



THE ASPEN INSTITUTE CONGRESSIONAL PROGRAM

U.S.-Russia Relations: Policy Challenges in a New Era

May 29 – June 3, 2018
Helsinki, Finland and Tallinn, Estonia



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U.S.-Russia Relations: Policy Challenges in a New Era

Rapporteur's Summary

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*The views expressed here are not the author's,
but rather the rapporteur's effort to reflect the discussion.*

Setting the Scene

From May 29 to June 3, 2018, 13 Members of Congress met in Helsinki, Finland and Tallinn, Estonia for a series of expert-led discussions, meetings with policymakers and site visits intended to enhance their understanding of the challenges and opportunities surrounding the current crisis in U.S.-Russia relations. This program followed an Aspen-organized conference one year ago with some of the same participants. Members who had had this opportunity to reflect on the state of U.S.-Russia relations over the preceding year noted that the situation had become increasingly dire, and discussions in Helsinki and Tallinn were thus informed by a sense of a crisis not just looming, but already well underway.

The significance of meeting in the Baltic region at this moment was not lost on members, who recognized that Finland and Estonia had both been occupied by Moscow at various points in their history. The conference hotel and meeting room in Helsinki's historic center were overlooked by the tall spires of the Uspenski Russian Orthodox Cathedral and a monument to Tsar Alexander II on Helsinki's Senate Square. A meeting with President Sauli Niinistö of Finland included his assessment of continuing pragmatic engagement between Helsinki and Moscow on everything from common environmental problems to significant bilateral trade, which he assessed as necessary and

natural for two states sharing a common border of over 800 miles.

In Tallinn, members were reminded that until 1991, the red flag with the Soviet hammer and sickle had flown over the Tall Hermann tower of the historic Tallinn Fortress, overlooking what is today the Parliament building of the independent Republic of Estonia, with just over 1.3million citizens. Both Estonia and Finland are now members of the European Union, and in a meeting with members, Estonian Prime Minister Jüri Ratas underscored his country's NATO membership, and appreciation of U.S. support for Estonian security. The region is truly a geopolitical crossroads: a ferry trip across the Baltic Sea from Helsinki to Tallinn took less than two hours, and St. Petersburg, headquarters of Russia's navy and former imperial capital, is reachable in just a few hours by train.

U.S.-Russia Relations in Crisis

The discussion began with a mix of the sobering and uplifting. One scholar, who had served as a top U.S. diplomat during the Cold War and afterwards, reminded members that U.S.-Russia relations had appeared to be headed for disaster as recently as 2008, however Washington and Moscow had managed to turn things around, at least temporarily, and achieve significant progress on nuclear security, Afghanistan, cultural and economic ties, and more. Indeed, this scholar argued, it was still

possible to access the “habits of cooperation” that had underpinned over 200 years of relations without a direct military conflict and with many examples of pragmatic cooperation. Although the relationship was now “as close to conflict as we have ever been,” the scholar argued for avoiding militarization of U.S.-Russia differences and protecting and expanding ties in education, commerce and culture, the “seed corn” of the bilateral relationship.

A distinguished Russian scholar assessed the situation more pessimistically. In this scholar’s view, Washington and Moscow were now locked in confrontation and conflict—although not exactly a repeat of the Cold War. Yet the differences between then and now were not necessarily reassuring: the current conflict had the potential to be enormously destructive, playing out in the realm of military and even nuclear confrontation, but also transforming the “global commons”—global trade, information flows, and cyberspace—into battlefields, to the detriment of both combatants and the entire world. Because of the vast power asymmetry between a weakened Russia and a still preeminent United States, the Cold War solution of “splitting the difference” was of little help, and since both countries appeared unwilling to make any significant concessions, it would be a decade or more before they could return to discussions of potential collaboration.

Another scholar, also a veteran of decades of observation of the Soviet Union and Russia, warned that the depths to which U.S.-Russia relations had sunk were destructive and dangerous, and that all sides would pay an “immense price if we do not change it.” This scholar traced the difficulties to losses of control and stability in a multipolar world, including the rise of China, the long-term effect of which will depend to a great degree on how the U.S. and Russia each respond. The scholar also reminded members not to presume that Russia’s behavior was necessarily a consequence of the “basic nature” of the country or its citizens, but rather was a result of circumstances and processes unfolding over time—a variation on what is called “fundamental attribution error” in social psychology. The scholar predicted that any

reversal of the negative trend would not come overnight, and suggested a balance between the classic Cold War concepts of deterrence and détente.

Several scholars emphasized the importance of U.S. and Russian engagement with a rapidly rising China. While a Russian scholar warned that the U.S. was rapidly pushing Moscow and Beijing into closer alignment, an American scholar noted that whether and how Americans and Russians behave will, to a large extent, determine the effect of China’s rise on the international system. Washington, the Russian scholar cautioned, “needs to think through its new position in the world and accept the challenges that are real and that will result in China presenting a serious alternative to the United States.”

Almost immediately following the opening presentations, members raised an issue that several called, “the elephant in the room”—allegations of Russian interference in the 2016 U.S. presidential election. One member pointed out that friends at home who had always been advocates of engagement and diplomacy were now saying, “remember that Russia never was and never will be our friend,” and that anger like this was leading to a ramping up of arsenals that was destabilizing. Frustration and outrage ran deep over this issue, with another member adding that if a Russian attack meant Americans could not trust “the very basic aspects of our elections, then the Russians have hurt us more than any bomb ever could.”

Yet another member worried that Washington had become “immobilized by this election intrusion matter”—not just hacking, but “the question about whether we have a compromised president.” Indeed, a colleague cautioned in response, if “the President can’t have a relationship at the very top levels because of the perception that he’s weak on Russia,” then “we’ve got to deal with that in a bipartisan way.” Other colleagues agreed that the current situation was unacceptably dangerous, and asked if “rather than assigning blame, can we try to calm the waters down and agree on some pieces?”

On the question of whether tension could be calmed between Russia and the United States, optimism was in short supply. One Russian scholar lamented that, “the United States still has the mentality of a serial winner...but now that rise has crested.” The scholar therefore advised that “climbing down” and relating to other countries “on a more coequal basis” would serve the United States better, and that in the meantime Russians should “let the United States go through its political turmoil” in hopes that at some point it would again be ready for partnership. An American scholar concluded that, “the Putin leadership has for the most part written off the Americans, they don’t believe there’s business to be done and have begun shifting to the Europeans.”

When considering whether enhanced legislative dialogue might at least be possible, one member asked whether Americans alone were taking on the burden to invite Russians to engage, while another insisted, “we need Russians at this table as well if we’re going to move forward.” Yet another member asked, “who are the keepers of the habits of cooperation,” those who “act as circuit breakers on confrontation?” A Russian scholar responded pointedly that, “we proposed legislative dialogue, but we had a problem with the arrogant attitude from the United States.” However, the scholar concluded, the door to dialogue with Americans was not closed: “If there is a will, we stand ready.”

The New Central Front: Ukraine, Baltics and European Security

The discussion on Ukraine, the Baltic region and European security was opened by one scholar observing that for many in the West, Russia’s aggression against Ukraine in 2014 and afterward has not just been about Ukraine. It has reminded Americans, especially, that they may have to fight at some point in the future to defend the Baltic States against Russia. Yet an expert from that region suggested that the Baltics were not likely to be invaded any time soon. Indeed, the problem in this expert’s view “isn’t so much the Russian threat, as erosion of

the Western order because of internal issues in Western countries.”

Turning directly to the Ukraine conflict, another scholar insisted that Ukraine was indeed a “make or break issue for the future international order.” Would it be one based on rule of law, or on the rule of force? The scholar explained that Russia’s seizure of Crimea was the first forceful change of borders in Europe since World War II, and yet had not been prevented by the modern European security architecture. This was especially problematic, the scholar argued, since Ukraine agreed to give up its nuclear arsenal over twenty years ago in reliance on international law and guarantees from the Permanent Members of the UN Security Council. In the end, the expert advised, the Ukraine conflict has geopolitics at its core, not hatred between peoples, and so it must be solved first on the geopolitical level.

In examining potential geopolitical solutions to the Ukraine conflict, members pressed scholars and one another to consider the experiences of Finland, Austria and other states that had remained neutral throughout the Cold War. Although acknowledging that eventual Ukrainian NATO membership had been endorsed by both Kyiv and NATO itself, one scholar cautioned that, “today, to take Ukraine into NATO is for NATO to buy a ticket to a war with Russia.” Another scholar suggested that Austria had been successful precisely because its version of neutrality meant no NATO membership, but any kind of economy or political party system that suited Austrians. In the view of a Finnish expert, the key to Finland’s neutrality was, “that we could maintain our sovereignty and market economy, [while we] enjoyed the most rapid economic growth in Europe, engaging with both sides.”

Members also raised the domestic U.S. political dimensions of European insecurity that was, at best, far from home and of uncertain relevance for most of their constituents. One member asked how an American farmer at home could be convinced that, “he has to go fight Russia in Ukraine?” To the extent this argument hinged on “a vague notion that the international

order is at stake...that's not real," the Member observed. Another scholar countered that Russian aggression was "against you as well, it is your war as well, and you have to accept it...If you will not do it now, you will suffer yourselves, you will lose your international credibility and leadership. Who will trust you?"

A Russian scholar found the entire exchange around Russia, Ukraine and European security disheartening, lamenting that it reflected "lack of understanding of what Russia is and is not...the picture when you listen to this debate is that the majority thinks we wake up in the morning and think how can we undermine democracy in the West and American leadership...a distorted picture from the very outset." In this scholar's view, Russia is clearly part of Europe, "with all this painful history." Yet another Russian scholar worried that, "neither Moscow nor Kyiv have any incentives to resolve the conflict" which has become "the new normalcy," with Russian-Ukrainian trade growing once again, even in the military sphere. Concluding, an American scholar urged, "we know what the outcome should be, like for fifty years of the Israeli-Palestinian conflict, we don't know how to get there."

Nuclear Risks, Realities and Possibilities

There should be no doubt, a Russian scholar explained, that the U.S.-Russian arms control regime is "under huge stress." The 1972 Anti-Ballistic Missile Treaty is dead, since the U.S. withdrawal in 2002, the 1987 Treaty on Intermediate-range Nuclear Forces is "a dead man walking" since both sides have been accusing one another of violations for years, and the 2011 New START agreement is in crisis, with no immediate prospect of its renewal, replacement, or extension before the expiration date in 2021. Americans and Russians cannot negotiate and cannot trust one another, so many may have reason to think arms control is already dead. Yet the expert also reminded members that arms control was created during the Cold War precisely because both countries understood the nuclear arms race was leading only to the unacceptable outcome of nuclear war, and so

perhaps that recognition could be revived as part of salvaging arms control.

A European scholar was even more blunt about the dire state of the U.S.-Russian nuclear rivalry, reminding members that, "the whole policy and doctrine of nuclear weapons involves sending them to the destruction of millions of people from your grave." Yet this expert worried that current officials could not recognize the same basic truths that had animated Cold War arms controllers, offering an observation that resonated with many members: "The funny thing about people who used to be something is that they find it easier to find common cause with someone else who used to be something on a progressive agenda than they did when they used to be something." The focus, the scholar urged, should therefore be on those who are now serving the public interest and who will be leaders in the near future.

As on the Ukraine conflict, some members noted that constituents did not necessarily think much about nuclear weapons or see nuclear war as a problem. After all, one member said, voters had lived under the shadow of mutually assured destruction for the better part of a century, and so they expected their leaders to continue to be rational. One scholar posed the question of what arms control should be intended to achieve, and suggested that the key for both governments and ordinary citizens was to "try to help make sure that no really big wars happen." One participant went further, arguing that, "if we live in a world where the posture of our defense does not reflect the fears of our constituents, the answer is not to give them the fear, but to change our postures."

In thinking through the role of Congress on this issue, one member reminded colleagues that, "We have a responsibility to stand up and be leaders, we must do something to secure our people, and we could save a whole lot of money to do [other] things for people." Another member suggested this should be thought about in the context of a fuller discussion in Congress on authorizing the use of military force by the executive branch going forward. Yet another member pointed to several concrete initiatives, including the Nuclear Weapons Council under

Defense and Energy Department sponsorship, as well as a bipartisan nuclear security working group on Capitol Hill, both of which might serve as models for efforts more focused on nuclear non-proliferation as a “whole of government” initiative for the United States.

