first focus on what it does not mean. It does not mean that the United States and Russia cannot or should not cooperate on first-order problems involving the security interests of both sides. Some of these issues have lately been a prominent part of the Russian-American agenda, and the record suggests that Washington and Moscow are not having any difficulty working together. Iran's effort to develop its nuclear-weapons options is an outstanding case in point. I doubt that any other issue has been more frequently discussed between Secretary Rice and Foreign Minister Lavrov over the past year. During this same period worries about Russia's internal direction have been more openly expressed by American officials at all levels – most recently, by the Vice

President. Even so, Russian and American approaches to Iran have remained broadly convergent. Russia does not refuse to cooperate on security issues because we refuse to call it a democracy.

The same is true of cooperation on the so-called “loose nukes” question. Less than two weeks ago, Russian and American negotiators were able to finalize an agreement to renew the umbrella agreement under which “Nunn-Lugar” programs to improve the safety and security of sensitive, especially nuclear-weapons-grade materials have been conducted. There is no reason to expect this pattern to change. When cooperation rests on a compelling Russian security interest, disagreement on other matters is not going to derail it.

The fact that cooperation on such issues is possible does not, of course, mean that it is automatic or complete. There remain important differences between the way Russian policymakers view these issues and the outlook of American and European officials. Moscow, for example, appears reluctant to associate itself with a strategy of threatening Iran with international isolation if it continues on its present track. By the same token, it is Russian policy to assure Tehran that it will be able to resume an enrichment program once it addresses questions about past nuclear activities and accepts appropriate safeguards.

Despite these differences, the United States has over the past year been able to win increased Russian support for measures that isolate Tehran. Without forgetting the possibility of disagreements in the future, it should be American policy to create an even stronger foundation for Russian-American nuclear cooperation in general. (For this reason, I might note that the Kemp-Edwards CFR Task Force supported the opening of

bilateral negotiations on a so-called “123 agreement” – which would make possible cooperation on civil nuclear energy projects. Without such an agreement, the U.S. lacks the legal and institutional infrastructure to expand cooperation in this field.)

Non-proliferation and nuclear security represent one extreme in Russian-American relations. They are the issues on which two sides have retained an ability to work together, largely unaffected by the negative trends of Russian domestic politics. Unfortunately, these issues do not represent the whole of the relationship. In other areas, cooperation has often given way to discord, even in instances where American policy has until recently taken for granted a strong common interest.

Counter-terrorism provides one of the most striking – and in some respects, most surprising -- examples. Since at least 2001, the threat of terrorist attacks has been Exhibit A for the argument that in dealing with the new security challenges of our time Russia and the U.S. have to stick together. How then to understand the strange Russian initiative at last year’s summit meeting of the Shanghai Cooperation Organization, calling on Washington to end its use of military bases in Central Asia? Access to these bases by NATO and American forces has, of course, only one purpose – to support their operations in Afghanistan. Russia professes to agree with what we and our allies are doing in Afghanistan, but for Moscow this interest was apparently trumped by another factor. Recall that last summer the United States and the governments of the European Union found themselves in the middle of a disagreement with the president of Uzbekistan about what kind of an inquiry there should be into the mass killing of civilians by Uzbek forces. What President Putin apparently saw in this stand-off was an opportunity -- too inviting to resist – for a partial roll back of the American presence in Central Asia. His

stance surely encouraged the Uzbek government's decision to end Western use of the most important airfield in the region. More significantly, it demonstrated that a seemingly strong common interest can easily be subordinated to petty geopolitical point-scoring.

Moscow's confrontation with Ukraine over gas supplies and prices teaches a similar lesson. It would be hard to imagine a more significant Russian interest than its reputation as a reliable supplier of energy to international, especially European, markets. Nothing has ever done more to damage this reputation than the unprecedented decision last January to turn off the gas to Ukraine – and with it, to the rest of Europe. It is still not easy to make commercial sense of this action, since neither Ukraine nor Russia's other European customers (nor for that matter, the United States) disputed the idea that energy relations should be governed by market pricing. The strange Russian handling of the affair – in particular, President Putin's aggressive public role as the lead policy spokesman – made it clear that for Moscow this was in reality a political confrontation, not simply a commercial one. Ukraine's new leadership had come to power in one of the most embarrassing Russian policy debacles of recent years. Now, on the eve of parliamentary elections, the leadership of the "Orange coalition" was divided, and energy clearly seemed a tool for dealing it a further political setback.

Mr. Chairman, this affair was deeply shocking for European policymakers. Subsequent Russian actions and statements – such as the blunt comment last spring by Gazprom management that Russia might simply sell its gas elsewhere if European countries are not willing to cede targeted chunks of their energy infrastructure, or last

week's announcement that Russia has no intention of ratifying the European Energy Charter – have only deepened this concern.

These two episodes – one involving counter-terrorism cooperation; the other, commercial energy contracts – have a unifying theme. They suggest that over the next several years Russia's interactions with its neighbors are likely to play an increasing – and increasingly negative – role in Russian-American relations. As former prime minister Yegor Gaidar put it recently, Russia has entered a “dangerous period of post-imperial nostalgia.” Already the apparent desire to assert a vanished primacy has prompted Russia's leaders to take actions that other governments find irresponsible. It is important to note that Russian policymakers have also shown themselves capable of quick back-tracking once they see how deeply counter-productive their actions really are. This rapid learning has kept conflicts from escalating, but it too has its costs. In any country, retreating in the face of fierce international criticism stores up resentments for the future; in Russia it feeds a conviction that the other major powers consistently treat it unfairly.

Mr. Chairman, over the next two to three years, the U.S.-Russian relationship will sometimes seem like two different relationships, based on different principles and expectations. Particularly on those security issues where the interests of the two sides make it easy and necessary to work together, cooperation will continue. Yet on other issues -- indeed, on a growing number of them—disagreement and discord seem more likely.

Without dramatizing this transformation, or calling it a “new Cold War,” we should recognize that accumulated frictions between Russia and the United States can over time

have consequences that go well beyond a downturn in bilateral relations. They raise the prospect of a broader weakening of unity among the leading states of the international system. If growing consensus among the major powers gives way to a new line of division between democrats and authoritarians, if their energy strategies diverge, or if they respond in different ways to terrorism, America's chances of success in meeting global challenges will be reduced. At present, the risk that such divisions will emerge may seem remote, but policymakers in both the Congress and the Executive Branch should not fail to anticipate the tipping point. Americans should understand how much Russia's future course – above all, whether its policies, at home and abroad, move further from the Western mainstream – can affect the outcome.

Thank you.