As on European security, the members found only minimal reassurance in the response from Russian experts in the room. One warned that, “simply trying to keep the arms control structure that we have inherited from the days of the Cold War will not do.” Instead, the best opportunities now are to focus on strategic communication and joint efforts to counter nuclear terrorism and prevent escalation. This might mean taking unilateral steps, whether or not they are coordinated with one another. Coordination, another Russian participant lamented, would be difficult, since in Moscow’s view, Washington had “prohibited military to military contacts, now your military are afraid to talk to Russian military, they are no longer allowed to do so.”

Sanctions, Economics and Energy

Addressing the linked questions of energy, economics, and the current U.S. and European sanctions regime against Russia, scholars were in broad agreement that the European consensus was eroding in favor of continued sanctions, since they had proven ineffective to date in pressuring Russia to change its behavior. In fact, one European scholar noted, the sanctions had generated widespread resentment and desire for pushback in Russia, which played into the hands of the Kremlin. Scholars likewise discussed the degree to which Russia was trapped by hydrocarbon dependency, and to which this would prove a weakness in a world transitioning toward renewables. One suggested that helping Russians invest in renewables and thus avoid future economic collapse could be in the West’s strategic interest.

Yet it was clear to scholars and members that Russia was not on the brink of economic collapse any time soon, whether due to the external pressure of sanctions or Russia’s own structural economic weaknesses. On the

contrary, one scholar explained, the Russian economy was likely to grow at a predictable if modest pace of 1.5-2% for at least the next five years. This was thanks to shrewd fiscal management by the Kremlin, which had avoided excessive deficit spending and debt accumulation, and which could easily shift the costs of sanctions onto ordinary people by allowing the value of the Ruble to fall. Although Russians might become poorer in real terms, and though their economy would grow more slowly than the region as a whole, scholars explained, they are prepared to endure some sacrifice, especially in the face of what many see as hostile actions by the West.

Members wondered whether the complacency of the Russian middle class was overestimated in the face of disappointing growth and sanctions pressure. As one member put it, “is there no Russian version of the American dream?” In response, European and American scholars agreed that in the current Russian political system, dissent from the rising or aspiring middle class is unlikely because their welfare is so closely linked to the state, whether they work directly for state enterprises, are indirect beneficiaries such as professional service providers, or are just ordinary people hoping to avoid costly problems with state authorities.

Some scholars expressed greater concern about sanctions than that they were not resulting in changes to Kremlin policies. One argued that any statements from U.S. officials, including members of Congress, that sanctions should seek to alter the balance of power within Putin’s inner circle would be taken as evidence that the U.S. sought to change Russia’s regime, and even that economic sanctions were just the tip of the spear in what could be a “regime change” operation involving information warfare and even military action. Another expert followed up that sanctions may have already become a lose-lose proposition for the United States. While they signaled U.S. displeasure with Russia’s actions, they also strengthened the Kremlin’s grip on Russian society by reinforcing the “Russia under siege” narrative among ordinary people and encouraging oligarchs to repatriate their capital.

To the extent that Russians saw the U.S. pursuing a regime change strategy, that contributed to increased conflict and instability overall.

A Russian scholar supported this view, observing that “from the Russian standpoint, sanctions do enormous good.” Historically, the scholar explained, Russia has succeeded in achieving unexpected feats of internal development in the face of extreme external pressures. Another scholar cited the examples of past U.S. sanctions, in 1923, which helped support the Soviet Union’s crash industrialization in the 1930’s, and in 1981, resulting in the development of a world leading oil pipeline industry in post-Soviet Russia. The latest sanctions have also provided Russia a “soft kick in the rear” to diversify the economy both sectorally—away from oil and gas toward high technology, services, and agriculture—and geographically, especially towards East Asia. “Mr. Putin,” a Russian scholar pointed out, “is a judo fighter—he uses the strength of the opponent to his own benefit.”

“At the end of the day,” one U.S. scholar concluded, “sanctions only work when you lift them, because it is in response to a change in behavior.” This transactional, rather than declaratory, way of thinking about sanctions depends on a negotiations track in parallel with sanctions imposition. Such negotiations should include a comprehensive agenda. As one member noted, “one achieves positive leverage when there is a broader agenda between powers—it’s a matter of mixing and matching incentives.” Another member urged that colleagues “look at this in a bipartisan way; if it’s frustrating our European allies, frustrating the Russians and nothing is going to come of it, then it’s incumbent upon us to look at this.”

Members’ Key Policy Takeaways

In discussing key takeaways relevant to their own working agendas on Capitol Hill, members underscored structural problems that complicate the role of Congress in foreign policy deliberation and meaningful oversight more broadly. One senior member observed that life

in Congress had become increasingly busy and distracted, with members “busy from morning to night” and seldom enjoying the time or space for reflection and thought afforded by a gathering like this. Other members echoed the idea that even short windows of time were much needed on Capitol Hill to permit the kind of education, but also reflective engagement between colleagues, that had taken place over the past several days. As one member asked, “are we really debating in Congress or is it just a show?”

Turning to the substance of the conference, another member, reflecting on the latest meeting as well as last year’s conference described the U.S.-Russia relationship as being like a ledger with positives and negatives. Although there was a long list of negatives, the potential areas for positive sum diplomacy were mounting: space, the arctic, regional conflict issues including Israel-Palestine, Syria, the Iran nuclear issue, counter-terrorism, and nuclear arms control. Still, differences remained pronounced and were perhaps growing more so over Ukraine and the former Soviet region more broadly, where zero-sum assumptions seemed to poison diplomacy.

Another member reminded the group that the role of Congress—“the Article I branch”—was especially important now, and Congress should revisit the questions of authority for use of force, the potential dangers of so-called “hair trigger” nuclear postures, and the benefits of increasing decision time for leaders charged with nuclear command and control. A colleague agreed that this was a test for Congress, whether it could mobilize the public to think seriously about issues of nuclear stability and security. Since Americans had taken security through mutually assured destruction for granted for over seventy years, a third member observed, this might not be so easy. But the public, the member noted, assumed both sides would behave in a sane manner, while the current collapse of official dialogue seemed less than sane by comparison. As another member put it, “the only thing worse than making the wrong decision is to do more of it.”

The member summed it up this way: “There are those who complain about events, and those who do something about it.” The member proceeded to describe challenges ranging from securing future U.S. elections to ensuring the integrity of cyber command and control systems. These problems could only be solved in a bipartisan way, the member said, and if members could come together to support real investments.

Another member added that when it comes to the U.S. and Russia, history is unavoidably in focus, but history shows that we need carrots as well as sticks. The member supported waiving sanctions to permit legislative branch exchanges and dialogue, a Congressional initiative to kick start the next round of U.S.-Russian arms control, and even asked why not consider a resolution encouraging eventual Russian membership in NATO, to begin addressing Moscow’s deepest existential fear?

Not all members agreed that it was time to think about carrots. As one reminded the group, “we are dealing now with an existential threat to our democracy, and to the integrity of our election processes.” The member asked colleagues whether there were some acts, like Russia’s attack on Ukraine, which simply could not be tolerated and therefore justified punitive responses even if those were not likely to change Russia’s future behavior.

A Way Forward?

Although members and Western scholars expressed anger and frustration with Russia’s aggressive behavior in Ukraine and the region, and its interference in the U.S. elections, and though Russian scholars pushed back that the U.S. had shown arrogance and hostility toward Russia, there was little enthusiasm for ratcheting up punishments or conflict between the two nuclear-armed powers. Despite being the economically and militarily bigger power, the United States clearly also faces significant domestic political problems that would constrain effective management of U.S.-Russia relations going forward. Some even more fundamental questions, like what should be the U.S. role in

the world in the century ahead, and what should be the broader agenda for framing U.S. engagement with Russia, China or other major powers, lack fully developed and widely supported answers.

Members and scholars raised questions that should give all Americans pause. What does it say about the world’s wealthiest and most powerful country when it appears incapable of spending even one percent of what it spends on defense to secure its own democratic processes, including elections? What does it mean when there is such distrust between the legislative and executive branches of government that the former passes a law by veto-proof majorities in both chambers blocking the latter from changing policy toward Russia without its approval? And what should Americans conclude from the fact that public education in Finland, a country with less than 2% of the population and GDP of the United States, surrounded by former imperial occupiers on both sides, leaves U.S. schools in its dust?

As one member put it, “the world is screaming for meaning,” seeking answers to essential human questions, and seeking a “new diplomacy based on respect, human dignity, hospitality and poetry.” In this spirit, perhaps it is fitting to conclude with the words of America’s foremost Russia-watcher, George F. Kennan, Ambassador to Moscow, and architect of the Cold War strategy of containment, who wrote the following in his famous Long Telegram from Moscow over 70 years ago: Americans must “formulate and put forward for other nations a much more positive and constructive picture of [the] sort of world we would like to see than we have put forward in past,” since Europeans “are tired and frightened by experiences of [the] past, and are less interested in abstract freedom than in security.”

This is about “the degree to which the United States can create among the peoples of the world generally the impression of a country which knows what it wants, which is coping successfully with the problems of its internal life and with the responsibilities of a world power, and which has a spiritual vitality capable of

holding its own among the major ideological currents of the time....Surely, there was never a fairer test of national quality than this. In the light of these circumstances, the thoughtful observer of Russian-American relations will find no cause for complaint in the Kremlin's challenge to American society.”

Russia 2018: Postponing the Start of the Post-Putin Era

John Beyrle

Former U.S. Ambassador to Russia

The re-election of Vladimir Putin to a fourth term as president offered a few tantalizing glimpses of potential alternative paths to power in Russia, but ultimately only underscored the Kremlin's complete control of the political sphere and the likelihood that Putin will continue to rule Russia for as long as he remains healthy. Because Trump and Putin are unlikely to be able to establish any productive working relationship, the U.S. should focus on strategies to advance its interests in several key areas below the level of President.

Vladimir Putin's re-election on March 18th gave a clear answer to the one question in Russia that no one was asking: Who's going to be our President for the next six years? A joke making the rounds in Moscow neatly captured the sense of irony pervading the country in the run-up to the election. What is the difference, Russians asked, between presidential elections in the U.S. and the vote in Russia? The answer: In America, everyone understands the basic rules that govern elections, but no one knows who will win. In Russia, it's the opposite: Everyone knows who will win—it's just never clear exactly how they will pull it off.

But now, looking back at the results, we can make a few judgments about how the Kremlin managed the outcome of this election, and then assess what it tells us about a question that many Russians are in fact asking: How—and when—will the transfer of power from Vladimir Putin to a successor take place? This leads to a second question, this time for Americans: what are the implications for U.S. interests of Putin's seemingly indefinite hold on power?

The path to answers to these questions can be found by examining the three factors or groupings that, in most countries, have some bearing on questions of political succession.

First, the Russian political opposition—those who have the greatest interest in hastening the transition to a post-Putin era.

Second, the Russian power elite—those currently in power or in the orbit of those in power, and thus the group that has the biggest stake in controlling the process and the outcome of any transition.

And third, the Russian people themselves. They ought to have some say in this, too, one would think.

Russia's political opposition, ironically, is probably the least important factor in the mix. One of the greatest successes of Putin's 18 years in power has been his ability to create the illusion of political pluralism where in fact no such thing as a competitive electoral system really exists.

There are numerous political parties in Russia, and six parties represented in the parliament. But the only party that really matters is the so-called party of power, United Russia, which holds 75% of the seats in the Duma, and 71% of Russia's regional governorships. In the March election, there were seven candidates running against Putin. To get on the ballot, candidates must come from one of the established parties; independent candidates must collect 300,000 signatures and have them certified as legitimate.

However—and here is the big unwritten rule—a candidate cannot pose an actual threat to take a substantial number of votes away from

the incumbent president. If that threat appears real, then a way will be found to keep the candidate off the ballot. A closer look at the candidates who were allowed to run, and at the most prominent candidate who was excluded from the vote, reveals a lot about what worries the Kremlin most about popular elections.

The best-known opposition candidates are largely irrelevant to any discussion of the beginning of the post-Putin era, because they almost surely will not be a part of it. They represent the past. The candidates on the two extremes—the ultranationalist Vladimir Zhirinovskiy on the far right, and pro-reform economist Grigoriy Yavlinsky on the left—are now both over 70 years old. They have been running against Putin for 18 years, and this election was likely the last for both of them, and for their parties. They got 5% and 1% of the vote, respectively. (Putin, as a reminder, got 76%.)

The Communist Party is also an opposition party, of sorts, in Russia. For this election, the Communists replaced their perennial candidate with a new face—an entrepreneur in his 50s who operates several large fruit farms outside Moscow. The novelty value of this “communist millionaire” translated into a big showing for the party—a whopping 12%. But a study of the demographic trendlines of the Communist party’s support base in Russia shows that it moves in one direction only—and it’s not up.

The more relevant aspect of the election was the contrast between the two main younger faces of the would-be political opposition in Russia—a contest between evolution versus revolution. Representing evolution was Ksenia Sobchak, an ex-reality TV star who at age 36 has refashioned herself as a journalist, blogger and news anchor on Russia’s most popular independent internet TV channel. She has a big following on Russian social media, and because she posed no threat at all to Putin, she was allowed to run. Sobchak’s message to the voters was simple: “We all know I can’t win, so consider your vote for me to be a vote ‘against all,’ and a challenge to the system to open itself up, over time, to people like us who want real change.”

Evidently this was not a persuasive appeal: Sobchak ended up winning just under 2% of the vote. But her main opponent was not really Putin at all. It was Aleksey Navalny, the political activist and blogger who has created a genuine, well-organized political movement across Russia based largely on anti-corruption themes. Navalny also has a huge following on social media. His charisma and organizing skills have made him the only political figure in Russia that the Kremlin truly worries about—and thus he was again kept off the ballot, on charges of embezzlement widely regarded as manufactured.

Navalny’s exclusion only bolstered his appeal for a boycott of the vote as an illegitimate farce. Unlike Sobchak, he has no interest in working within the existing system to help it evolve; he wants to blow the current system up. He and many others saw Sobchak not as a true opposition candidate, but as a Kremlin stooge, a device bought and paid for to boost turnout and make the vote appear more legitimate. Sobchak vehemently denies this, and describes a not-implausible long term strategy to try to open up more political space in Russia, independent of the Kremlin. But whether she was or wasn’t a Kremlin pawn, the net effect was to further split and marginalize the opposition to Putin—while adding new layers to the illusion of political pluralism, in what is actually an environment of almost total Kremlin control.

This would seem to constitute an unbeatable advantage and source of security for Putin and those who surround him, the small group of men who have been his close advisers, associates, and personal friends for the past two decades or longer. Instead, they face uncertainty on a number of fronts.

The term for which Putin was just re-elected, 2018-2024, is widely seen in Russia as the final one that he will serve as President. The Russian constitution does not allow him to seek a third consecutive mandate, making this a kind of transition term, in which Putin begins sets the stage for a successor to take the presidency. By most accounts, after eighteen years in power, Putin is tired of the day-to-day obligations of

running the country. Apart from the constitutional problem, he will be 72 in 2024, and after more than two decades in the Kremlin, he appears to be ready for a reduction in his many official and ceremonial obligations.

But Putin cannot simply retire. A much bigger problem lies at the heart of the very system that he has created over his time in power—a system that lacks institutional or legal guarantees for the fortunes and personal fates not just of Putin himself, but also of those who comprise the power elite in Russia, men who have grown immensely rich (and made more than a few enemies) over the past two decades. In recent years, many of them have succeeded in promoting their sons into positions of wealth and power, either in government or in the large state-run companies that form the backbone of the Russian economy. Members of this Russian power elite exist in a nearly perpetual state of low-grade conflict with each other, jockeying for favor, advantage and further enrichment. As president, Putin serves as a kind of supreme arbiter among these competing factions.

All of this argues for some kind of mechanism that would allow Putin to retain power and continue to perform the essential role of maintaining equilibrium between these powerful forces—protecting their equities, as well as his own.

One idea for such a mechanism has already been floated. It would entail creation of a new executive organ above the Presidency to which Putin would be named as head—similar to the informal position of senior minister or minister-mentor that Lee Kuan Yew assumed in Singapore after he stepped down as Prime Minister.

In this scenario, Putin would be replaced as President by a younger leader—perhaps the most promising of the new generation of regional governors and government ministers and officials that he has gradually been appointing over the past several years. But Putin would retain his essential, indispensable supreme oversight role.

There are other variants to the succession scenario. One option could be the gradual evolution of a more competitive political process, as argued by Sobchak—a low-percentage probability, but not wholly inconceivable. A more likely alternative would be a simple constitutional fix allowing Putin to remain as president indefinitely, akin to the formula engineered recently by President Xi and the Communist Party in China. Other options, or hybrids of the above-mentioned scenarios, could emerge over the six years that the Kremlin will have to work all of this out. But the bottom line is that Putin is highly unlikely to leave the stage completely as long as he remains healthy.

That brings us to the final factor that should have some impact on this succession question—the Russian people themselves. They matter because, at the end of the day, Putin and those around him recognize that their legitimacy derives directly from the support of the 140+ million citizens of the Russian Federation. Although Putin's re-election was in no way a competitive political contest, it *was* vital as a demonstration of Putin's popularity—a reaffirmation of the public opinion polls that have consistently shown him with approval ratings around 80%.

It's worth remembering, though, that just four years ago, in early 2014, those approval ratings were much lower—somewhere around 55%. At that time, a combination of economic factors, led by a steep recession, falling energy prices, and record high inflation, provoked the first-ever outbreak of what was called "Putin fatigue." It began with Putin's return to the presidency for a third term in 2012, but the Putin fatigue ended rather decisively in March 2014—in the wake of the Sochi Winter Olympics, and as a direct result of Russia's annexation of Crimea. Within a month, Putin's approval ratings jumped from 55% to 80%, where they remain today. Russia's continued military adventurism abroad—in southeastern Ukraine, and in Syria—has reinforced the underlying message: Putin is restoring Russia's lost status as a global great power that has a voice and a

veto on the major international questions of the day.

That message has tremendous popular resonance. But Russia's economy is still struggling. Household incomes fell again in 2017 for a fourth straight year. Putin, however, receives almost none of the blame for that decline. While his approval ratings have stayed high, polling numbers for the government, parliament and regional governors have all dropped over the past two years. Much of this is a consequence of the Kremlin's mastery of the media. A strong majority of Russians get their news from TV, and of the 22 main broadcast and cable channels, 20 belong to state-controlled media holding companies. Operating like a pressure relief valve, they direct popular unhappiness away from the presidency. As long as Putin can fire government ministers and replace unpopular regional governors (and he has replaced over 10% of them over the past eight months), then his own popularity seems able to withstand the griping over the pocketbook issues that Russians care most about.

Regarding the durability of Putin's popular appeal, demographics reveal some surprising trends. Putin's strongest base of popular support is found not among the oldest Russians, but among the youngest—those aged 18-24, who cannot remember anyone else leading their country, and who also have no memory of the Soviet Union itself. This flies in the face of conventional wisdom that the younger generation in Russia is more liberal, more progressive, and less tied to the dogmas of the past. The numbers show otherwise. Recent independent public opinion polls indicate that 81% of Russians overall approve of Putin's performance as president. Among Russians 18-24, that approval rises to 86%. Even more striking is their positive view on the state of affairs in Russia. Overall, 56% of Russians think their country is headed in the right direction. Among 18-24 year olds, that 56% grows to 67%.

In the run-up to the March election, much was written about this phenomenon—the “Puteens”—as an indicator of a rejuvenated

wave of support for Putin. It might indeed constitute a source of reassurance for the Kremlin, if not for the generation of Russians just ahead of the “Puteens.” These are the Russians born at the end of the Soviet period—making them roughly 30 to 45 years old. They grew up during the years of Gorbachev and Boris Yeltsin, and have benefitted most from the open access to information and travel of that era—a thrilling novelty during their childhoods that is now regarded as a given, a normal part of life. When these Russians were in their twenties, their economy was on an oil-fueled boom, and so material well-being is for many of them an expectation, not an aberration.

This generation is much less supportive of Putin, and more inclined to say that Russia is headed in the wrong direction. It is also the generation that produced the two rival opposition politicians discussed earlier—Ksenia Sobchak and Alexey Navalny—with the two competing visions for the future of Russia.

But both of those visions are founded on a desire for change in Russia. And in that, they have tapped into a strong popular mood. Recently, a top Moscow think tank and polling organization published a study of how Russians understand the idea of change, and what kind of changes they would like to see. Overall, more than 80% of Russians say they favor changes. This was fairly evenly split between 40% who want to see radical, comprehensive change, and another 40% who favor minor, gradual, incremental improvement—a split that reflects the competing visions for the future offered by Navalny and Sobchak. Interestingly, the 40% favoring radical change is made up not of young people in big cities—it is mostly older, poorer Russians, less educated and living in small towns. And as for what kind of change they seek, here there are no real surprises. The top complaints of Russians across the country are pocketbook issues—things like improved living standards, better health care, and keeping inflation low.

Thus, as Putin and Russia's power elite embark on his fourth term as President, they are facing a Russian public that seems ready for

change, but is split on how that change should be carried out. The political opposition, which might respond to and profit from this desire for change, is itself divided on the “how” question—and, more importantly, it remains neutered by the Kremlin’s control of the information space and political sphere in Russia. The Kremlin (which devotes considerable resources to polling and other measures to track and forecast the popular mood) also recognizes the popular desire for change, and the looming threat of a fresh outbreak of Putin fatigue. And so for the Kremlin, postponing the start of the post-Putin era means working out a way to retain the central features of the system that Putin has built over the past twenty years—a system that protects the people in power, projects Russian strength internationally, and avoids any sharp or prolonged economic downturns domestically that would amplify the demands for change. And, of course, a system that remains wholly in the hands of and under the control of the Kremlin.

What does this mean for the United States? How do we deal with a Vladimir Putin who has essentially abandoned the idea of partnership with the U.S. and the West, and who has been strengthened politically at home by playing the anti-Western, anti-American card? As argued above, we are not likely to see a revolt against Putin—either from the street, or from within the Russian elite. External attempts to sanction him, isolate him, or exact a price for his actions and force him to recalculate his strategies have had only marginal effect—and in fact seem to have actually increased his popular support.

Historically, relations between the U.S. and Russia (including during the Soviet period) have been dependent on the relationship between the top leaders—Nixon and Brezhnev, Reagan and Gorbachev, Clinton and Yeltsin, even Obama and Medvedev. It can be argued that today’s dangerous levels of mistrust and misunderstanding between Moscow and Washington began as ties between Obama and Putin deteriorated after Obama’s re-election and Putin’s return as president, and continue in the wake of the failure of President Trump and Putin to develop any meaningful relationship.

Washington and Moscow both acknowledge that tensions need to be reduced, but they continue to blame each other as the sole source of the problem.

There will be no early or easy resolution of this “top-level stalemate.” Moscow, for its part, continues to deny the magnitude of the problem it created through its interference in the 2016 elections, and has taken no steps to dial back the continuing intrusions into the U.S. information sphere emanating from Russian-controlled cyberspace. Kremlin adventurism in Ukraine and Syria likewise shows no signs of abating. On the American side, under the cloud of the Mueller investigation and in the shadow of the President’s refusal to acknowledge or (until recently) take strong measures to counter Russia’s actions, the Trump administration has squandered its leverage and lost domestic political support—especially in Congress—for any policy aimed at dealing with Putin.

While this vacuum at the top persists, America should focus instead on maintaining—and if possible, strengthening—the contacts between the US and Russia that already exist below the level of presidents, in areas that are vital to the security and interests of both countries.

The first is contacts between our militaries. The single biggest threat in U.S.-Russian relations today, by far, is the risk of an accidental armed clash that could quickly escalate into a major confrontation. U.S. and Russian forces are carrying out operations in Syria every day that bring our men and materiel into dangerously close contact, and have even led to fatalities. Incidents of Russian planes buzzing U.S. ships and planes are equally worrisome. Here, there is already some good news. Ongoing deconfliction contacts between our militaries in Syria are expanding from the operational to command levels. U.S. Chairman of the Joint Chiefs of Staff, General Joseph Dunford, has held several meetings and had numerous phone calls with his Russian counterpart, building a personal relationship and some measure of trust that would allow them to de-escalate the tensions that would immediately

spike if an accident did happen. There is no higher priority than this; it should be encouraged, and expanded.

The second area for maintaining contacts is business relations. Although the sanctions tied to Ukraine have made it more difficult to operate or invest in some areas of the oil and gas and financial sectors, overall American companies continue to do business successfully in Russia. American business connections help support Russia's integration into the global marketplace according to international standards and practices, including transparency and good corporate governance. Despite the anti-western sentiment pushed by the Kremlin overall, American business is welcome in Russia. And as other official contacts grow weaker, we need to ensure that the commercial relationship remains strong, to act as a shock absorber against a highly unsteady political relationship.

A third important area, often underestimated, are contacts between American and Russian societies. The past fifteen years have seen tremendous growth in the engagement

between Russian scientific, cultural and educational institutions and their counterparts in the United States. Despite the high volume of anti-western rhetoric in state-controlled media, Russian students continue to apply to American universities in record numbers. With official contacts stagnating, it is essential to support ties with Russian civil society, with educational and scientific communities, and cultural institutions. Russian society remains diverse, and we further our interest in positive change by finding ways to stay engaged with the substantial body of Russians who see their country's future linked to constructive, productive ties with the United States.

What is required above all from Americans is a better understanding of the complex processes at work inside Russia, and a steady resolve to remain engaged in support of the institutions and individuals in Russia that want to see their country as a respected, responsible and productive member of the world community. This is a strategy that can further American interests irrespective of the duration of Vladimir Putin's hold on power.

U.S.-Russian Relations: The Price of Cold War

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U.S.-Russian relations are not only in bad shape—very bad shape—but destructively and dangerously so. As each side sinks into deeper and wider alarm over the threat the other is believed to pose, something larger is being missed. The ignored price they and the rest of the world will eventually pay for their escalating Cold War is immense. At the top of the list, unnoticed, a nuclear world is slowly slipping out of control. No longer two, but five countries—China, India, Pakistan, Russia, and the United States—now hold the key to nuclear war or peace. Each is bent on creating or modernizing a triad of nuclear forces in the air, on land, and at sea; each is crossing technological frontiers weakening the firebreak between conventional and nuclear war; each, in embracing ballistic missile defense, is adding to a cascade of offense-defense races; each is tilting toward doctrines favoring the limited use of nuclear weapons; and each is in a fraught relationship with one or in some cases two other nuclear powers.¹ Without U.S.-Russian leadership, the two countries with 92 percent of the weapons, and eventually Chinese cooperation, the chance of heading off nuclear disaster rapidly shrinks. Instead, consumed by their new Cold War, Russia and the United States are dismantling the last pieces of the arms control framework they laboriously negotiated over a half-century.

Europe, the region that was to be a pillar of post-Cold War global stability, the region U.S., Russia, and fifty other national leaders as late as 2010 pledged to transform into an inclusive Euro-Atlantic security community, has, because of Russian actions in Ukraine, sailed off the cliff and into a new military confrontation. Rather

than capitalize on the historic opportunity created when at the end of the Cold War the decades-long NATO-Warsaw Pact military standoff was dismantled, the two sides are now rapidly re-militarizing a new central front that cuts through Europe's potentially least stable regions. Putting the brakes on this trend and finding ways to send it in a safer direction will only happen, if the United States and Russia together make it happen. If not, the unimaginable again becomes imaginable.

Zbigniew Brzezinski in his last essay before his death argued that the single most important long-term objective of U.S. policy should be a “solution . . . in which the three militarily dominant powers—the United States, China and Russia—work together to support global stability.” If, as appears increasingly the case, the alternative is growing strategic rivalry, military competition, and the potential for confrontation, with Russia and China on one side and the United States on the other, the future that lies ahead will be far grimmer and subject to far grander upheaval than the troubled reality of our day. How well the United States and China manage their relationship will be decisive in shaping the outcome, but whether the United States and Russia deal cooperatively with the rise of China or as rivals will also be critical.

That future will also depend heavily on whether the change yet to come in the Eurasian core—in Central Asia, the Caucasus, and other parts on its European periphery—occurs peacefully or radiates instability beyond. How the United States and Russia respond to trouble when it occurs—whether cooperatively as in

¹ North Korea, of course, is the immediate concern when contemplating the pathway to nuclear conflict, but the five countries listed are the nuclear powers that will be the architects, for good and ill, of the 21st century nuclear order.

Kyrgyzstan in 2005 or fractiously as in Georgia in 2008 and in Ukraine in 2014—will determine whether these strategic interstices add to global turmoil or Moscow and Washington do their part to minimize the damage they do.

With today's headlines in mind, it scarcely needs saying that, unless the United States and Russia lead in finding ways to limit and regulate the damage that they, exploiting advances in cyber and related technology, can do to one another's political, including electoral, systems and critical infrastructure, unimagined trouble awaits. Not simply interstate tension, but war and peace itself will be at stake. Russia, at the moment, represents the conspicuous embodiment of the challenge, but scarcely its entirety. The United States too is pursuing what during the Obama administration was reported to be cyber "bombs" that could be planted in advance and triggered when chosen—what in the jargon of cyberwarfare is called Computer Network Exploitation (CNE). They are not the only two countries entering this world, but whether they in particular manage together its dangers or decide instead to leave their hands free will do much to determine the shape this world takes.

It is obvious that, given the hardening animosity each country harbors toward the other, neither will any time soon look beyond its current preoccupations and reflect on the large perils that loom down the road. The wreckage is too deep. The mindsets too congealed. The politics of the issue in each country too impacted. And the path to the present moment too long and overgrown with accumulated grievances. The two countries did not get here overnight or even only since and because of the Ukrainian crisis. Although leaders and elites in both countries did not know it at the time, the fork in the road came almost immediately, even before the debris from the Soviet Union's collapse had settled. The choice they hid from themselves at the time was between the inertia of hope—counting on the momentum of historic change to smooth over the jagged moments—versus prudent attention to the irritants that arose early and grew into increasingly destructive factors dominating the relationship. As a result

the road taken was one of ups and downs, of moments of progress and hope followed by disappointment and tension, until, in the Ukrainian crisis, it all collapsed into confrontation.

As a result no short cut to a more constructive relationship exists. A labyrinth of obstacles stands in the way. First among them is the false stories each has come to tell itself about the other—false stories that as they have taken hold of peoples' convictions are creating a new and more intractable reality. On the Russian side, the leadership and most of the political elite have convinced themselves that the United States, whoever is in the White House, sees Russia as a primary obstacle to its international primacy and arrogated right to use force whenever and wherever it chooses, and, therefore, is bent on damaging Russia however it can, including by regime change. On the U.S. side a critical portion of the policymaking community, the Congress, and the media has come to believe that Russia's aggression is driven not by the give and take of international relations, but by the requirements of its political system: it needs an external enemy—hence, the anti-Americanism; it cannot afford democracy approaching its borders—hence, the assault on Ukraine; and, when economic success fails as a source of popular support, its leadership resorts to crude nationalism, such as *krim nash* (Crimea is ours). As a result it is out to upend the global order and destroy the rules that sustain it. Neither country is in any mood to question its assumptions. Nor is either willing to consider what part it played in the descent; whether there is any merit to the concerns of the other side; and what would be required of it, if it wished to begin digging out of the deep hole where the two are lodged.

For the United States, the reality, in fact, is that Putin's Russia does now see the United States as an adversary—indeed, as its principal adversary. It, in fact, does see itself at cross purposes with the United States on a wide range of critical foreign policy issues. It does seek to checkmate or undermine U.S. influence in all those cases. It does mean to create trouble for and with U.S. allies; to exploit the opening that

U.S. dissension with other states creates; and to roil the political waters within the United States. This is a far cry from where things stood when Putin first came to power. When he arrived in the United States a month after the 9/11 attack—having been the first foreign leader to rally behind the United States—and before heading to President Bush’s Crawford ranch for what would be a convivial and constructive three-day meeting, he told a New York press conference: “Today we are already prepared to seek solutions in all areas of our joint activities. We are willing to dismantle, once and for all, the legacy of the Cold War and begin fashioning a strategic partnership for the longer-term.” This was two years after the low-point in U.S.-Russian relations during the Yeltsin period at the time of the 1999 Kosovo War and when the two sides were arguing over U.S. plans to abrogate the ABM treaty.

There are, of course, two ways to read the gulf between then and now: One would be to say that he was dissembling, playing his audience, and hiding behind a mask that he would cast aside with the invasion of Georgia in 2008. The other interpretation would have it that in 2001 he was sincere, that he was still weighing the advantages of a cooperative relationship with the West, notwithstanding existing tensions, provided Washington was prepared to give him half a loaf, and that he shifted his calculations as his assessment of U.S. policy darkened and frictions escalated, an escalation that occurred in no small part because of Russia’s own actions. Yet, if in the end, we are where we are, with Russia deeply alienated from the United States, what difference does it make?

In designing U.S. policy toward Russia, it makes a great deal of difference, because of the contrasting assumptions that underlie these competing interpretations. The first interpretation assumes that Russian foreign policy is largely agenda driven. For example, that Putin is determined to rectify what in 2005 he called the “greatest geopolitical catastrophe in the twentieth century” by reconstituting as much as possible of the former Soviet Union. Similarly this interpretation assumes that the malice in Russian policy has inevitably caused

the deterioration in U.S.-Russian relations. Thus, for example, it could not be otherwise given a Russian determination to undermine the very foundations of the United States’ political system.

The second interpretation assumes that Russian actions are more shaped by events, and less by a set agenda, if by that is meant a clear strategic vision. For example, that Putin’s decision to seize and then annex Crimea did not unfold according to a pre-existing plan—although contingency planning there was—but rather from the threats (and opportunities) that he imagined as he watched events unfold during the February 2014 Ukrainian crisis. Similarly the second interpretation assumes that the deterioration in relations helps to explain the malice in Russian policy. Thus, the trouble that Russia is stirring on the U.S. home front may be less intended to undo the system itself than to disrupt the setting in which U.S. foreign policy, particularly toward Russia, is made. Conceivably were relations less toxic, Russian troublemaking would be less bold or more responsive to U.S. demands to desist.

The first set of assumptions argues for a hardline approach, favoring the pillory and the knout. It would keep a rapacious and aggressive Russia at arm’s length, aiming only for limited and isolated agreements. The core strategy would be a version of the Cold War containment strategy. The second set of assumptions would suggest an approach less monochromatic, more in tune with the NATO alliance’s 1967 Harmel Report that, in dealing with an equally challenging Soviet Union, urged a dual-track policy of “deterrence and détente.” Arnold Horelick, a talented Soviet-era National Intelligence Officer once said that, when it came to the Soviet Union, the U.S. policy world divided into “dealers and squeezers,” with one or the other group having the upper hand at any one time. These days, while it is difficult to discern precisely what U.S. Russia policy is, the squeezers dominate.

An alternative approach would begin first and most urgently with Russian election interference, because this issue stands as a

barrier to all else. There will be no readiness on Congress's part or that of key executive agencies to work with Moscow on any major issue as long as the Russian leadership refuses to deal with this concern. But this concern will not be successfully addressed by dealing with everything—from hacking, targeting select voting segments with “fake” news, to corrupting the voting process itself—as a package, and assuming that sanctions will do the job.

Rather the issue should be separated into parts, allowing a differentiated response to each part. In dealing with Russia, the priority should be to cut short any further Russian attempt to delegitimize an election by hijacking voter registration lists and electronic poll books. This only has a chance if done through diplomacy, treating it as a question of national security—which it is—striving to agree on red lines, and ensuring that adequate verification measures are in place.

Russia's cyber effort to imperil critical U.S. infrastructure by manipulating the control systems for the power grid, water processing facilities, and the air control system, falls still more squarely in the domain of national security. But rather than bundling it together with Russia's use of cyber to exploit the dysfunctional aspects of U.S. political life, it should be incorporated into a second element of an enhanced U.S. Russia policy. The “détente” half of a deterrence and détente strategy perforce requires engagement, and the rapidly deteriorating ability of the two countries to manage their security relationship can only be corrected by talking to one another.

Done well, this would have two components. The first is already underway, albeit fitfully and inadequately. Strategic stability talks, proposed during the Obama administration and launched by the Trump administration need to address the immediate security issues that are doing the most to add tension to the relationship and, worse, down the road to risk peace itself. A threat to the U.S. electoral system belongs here, along with the imperiled Intermediate Nuclear Forces (INF) treaty, the collapse of strategic nuclear arms

control, and an absence of constraints (Confidence Building Measures [CBMs], monitoring and transparency measures, limitations on exercises) on the military buildup taking place in Central Europe. Rather than the bobbing and weaving currently underway, the two sides need to stare hard at reality and decide whether failure is in either's interest. Thus, for example, if the INF treaty is lost, so will be the future of strategic nuclear arms control. Renewal of New START in 2021 becomes a fading thought, but, even if not, having for seven years ceased considering what comes after START, when New START, the last remaining nuclear arms control agreement, finally expires that will be the end of nuclear arms control between Russia and the United States (and a door closed to a process that never began among the other nuclear powers).

The other component is harder still, but no less important when relations have veered so far off track. This is a basic, no-holds barred strategic dialogue, freed from the normal bureaucratic diplomatic process, conducted at the highest level by individuals in the name of and with the confidence of the two presidents. Its purpose is not to negotiate the specific issues dividing the two sides, represent existing policy, or craft alternative policy. Its purpose would be to begin peeling away the deeply layered mistrust that now encrusts the relationship and paralyzes the will to seek common ground. This can only be done, if each side lays out its core concerns—all of them, no matter how sensitive—explains its own behavior as frankly as possible, earnestly explores where and how differences can be reduced, and, where not, how the damage done can be contained. To greater and lesser extent strategic dialogue has been tried before—most ambitiously in the wake of the U.S. invasion of Iraq in 2003, when U.S.-Russian relations were rapidly souring.

Mistrust is now deep, corrosive, and thickening. While a strategic dialogue might address it directly, something more is required. Mistrust of this depth cannot be undone by a single measure or in a single stroke. It will require slow, small steps that may gradually have a cumulative effect. In this light it is good

that the Joint Chiefs chair, General Joseph Dunford and Supreme Allied Commander in Europe General Curtis Scaparrotti are again in contact with their counterpart, General Valery Gerasimov, and Scaparrotti plans to meet him face-to-face. It would also be well were the Congress, if not in a formally renewed interparliamentary exchange, to explore informal contacts with a small select group of thoughtful and constructive Russian parliamentarians. Small steps, however, require one thing more: a willingness to risk cooperation. When in September 2017 diplomats from the two sides agreed to establish a Joint Implementation Center for sharing information in Syria, the Pentagon balked, fearing, with some justification, that it would assist Russian-aided Syrian forces to target opposition groups that the United States supported, but, more than this, that it risked compromising information key to air operations in a future NATO-Russian conflict. The risk was there; so was the chance that the Center would have worked as hoped, and the two sides could have built on its success. Risking cooperation is not much different from Ronald Reagan's admonition, "trust but verify."

True, none of what has been suggested to this point has either promise or merit, if the Russian side is unwilling to do its part—unwilling to negotiate red lines when it comes to interference with the voting process itself, unwilling to have an earnest give-and-take in a strategic dialogue, unwilling to reciprocate small steps. Testing Russian willingness, however, requires that the U.S. side try; that the tests are intended to be reciprocal and encourage genuine give and take. Washington should also consider more carefully what it accomplishes by punishing Russia with layer after layer of sanctions versus the leverage in recasting the conditionality for lifting sanctions in ways designed to encourage positive behavior.

Take the case of the nerve agent attack in Salisbury England: If Putin or officials in the Russian government authorized that attack, and British authorities and close allies know that from, say, intercepted communications, not simply from conjecture, the sternest response is warranted. But, if more likely, the evidence

establishing provenance as opposed to the specific nerve agent used is clouded, the priority should have been to draw the Russians into the Organization for the Prohibition of Chemical Weapons (OPCW) investigation, and to press them to fill in the missing pieces each step of the way. Setting self-incriminating preconditions for their participation, as the British government did, and reflexively expelling Russian diplomats was guaranteed to destroy any chance of getting to the bottom of this deeply troubling story. Better that, in this case, the British and U.S. governments had first weighed by what leverage they could impel Russia cooperation (or, if Moscow refused to cooperate, let that evidence speak for itself), rather than, by the diplomatic expulsions, given their asymmetrical impact, punish themselves more than the Russians, and to no obvious effect.

Finally, although often said to be beyond the ken of governments, more attention should be given to the integration of short-term policy imperatives with long-term goals. Keeping in mind the large and potentially momentous stakes noted at the outset, how might the immediate issues that must be addressed—Ukraine, Syria, INF, cyber security, election interference—be dealt with in a way that ensures progress toward the relationship the United States would want to have with Russia eight or ten years down the road. If by then one would want the United States and Russia working together to strengthen strategic stability in an increasingly complex and dangerous nuclear world, it makes sense to accede to Russian demands that missile defense and advanced conventional strike forces be part of any next step in bilateral U.S.-Russian strategic nuclear arms talks—provided Russia understands that no next steps are likely unless the INF treaty is preserved. If the goal, ten years from now, is to have resumed the effort to build a Europe at peace, with NATO and Russian military forces no longer facing off, and neither the threat or actual use of force an ever present danger, a country as crucial as Ukraine cannot remain a permanent source of tension. Progress in this case, however, requires rethinking the way forward. Rather than an unachievable political settlement that undoes the civil war in Donbas, better that the initial goal be a secure

peace in eastern Ukraine and movement toward the normalization of Russian-Ukrainian relations facilitated by an end to Russian patronage of the separatists regimes and control over the Ukrainian-Russian border returned to the Ukrainians.

If this urging seems unwise, risky, or merely unworkable, one might consider where the current policies of the two countries have left them—namely, with the worst of two worlds. The reflexively hardline responses of each has impeded and perhaps destroyed the prospect of a constructive U.S.-Russian relationship long into the future, while in the near term achieving none of the change either wishes to see in the other side's behavior. For both it is a policy of inertia; the wreckage treated as unavoidable and affordable. Unavoidable? Perhaps. Affordable? Almost certainly not.

Managing the U.S.-Russian Confrontation Requires Realism

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Russia and the U.S. are in a conflict comparable to the Cold War, but very different from it. This conflict can be as, or even more dangerous, as its 20th century predecessor. In the run-up to the April 2018 U.S.-led missile strikes in Syria, the two countries probably came closer to a direct collision between their military forces than at any time since the 1962 Cuban missile crisis. I call this new confrontation a Hybrid War—not to be confused with hybrid warfare, which is more about the methods than the essence. In essence, the U.S.-Russian Hybrid War of the early 21st century is part of the conflict about the world order: its geopolitics, geo-economics, dominant values, and its rules, norms and principles, as well as about who makes them and who changes them. In this conflict, Russia is not America's main challenger, which is China, but it is both active and visible. It is also broadly aligned, though not allied, with China.

The U.S.-Russian Hybrid War is likely to last a long time, way beyond the presidencies of Donald Trump and Vladimir Putin. It may even intensify under a new Democratic U.S. President. This new confrontation is not the result of misunderstandings or mistakes made—although there have been plenty of both. It is based on fundamentals of global power relationships and major power behavior. The failure to include Russia after the end of the Cold War into a Euro-Atlantic security system where it would feel comfortable and not undermine the system from within led to historically predictable consequences. Once Russia just got back on its feet, it began demanding a role and a status commensurate with its self-image, and went on to protect or project its national security interests—the way the Kremlin defined them. This clashed with the

U.S. view of the world order as it emerged after the end of the Cold War.

With that clash, which came into the open over Ukraine, the period of Pax Americana—certainly in the sense of a pax, i.e. major-power peace, has ended, and the major-power rivalry has resumed. Even before Russia's 2014 military action in Ukraine, China, in the aftermath of the global financial crisis of 2008-2009, had dropped Deng Xiaoping's foreign policy doctrine of self-restraint and began asserting itself not only economically, but also geopolitically and militarily. As of this year, the United States formally recognizes that it is in a rivalry and competition with both China and Russia. Of the two adversaries, Washington sees Russia as the weaker and more provocative of the two by far. In the U.S.-Russian Hybrid War, the United States is clearly determined to prevail. Washington insists on Moscow completely reversing its foreign policy course and would accept no compromise deal with Moscow. To put it simply, by using multiple forms of pressure, the United States aims to break Russia's will. Russia, for its part, is determined not to surrender.

The Hybrid War is being fought in multiple domains: economic, information, cyber, military, and others. In the much more integrated and globalized world than during the Cold War, the new conflict, highly dynamic rather than static, is often being fought in the global commons, without barriers like the Iron Curtain and the Berlin Wall. The former distinction between foreign and domestic does not apply. Neither does the grudging respect for the other side which existed between the Soviet Union and the United States despite the mutual ideological rejection. Unlike its Cold War

predecessor, this is also a vastly unequal contest. The United States overwhelms Russia by an order of magnitude in almost all important measurements, except in nuclear weapons, where the two continue to be co-equals. The U.S. can also call on scores of its allies and partners as an important resource and a source of legitimacy. Russia, by contrast, is all alone. The odds are heavily against it. To compensate for its glaring weakness, Moscow has chosen asymmetrical behavior: acting swiftly to keep the opponent off balance, running higher risks, using new tools, such as cyber, and acting aggressively in the information space. Since the beginning of the open conflict, Russia has suffered much more damage than the United States. Yet, the outcome of this battle is wide open.

Importantly, the Hybrid War, while not being the central action in the global system that the Cold War was, is part of the broader and much more fundamental shift in global politics, economics, and society. The continuing rise of China transforms the world order in material ways, and offers an alternative of sorts to the U.S.-established rules and patterns of behavior. The transatlantic relationship is being redefined not just by Team Trump and Europe's reaction to it, but by more fundamental processes on both sides of the Atlantic. Japan, wedged between a rising China and a homeward-looking America, is seeking a more independent role. India is coming on line, however slowly. In the Middle East, Turkey, Iran, and Saudi Arabia are asserting their claims to a major regional role. Third-tier players, such as North Korea, have come up with a crude nuclear deterrent to keep the United States at bay. In this context, Russia's growing and not entirely voluntary tilt toward China makes it a makeweight in the emerging Greater Eurasia. The United States is facing something it has always vowed to prevent—a rival power or alliance dominating the super-continent.

In principle, the U.S.-Russia relationship cannot be repaired until there is a new basis for that relationship: either Russia's complete submission to the superior American power, or U.S. willingness to accommodate its new-old

adversary on some mutually acceptable terms. Both look extremely remote for the time being, and the conflict will continue. In this situation, the relevant U.S.-Russian agenda has shrunk to just one item: avoiding war. A military conflict between the two powers will not result from a pre-meditated attack. However, it can grow out of an escalation of an international crisis where both countries are involved, such as in Syria, or potentially in eastern Ukraine, or result from a series of incidents between their armed forces – e.g., in the skies over Europe or in/over the Baltic/Black seas or the eastern Mediterranean.

The recent Syria strikes, however, have produced a glimmer of hope. The actual execution of the U.S. military threat against Damascus has demonstrated that deterrence works even at the regional level. The warnings by the Russian Chief of the General Staff, a few weeks before the U.S.-led attack and even before the alleged chemical weapons incident, of a Russian retaliation in case Russian personnel or assets were affected, worked. The U.S.-Russian channels of communication at the regional level in the Middle East and between the top military headquarters of the two countries functioned professionally and reliably. The hope is that the rules of the Hybrid War are possibly being laid. This is not an unqualified hope, however. Even as U.S.-Russian de-confliction is apparently being practiced, de-escalation of the underlying confrontation between them will take a long time.

One should be realistic in attempts to improve things. The communication channels, essentially between the U.S. and Russian military and security headquarters at the national and theater levels, are sufficient for the minimal task of keeping the actual peace between the two powers. In a totally different domain, there can be some use from Track II contacts, but mostly for the purpose of understanding where the other party is coming from and where it is headed. However, no U.S.-Russia summits are likely to yield positive results in the foreseeable future, and they should not be attempted or even discussed. Seen from Russia, the United States needs first to sort out its severe domestic political crisis, which has a salient and highly

toxic Russia story at the heart of it, before any serious conversation—not about ending the confrontation, but even about managing it—can come under consideration. The motto for Moscow should be strategic patience.

Meanwhile, there can be only very limited and situational cooperation between the United States and Russia even where their interests are aligned and where they may face the same enemy. Such cooperation, even if successful, will have no strategic consequences. The United States' approach to Russia appears to be firmly in place, even if no concept has been developed and no strategy made public. It consists of heaping ever more and more economic and financial burden on Russia—in anticipation that it eventually cracks under it, provoking a fundamental policy reversal or at least long-term

confusion in Moscow, which would eliminate Russia as an effective adversary to the United States. So far, the U.S. sanctions have helped consolidate the majority of Russian people around the Kremlin as the champion of the Russian national interest. The Russian leadership has to be exceptionally good and somewhat lucky to withstand the U.S. pressure and even to profit from it. The Hybrid War can yet become a crucible of a rejuvenated Russian nation. If the Russian leadership fails that test, the cost will be colossal, and the losses enormous. Even in that case, however, Russia and Russian nationalism/patriotism will not disappear like the Soviet Union and Soviet communism. If history is any guide, they will be back.

Apple of Discord or a Key to Big Deal: Ukraine in U.S.-Russia Relations

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To understand the logic and predict the future of U.S.-Russia relations has been a difficult, if not impossible task, for experts in international affairs. It is too complex a relationship with too many elements unknown or not rational. It makes it impossible to calculate and work out the equation which would propose a magic formula of how to fix, or at least prevent worsening of, these important relations. Ukraine, which is an important partner of both the U.S. and Russia and which became a battlefield and sometimes looks like an “apple of discord”, with political will from both sides can become a key to a new reset of bilateral relations, a new “détente” or ideally—a new big deal to re-establish the international security architecture.

Nature of the Conflict

The “Ukrainian” crisis has marked the end of the post-cold war international order and the beginning of systemic changes in the global and European security architecture. The conflict which erupted in 2013-2014 was multidimensional and limiting it to one dimension distorts realities. It is complex with at least three different conflicts: geopolitical (Russia-West conflict), bilateral (Russia-Ukraine conflict) and internal (with different interpretations of what “internal” means). These three conflicts exploded at the same time and on the same territory determining the strength of the crisis and making its settlement a complex and complicated endeavor. A narrow or one-sided perception of the conflict leads to a stalemate or further worsening of the crisis.

At the global level, this conflict is a systemic contradiction between visions of Russia and the West on global and European security and cooperation architecture. This conflict has its roots in errors made in the

development of European and North Atlantic security and cooperation architecture in the 1990s, which have not fully included former Soviet Union countries into European and Euro-Atlantic integration, and which has left Russia with the perception of exclusion, with increasing isolation from and marginalization by the West.

The conflict is also a result of inefficiency of existing global and regional international instruments designed to protect sovereignty and territorial integrity of states. Every conflict is “unique”, but in the case of Ukraine its uniqueness consists in the fact that military aggression and annexation of the territory happen towards a state that had been given direct security assurances from all of the permanent members of the UN Security Council. And even more—the aggressor state is both a state-guarantor of Ukraine’s security assurances and a permanent member of the Security Council. So, if international law and organizations established to protect it failed to defend the country with such kind of international guarantees—who else can expect to be protected by law or international rules?

Moreover, this conflict occurred inside the European security system, which was considered as the most stable regional security architecture in the world. Europe is distinguished by high interdependence, a wide network of interstate institutions and commonly accepted rules of international interaction. However, these facts could not prevent aggression, but demonstrated that the European security system is inefficient and hardly relevant to new challenges.

At the bilateral level, the conflict between Russia and Ukraine was caused by the erosion of the post-Soviet system of relations in the region and Russia’s leadership desire to restore

the “historical justice,” and to regain its position in the region, which it considers as its own sphere of influence. The catalyst for the conflict became a repeated victory of so called “pro-European forces” in Ukraine (for the second time after the “Orange Revolution”) and their formal policy not only to finally break away from Russia’s Eurasian integration project but also to accede to the EU and NATO. There have always been problems in Russian-Ukrainian relations but none of them was of such a nature that could cause military aggression or annexation of territories. Neither problems with gas transit, nor outstanding bilateral trade problems, the issue of Russian language or any other issue was so hot that it could transform into an open conflict. Issues of military-technical cooperation or the Russian Black Sea fleet deployment in Sevastopol have a separate place in bilateral relations, but both were perceived by Russians as elements of geopolitical stand-off against the West and not as a part of a purely bilateral agenda.

So while Russian-Ukrainian bilateral problems and tensions existed they were not the key reason of Russian actions towards Ukraine. It was a geopolitical level of crisis which sparked the bilateral crisis and not vice versa. Therefore, any settlement should start from the geopolitical level. Meanwhile bilateral Ukrainian-Russian relations for the foreseeable future might remain a hostage of a Russia-West stand-off if no radical internal changes in both countries occur—or if a geopolitical détente is achieved.

The national level of the conflict also has different dimensions. It includes conflicts between extractive political, economic and social institutions and new forces in the society, which refused the corrupt oligarchic post-Soviet nation-building model in Ukraine and have been desperate in a willingness to catch up with neighboring EU member states which successfully passed their transition to a market economy and participatory democracy.

Another dimension of internal conflict relates to the heterogeneous nature of Ukrainian society; instead of promoting respect to and benefits of diversity while strengthening internal integrity of the country, political elites have gotten used to speculating

on historical, linguistic, religious, cultural, economic and other differences between regions of the country to advance their political gains.

These factors weakened the country and created roots for separatism—but without external factors they hardly would have led to a conflict like the one we see now in Donbas. Neither contradictions between the oligarchic political system and society nor differences between the regions could trigger this conflict. Fragility of the country created a conducive situation for the crisis but internal reasons alone would never lead to such a crisis. It is again a geopolitical stand-off between Russia and the West and Russian efforts to implement its own agenda in the “near neighborhood” which played a key role in the crisis.

Therefore, a peaceful resolution of the conflict should entail addressing all three conflict levels. At the same time at least a basic “geopolitical” agreement is needed to make settlement sustainable. Ideally there should be three different but interconnected sets of actions:

- Review of the global and European security architecture and reset of relations between Russia and the West;
- Settlement of the complex Ukrainian-Russian bilateral issues, elaboration and approval of mutually acceptable modalities for Ukraine-Russia coexistence;
- Rapid implementation and systemic internal reforms that will make the project of “Ukraine” attractive to all its citizens; building a real, not a façade democracy, with reintegration of the society, achievement of high welfare standards and other internal Ukrainian positive transformations being key factors to conflict settlement.

Deadlock

But as of 2018 all three sets of actions look more as a wish list than as a real politics. The West and Russia are at the lowest point in their relationship since 1991. Russia seems to be overconfident in its ability to survive Western sanctions and to pursue its agenda. And the West is getting into more trouble with

an unpredictable U.S. foreign policy, loss of U.S. moral leadership for young democracies, Brexit, and a skeptical internal dynamic within the EU.

Four years after the conflict in Eastern Ukraine we remain far from settlement. Despite daily reports on violence and fighting, the conflict is de facto frozen or locked in two ways.

First, there's no possible compromise in sight. Russia wants Ukraine under its control and keeps the Donbas region hostage. Ukraine wants its territories back, including occupied Crimea. Ukraine also wants freedom in setting its foreign policy agenda, something Russia cannot accept. In four years since the conflict started, there has not been any movement towards any zone of possible agreement.

Second, as the Kremlin makes use of the conflict for protecting its perceived national interests, escalation is always possible. Conflicts of this type are highly instrumental and may escalate any moment Moscow finds appropriate. Parties are entrapped in what is known as a security dilemma. The worst expectations are shaping policies, while lack of trust feeds uncertainty. Cooperative strategies are dominated by competitive or openly hostile attitudes.

Both Ukraine and Russia have gotten used to living, albeit quite poorly, with a lasting military conflict. Decision-makers in Kyiv and Moscow accept this high price, and have learned how to extract certain political benefits. So the conflict in its current shape may last decades. The same will be with international disorder, where the rule of international law is substituted by the rule of force and military strength. No one will be safe in such a world—even thousands miles from Donetsk. The Ukrainian crisis will be a reminder to everyone: you can rely only on weapons, all the rest is a lie.

If no settlement is achieved, the current European—and beyond—security architecture will be further undermined in different ways. Russia's decision to occupy Crimea went against fundamentals of the world order. Major international "rules of the game" did not survive this geopolitical earthquake. As a

result, the level of mutual trust has significantly dropped. Europe is no longer a place, where power of interdependence is widely believed to outweigh security calculations. That leads to a growing suspicion among states and a rising importance of relative-gain calculations in foreign policy decision-making. In other words, countries will be less inclined to long-term security commitments and more skeptical about perspectives of a lasting institutionalized cooperation. For example, Brexit is not about Kremlin's hand in Britain, it's about shaking foundations of established European architecture.

Rising nationalism, especially in Eastern Europe, where historically it used to be irrational, ethnic, and filled with symbols, is another part of the same puzzle. Division lines of different kinds are suddenly gaining popularity in an uncertain security environment, and ethnic division lines are easiest to recognize. Elites find out that playing with national history or mythology is the easiest way to get popular support. They could be right on that, but ethnic nationalism is also a short path to regional hostility. Hardly feeding nationalism was in the Kremlin's strategic calculations, but Moscow has created this effect. Demand for it will grow as long as the conflict in Ukraine continues. A deficit of democracy naturally follows. A long term trend of decrease in the number and quality of democratic regimes in the region started well before 2014, but it is gaining momentum. Frozen conflicts and authoritarian tendencies go together well.

Current Agenda: Sanctions

The current prevailing dominant narrative is to make the costs of Russian aggression high through sanctions and arming Ukraine. Will this work?

Sanctions against Russia were introduced in March of 2014 in response to the illegal referendum on the Crimean peninsula, and since then have been broadened several times. Although sanctions failed to prevent Russia from annexing Crimea, they arguably helped sustain further Russian aggression against Ukraine in 2014. Along with signaling support, a regime of international sanctions is

a multi-edge weapon. Sanctions rarely lead to significant changes in behavior of a target country, while they can often lead to unexpected results. Sometimes it has a high price, and may actually make things even worse. All those issues must be addressed in order to make international sanctions against Russia not only a political slogan, but an effective instrument of containment.

The aggregate impact of the sanctions on the Russian economy is hard to estimate. On the one hand, Russia's nominal GDP, which in 2014 totaled \$1.9 trillion, dropped to about \$1.4 trillion in 2017, down 25%. On the other hand, Russia's GDP based on purchasing power parity was about \$3.5 trillion in 2014, compared to about \$4 trillion in 2017. But most of Russia's economic problems seem to be caused not by sanctions, but by a decline in the price of oil. The Russian ruble's exchange rate trajectory mostly correlates with the ups and downs of crude oil market value. At the same time specific sets of sanctions, introduced in the sectors of finance and banking, military and dual-use technology, as well as against the export of equipment for the oil industry have significantly worsened the performance of corresponding branches of Russia's economy. It is only the recent targeted sanctions introduced against Russia's top oligarchs in April that resulted in the RTS (Russia Trading System) Index going down 11% and the MOEX Russian (Moscow Exchange) Index going down 8%. That could indicate vulnerability of the Russian economy to targeted sanctions, but those are expensive instruments with no guarantees of desired outcomes. And an increase of oil prices could marginalize the influence of sanctions.

Ukraine, at least at the level of diplomatic rhetoric, would want sanctions to be as severe as possible. The West is more cautious. It looks like, on the one hand, it's utterly important to preserve unity and hold the front together, even if that would mean weaker sanctions in the end. On the other hand, sectoral economic and personal sanctions—so far primary forms of pressuring the Kremlin—should be carefully measured and crafted. Russia needs to be weakened, but not thrown into chaos—or to be in a dead-end with unpredictable reaction and response.

Consequently, sanctions look much more as a long-term weapon, used to minimize Russia's ability to further undermine international security than an instrument to return lost territories under Ukraine's control. Should they be aimed at the latter, they could hardly be effective. What Ukraine is hoping for—Russia returning Crimea back and retreating from Donbas—can hardly be achieved with the sanctions in general. However, that does not mean that sanctions are obsolete.

The best thing sanctions can do, from a perspective of the past thirty years, is preventing a target state from certain hostile or destructive actions. Usually that is done through the impact of a cost/benefits calculation by raising the costs of undesirable actions. That step alone may work in some cases, especially when a target country is a relatively small economy, highly dependent on those countries which threaten it with possible sanctions.

Russia is not a small economy. For that reason, the chances are extremely low that the logic of a cost/benefit analysis would one day force the Kremlin to change its tactics. However, that logic may be reinforced. Targeted sanctions, which are currently employed against Russia, have been designed about three decades ago specifically with the view to avoid “collateral damage” of comprehensive sanctions, which brought about a loss in the quality of life of ordinary people, most of whom are not responsible for their government's decisions.

Targeted sanctions employed against Russia can not only impact the cost/benefit calculation but can also send strong social signals by isolating specific people and/or making them “toxic”.

Sanctions would be more effective if they were put in force by a broad number of states. At the same time, if maintaining a sanctions regime requires unanimous consent of many states, there is a risk that a target state would strike at separate deals and explore “weak links” within the coalition. This paradox is behind political efforts, undertaken by Western powers, with the view to synchronize their policies of sanctions against Russia. Holding

together makes sanctions more effective but harder to sustain.

Sanctions are more effective when employed against democracies, than authoritarian regimes. A democratic environment makes the government seek popular support and thus refrain from unpopular steps, including those which incur economic losses. Authoritarian leaders are notoriously good at turning external pressure to their advantage by relying on a “rally-around-the-flag” effect. As a result, sanctions may actually strengthen authoritarian political regimes. The tactic of using sanctions for overthrowing an unpopular government works better in democratic countries, although it is still not good enough.

Lastly, sanctions are mostly ineffective in making a target country change its already existing policy. Usually that takes lots of time and effort, and at best ends up in slight changes.

Sanctions are a rather sophisticated weapon. They may be used with different aims: to destabilize a target country, punish it for a certain type of behavior, send a deterring signal to others who might attempt the same, or forcing some changes in behavior. In all cases a policy of sanctions demands resilience and determination, as well as long-term efforts. Sanctions almost never work fast. More often they don't work at all.

Those aspects are to be taken into account while elaborating further steps on sanctions against Russia. Better specified goals, tools, types of sanctions, and side effects are to be examined in depth. A better designed strategy would benefit Ukraine as well as its Western allies. If sanctions are a stick, there should also be a carrot. A review of European security architecture—a Helsinki-2 concept—with better accommodation for post-Soviet countries and indivisible security could be such a carrot.

Current Agenda: Arms

Arms supply is another element to make the cost of the conflict to Russia high. On March 1st, supplies of FGM-148 Javelin anti-tank missiles to Ukraine were approved by the

State Department. The long-awaited move was taken in Kyiv as a sign of American support in Ukraine's war against Russian-backed separatists in the East of the country. Is that perception justified?

The story about American weapons supplies has been long. During the previous administration there were numerous calls for a deeper U.S. involvement into managing a conflict in the East of Ukraine, more in Kyiv, less in Washington D.C. President Obama was reluctant to approve weapons supplies to Ukraine for various reasons, most notably out of fear of the conflict's escalation. Russia's actions were contained by sanctions instead of by arming Ukraine.

However, the worsening of U.S.-Russian relations led to a more resolute stance of the current U.S. administration. \$350 million for military assistance to Ukraine was allocated in the budget for 2018. A subsequent decision to approve a \$47 million supply of FGM-148 Javelin missiles and a \$41.5 million supply of Barret M107A1 sniper rifles in 2018 followed. The numbers are not very high: the total value of exported American weapons worldwide was about \$42 billion in 2017, while supplies to Israel, a top-receiver of American arms, surpassed \$3 billion in total. Nevertheless that may be an important step forward. Along with bringing some immediate political, diplomatic, and military results, it poses questions over further steps and inevitably involves the so-called “patron's dilemma”: the question of how far the U.S. should engage into the conflict in Donbas.

The supply of weapons is an effective instrument of containment—but not settlement. It is aimed at sending a signal for a target state that a further aggression would bring more risks and costs. Thus, supplies of weapons influence cost/benefit calculation of decision-makers, and given that those decision-makers are rational, chances for further unwanted policy would go down. But that's only in theory. Views differ on how and whether American weapons supplies would deter further Russian aggression against Ukraine.

The first thing to mention here is that the conflict has been in a frozen stance for about

three years. Everyday artillery shelling in Donbas takes more lives annually than an average frozen conflict does, but still there are no massive tank offensives. Anti-tank missiles may be helpful in keeping the things at this level of escalation, but it is also likely that exactly this level suits the parties to the conflict. If that's the case, Javelins won't much influence the battlefield.

Secondly, weapons supplies may be viewed as an answer to the "arms or alliances" dilemma. Providing security assurances to client states is a more complicated and expensive strategy than just delivering weapons. Ukraine has set NATO membership priority in its legislature, and at some point has also aimed at getting Major Non-NATO Ally status. Both options would at some point demand much more involvement from the U.S. than weapons supplies. Short of an opportunity to get credible security guarantees, Ukraine gets weapons—which is better than nothing, but surely not enough. Again—sticks usually work when there is a carrot. A credible reset proposal is needed.

Thirdly, Russia is in control in Donbas. In terms of military power Russia is about ten times stronger than Ukraine. As long as it's actively involved in the conflict, there's no way for Ukraine alone to outplay Moscow militarily. Even much more massive weapons supplies on a regular basis would hardly make the conflict less asymmetric: there is always an option for the Kremlin to raise the bets by supplying more weapons to the self-proclaimed "DNR/LNR" (Donetsk People's Republic/Luhansk People's Republic) or using its superiority in specific areas, first of all in air forces.

It has been a common wisdom for quite a long time, that there's no military solution to the conflict. Making Russia disengage is the primary goal of any possible strategy. Supplies of American weapons should be rather viewed as a part of that. The presence of FGM-148 Javelins on the battlefield would definitely make it more expensive for separatists to launch massive tank operations. But there are ways of making supplies of weapons work better.

First, Ukraine should be armed in a way that makes further escalation less, but not more likely. Moscow controls the level of violence in Donbas and indicated its determination to counter any possible move by Ukraine to suppress armed forces of the so-called DNR/LNR. Military exercises on a regular basis and concentration of military units along the Ukrainian border send signals of Moscow's readiness to further rely on its military to strengthen its positions. Preserving military advantage is the core of Russia's strategy in post-Soviet frozen conflicts. At the same time escalation would be expensive for Moscow. Its political impact would be minimal, while risks are numerous. It looks like Moscow would engage in a military campaign only if it perceives core interests are at risk. As long as Moscow does not perceive weapons supplies to Ukraine as capable of shifting the balance, it is unlikely to raise the bets.

Here comes another important issue: to accurately measure volumes of weapons supplies in such a way that the price for military destabilization becomes unacceptable for Moscow, but at the same time those supplies are not seen by Russia as a factor capable to threaten its military superiority.

Secondly, types of weapons are important. So far Ukraine prefers to focus on defensive weapons, but wouldn't it be better to diversify the menu? Defensive weapons enhance deterrence and prevent a receiving country from involving a supplier deeper into a conflict by launching an offensive with newly acquired arms. But on the other hand, this is the reason why supplying Ukraine with defensive weapons alone will not send a strong signal of its support to Moscow.

Thirdly, continuous weapons supplies are much better than a single transfer. Providing Ukraine with Javelins would certainly signal some level of support from the U.S., but a much more effective strategy would rest on a series of arms transfers, within a properly designed time framework or even without an expiry date. Unlike a single delivery of even a rather sophisticated and/or expensive weapon, systematic supplies are capable of becoming a powerful deterring instrument. They are generating expectations from both the

receiving state and its adversary, which lead to strategy adjustments. If Ukraine is to receive American weapons continuously, the strength of a deterring signal to Moscow would be maximized. Moscow will have to take into account weapons supplied as part of a long-term U.S. strategy, which even without dragging into the conflict will be aimed at securing Ukraine's survival. In other words, such a strategy will make the U.S. more sided with Ukraine, but at the same time won't run Washington into the risk of a tougher decision to provide security guarantees for Kyiv.

"Patron's dilemma" will further influence American decisions over Ukraine. When facing a choice between providing arms, security guarantees, or both the U.S. almost never chooses the latter. It is almost always chooses either weapons or alliances. Weapons are less risky and easier. They provide some degree of control and ability to adjust a response. Security guarantees, on the other hand, involve a high possibility of involvement and credibility at stake. Ukraine's strategic goal is joining NATO but without a settlement of the conflict with Russia this goal is not attainable and arms supply will not contribute to it.

So the credible strategy of settlement of geopolitical level of conflict is a key to the conflict settlement. But what should be done if the level of distrust and lack of willingness to go towards détente is high as it is now? Small steps like cooperation on Donbas conflict management and resolution are a first step. The work of the Surkov-Volker commission presented a good chance for such a successful cooperation and introduction in the Donbas of an International Interim Administration (IIA) which could be the idea for both sides to approach this case on a win-win basis.

International Interim Administration in Donbas: Possible Area of Cooperation?

The concept of the IIA is based on the fact that the Minsk agreements were approved by the sides of the conflict and endorsed by the UN Security Council Resolution 2202 on February 17, 2015 as a key tool of conflict resolution in eastern Ukraine. Minsk-2 contributed to de-escalation of the conflict and suspension of full-scale fighting, but not to the

conflict settlement. If the Minsk agreements remain as a "no-alternative-mechanism" for conflict settlement in the east of our country, their implementation will require new, additional instruments which are prescribed by the Minsk agreements, but do not contradict to them. The introduction of the International Interim Administration under the UN auspices in the non-controlled territories can be one of such innovative tools for the conflict settlement in Donbas. IIA can become acceptable to all conflict parties and a 'model' of the Minsk agreements implementation and restoration of Ukraine's sovereignty over certain areas of Donetsk and Luhansk regions.

The lack of progress in the Minsk process is caused by a number of reasons. First and foremost, the text of the "Package of Measures" being the main document of the Minsk agreements contains the discrepancy between the formal parties to the conflict (Ukraine and certain areas of Donetsk and Luhansk regions) and actual ones (Ukraine and Russia). As a result, Ukraine is pressured by all the external players who demand that Kyiv fulfill its commitments. At the same time, none of the external players, except for Russia, have means to influence DPR/LPR. In turn, Russia uses its status in the UN Security Council, the OSCE, the influence on separatists, military-diplomatic, information, economic and other tools for a permanent weakening of Ukraine. The pressure from the Western partners on the Russian Federation in the form of existing sanctions is not sufficient to force Moscow to significantly change its position concerning the conflict settlement in Donbas, not to mention the issue of Crimea, which is generally out of the framework of the negotiation process, although it is one of the key elements of the Ukrainian-Russian conflict.

The Minsk process provides for a fast algorithm of peaceful settlement, which cannot be effective with respect to the conflicts of such complexity. The Minsk agreements try to deal with consequences rather than with causes of the conflict. Under the ideal scenario, Minsk-2 may only "freeze" the conflict, but it is very unlikely. The freeze is possible in respect to the conflicts that arise along the certain line of divisions—geographical, religious, linguistic and ethnic, economic or

any other line. The Transnistrian conflict is an example of a rather effective "freeze". The same situation is possible to occur in the case of Crimea—but not in the case of Donbas. The line here crosses “a single organism” dividing single socio-economic and infrastructural objects. The two parts continue to keep significant relationships that are often impossible to break. A Transnistrian Scenario of de facto normalization with de jure non-resolved conflict is unlikely to happen. In other words, there are only two possible scenarios for development of the situation with the conflict in the nearest future: the settlement by political and diplomatic means or a regular resumption of hostilities with varying intensity. Freezing the conflict and making it “convenient” as Transnistrian would demand significant time and efforts.

At the same time implementation of the political provisions of the Minsk agreements is practically impossible without the establishment of a proper security environment, sustainable ceasefire regime and demilitarization of DPR/LPR militants. The local elections are not possible in non-controlled territories unless the secure public order is established and the necessary conditions for the return of Internally Displaced Persons (IDPs) and their participation in the vote are created. In particular, the local elections require access to the uncontrolled territory of Ukrainian parties and the media, as well as the Central Election Commission and other authorities, including the police and judiciary. The OSCE Special Monitoring Mission (SMM), which reports on the situation in Ukraine, does not have such a mandate and cannot ensure all the requirements even theoretically. Even a change in a mandate or providing the mission with light or heavy weapons will not solve the issue of the administration of elections by the Central Election Commission in Kyiv and ensure access of Ukrainian political parties to the electoral process, etc.

In fact, the population of non-controlled territories is in a legal vacuum: Ukraine is not able to fulfill its sovereign obligations in the field of human rights protection, the rule of law, administration of justice in this territory, and Russia does not recognize its effective control over the self-proclaimed LPR/DPR.

Recognition of sovereign rights of the incumbent de facto authorities is impossible by neither Ukraine nor the international community. Thus, the elections in non-controlled territories are impossible without the settlement of security issues, as well as the issue of a legal regime in this territory, restoring a minimum level of subordination and setting up infrastructure of interconnections between Kyiv and currently non-controlled territories.

Thus, the Minsk process is in a deadlock and Ukraine can neither fulfill it nor withdraw from it. Consequently, the future of the uncontrolled Donbas remains uncertain while the social and political circles remain in a sharp debate about the ways of conflict settlement: the use-of-force option, formal separation of non-controlled territories, recognition of non-controlled territories as temporarily occupied, “freezing” of the conflict etc.

Ukraine’s official position is to restore Kyiv’s sovereignty over non-controlled territories that can be reached through several ways. The first option envisages the withdrawal of DPR/LPR militants from the territory of Donbas with the consent of Russia and restoration of Ukraine’s sovereignty. Under the current circumstances, neither Russia nor the militants consider this option and the existing sanctions can barely force them to do that. Another option is the restoration of control over non-controlled territories by military means. Such a scenario of the conflict settlement will lead to a new military intervention by Russia resulting in Ukraine’s huge military losses, civilian casualties, material damage, political and economic destabilization. In addition, the use-of-force scenario of reintegration of the non-controlled territories would mean the failure of Minsk-2 and violation of the UN Security Council Resolution 2202. In turn, this will have disastrous international legal implications for the initiator, who will bear the responsibility for the failure of the process of peaceful conflict settlement.

However, there is an alternative option for the reintegration of the non-controlled territories into Ukraine by attracting an international mechanism for a transitional

period, which is not envisaged by Minsk-2, but does not contradict it. Such mechanisms are often used in peacekeeping and peacebuilding practice. The introduction of the International interim administration (IIA) in the non-controlled territories may become such an instrument.

In international practice, the IIA is a form of legitimate ensuring of the governance during the transition period in the territory with no legitimate state structures. The establishment of the IIA is coordinated with the conflicting parties and approved by the UN Security Council, which adopts a resolution under Chapter VII of the UN Charter "Actions with respect to threats to the peace, breaches of the peace, and acts of aggression". The UN used the IIA multiple times in various situations that arose as a result of decolonization (West Irian, Namibia), collapse of states (former Yugoslavia), internal conflict (Cambodia) or foreign occupation (East Timor).

Usually, the IIA provide for the establishment of military and civil administrations in uncontrolled areas. Under the agreement between the parties to the conflict and the UN Security Council Resolution, the IIA may perform security (withdrawal of forces, disarmament and reintegration of combatants, de-mining and demilitarization of the territory, return of displaced persons), police (creation of temporary police forces and judicial system, the restoration the rule of law, promotion of amnesty and cooperation with international tribunals), political (providing civil and political rights and freedoms, creation of temporary local self-governments, preparation and holding of local elections), social (humanitarian assistance and setting up education and health systems), and economic functions (reconstruction of industrial and infrastructure facilities by attracting international donors, facilitation of the restoration of economic ties). The IIA mostly represents a transitional stage of development of a certain territory and community on its way to separation or return into the state.

There are more than a dozen examples in the world of how the IIA contributed to the restoration or establishment of order in a

certain area. However, we should pay attention to the experience of the UN Transitional Administration in Eastern Slavonia, Baranja and Western Sirmium, UNTAES, which contributed to the reintegration of this territory into Croatia. It was established following the Erdut Agreement between the authorities of the Republic of Croatia and the local Serb authorities. The agreement created the basis for the United Nations Security Council Resolution 1037 establishing the UNTAES. UNTAES is considered to be one of the most successful operations in the UN history. This operation combines military and civil administrations that were able to achieve impressive results.

Military presence of the UN not only contributed to peace in Eastern Slavonia, but also created security conditions, without which UNTAES would be unable to perform other functions. Thus, the military administration under the auspices of UNTAES, which included 4,849 soldiers, 99 military observers and 401 civilian police officers, was able to prevent a repeat of hostilities between Croatian forces and Serb formations. During a month (from May to June 1996) all heavy weapons were withdrawn from Eastern Slavonia or transferred to the disposal of UNTAES. In addition, the buy-back program of the UNTAES managed to collect about 1.7 million pieces of ammunition.

UNTAES carried out customs and police control at the checkpoints with the uncontrolled part of the border of the former Republic of Yugoslavia and Hungary. As a result, it became possible to establish a cross-border movement and to stop the illegal export of timber and other products. Through the efforts of the Croatian Government, UNTAES and UNHCR were managed to ensure the return of 27,000 refugees and internally displaced persons of various nationalities who were forced to leave their homes because of the conflict. In addition, a peaceful reintegration of Eastern Slavonia was not accompanied by a mass outflow of refugees from the region. But at the initial stage, the return of persons of Serbian nationality was slow due to bureaucratic obstacles and unwarranted arrests by the Croatian officials.

UNTAES was able to raise funds amounting to more than \$59 million that were spent on mine clearance of the territories, rebuilding infrastructure, residential buildings and setting a monetary and financial system of the region.

According to the Erdut Agreement the International Interim Administration was responsible for law enforcement in Eastern Slavonia. That made possible a restoration of the rule of law and order in the territory, created a safe environment for the elections and transfer of power to the national authorities. The fact that the interim administration was able to build up local police forces and structures became an important achievement. Later those structures became a part of the Croatian police despite all the complexity.

Local elections in Eastern Slavonia were conducted 15 months after the establishment of UNTAES and were held simultaneously with elections all over Croatia. UNTAES established local election commissions, which provided equal opportunities for all registered parties and candidates. The local elections results were accepted by all the parties and had opened opportunities for practical reintegration of Eastern Slavonia into the constitutional and legal field of Croatia. In particular, local elections led to a significant return of refugees and displaced persons.

Like in Ukraine, the issue of amnesty was very painful for Croatian politics. Despite serious resistance, the Croatian parliament did adopt the amnesty law that was applied to the persons involved in aggression and armed rebellion in the country. However, an important element of justice restoration and punishment of those responsible for the crimes was the work of a previously established international court—the International Criminal Tribunal for the former Yugoslavia (ICTY). The Croatian government and UNTAES cooperated with the ICTY, which pursued the persons involved in war crimes, crimes against humanity and other serious violations of international humanitarian law. Moreover, investigation and punishment touched people from all parties of the conflict.

Certainly, any peacekeeping operation and any conflict are unique. There are entirely similar analogies to what is happening in Ukraine. And there are those components of the current conflict which require special solutions. Thus, the reintegration of Eastern Slavonia took place under the favorable internal and external conditions. Croatia was able to consolidate society, to build combat-ready forces, to form an effective economy, to return the majority of uncontrolled territories by force and to define the civilization development vector. The former Republic of Yugoslavia was forced to agree with the peaceful reintegration of the last Serb enclave in Croatia due to the military defeat in Bosnia and Herzegovina and international sanctions. Twenty years ago, the international community was behaving in another way towards Belgrade than it is now behaving towards Moscow.

But after careful consideration of the conflict which occurred during the last 20-30 years, it becomes clear that all of them have their own special peculiarities confirming the effectiveness or ineffectiveness of certain settlement instruments. The International Interim Administration in Donbas may not be able to repeat the experience of Eastern Slavonia reintegration so quickly and effectively. Any peace and reintegration process faces difficulties and obstacles in any reintegration scenario. However, there are much more chances for success if the peace process is based on the correct logic, principles and approaches instead of doing nothing, endlessly criticizing or defending the current Minsk process.

What is needed to create the International Interim Administration in non-controlled territories? The involvement of an international component to the conflict settlement in Donbas and reintegration of non-controlled territories into Ukraine require consistent diplomatic steps from Kyiv and other players.

1. Ukraine's initiative.
In the Ukrainian public and political discourse there is currently no consensus on how to reintegrate non-controlled territories. The main focus of the discussion is mainly paid to the feasibility of the implementation of the Minsk

agreements or their provisions. At the same time, Ukraine has not proposed a mechanism for resolving the conflict yet. IIA does not contradict, but complements, the existing Minsk agreements and it can break the deadlock in the current peace negotiations.

2. Russia's Consent.

Although the so-called DPR/LPR are formal parties to the conflict, their military actions and political steps are entirely dependent on Russia's position. As a result, Ukraine would have to negotiate with Russia about the IIA establishment in non-controlled territories. For the success of these negotiations, the negotiation package should be maximally extended. The broader the negotiation menu will be, the more chances to defend its own version of the conflict settlement Ukraine will have. Limitation of the negotiations only with the IIA issue will correspond to the Russian interests rather than the extensive Ukrainian-Russian negotiations. But in any case, these negotiations—either extensive or only concerning Donbas—are needed. For Russia, IIA will allow not only to 'save its face' coming out of Donbas, but to retain some leverages of influence because of the presence (directly or indirectly) in the IIA.

3. Third parties' willingness.

The establishment of an IIA in non-controlled territories by the example of UNTAES will require the involvement of numerous staff potential and considerable financial and material resources of other countries. According to rough estimates, it is necessary to deploy about 40,000 people to ensure the effective disengagement, sustainable ceasefire regime, providing security and legal order, execution of administrative functions etc. The IIA budget will cost billions of dollars. It won't be easy to organize such financing by the international community, but it will be possible if all stakeholders realize that in any case, they will pay a higher price for the continuation of the conflict. The military component of the IIA should involve an active participation of troops from Asia and Africa. The OSCE can perform the police functions. A Special Representative of the UN Secretary General should head the IIA and the administration should include staff from various UN member states.

4. UN Security Council Resolution.

It is important for the adoption of the relevant resolution that none of the permanent members of the UN Security Council (Russia, U.S., China, UK, France) put a veto during the voting. This resolution will be a fundamental document determining the mandate of the possible temporary transitional UN administration in Donbas – United Nations Interim Administration in Donbas (UNIAD).

In the interests of Ukraine and international security, it is necessary that UNIAD would be a complex mission. The disengagement of the parties, demilitarization of DPR/LPR militants, withdrawal of mercenaries and military equipment from non-controlled territories, monitoring over all uncontrolled areas of Ukrainian-Russian border (in cooperation with OSCE) and creation of conditions for the return of displaced persons should be entrusted to the UNIAD military administration. The mandate of the UNIAD civilian administration may include the formation of temporary international police forces, establishment of transitional justice, human rights and fundamental freedoms protection and also provide humanitarian assistance.

UNIAD Role in the Implementation of the Minsk Agreements

According to international practice, elections in the conflict-affected territory are conducted approximately in three years after the end of hostilities. Fair and transparent elections in uncontrolled territories should be preceded by a long process which consists of several successive stages: establishing security, restoring public order, conducting a transparent and fair election campaign. The key role in the election process should rest on the UNIAD which in cooperation with the OSCE and the Ukrainian authorities has to ensure a safe, free, transparent, fair and democratic expression of will in non-controlled territories. The results of the local elections in non-controlled territories may be considered valid only if they will get the appropriate qualification from Ukraine, the UN and the OSCE.

After the elections in non-controlled territories are held under the above conditions,

Ukraine will have an opportunity to return a border control. According to page 9 of the Minsk agreements, the entire Ukraine's control restoration over the state border should begin on the first day after the local elections are held. Thus, Ukrainian authorities should be allowed to patrol the uncontrolled part of the border.

Amnesty will be a separate problem in the reintegration process of non-controlled territories into Ukraine. Page 5 of the Minsk agreements obliges Ukraine "to provide the amnesty and pardon by entering the law into force on prohibiting the prosecution and punishment of persons in connection with the events that occurred in certain areas of Donetsk and Luhansk regions of Ukraine".

Of course, the amnesty and pardon cannot be applied to pro-Russian militants and activists who have committed war crimes, crimes against humanity and other serious violations of international humanitarian law. Therefore, a way-out of this situation is handing off the issue of accountability for war crimes to a higher level, i.e. to an international level. UNIAD can become an additional tool in granting amnesty for crimes unrelated to violence and prosecuting in connection with serious crimes committed during the armed conflict. On the one hand, the international civil administration is able to protect residents in non-controlled territories from baseless persecution by the Ukrainian authorities. On the other hand, this administration can help to investigate cases of gross violations of human rights in cooperation with the Ukrainian authorities, the International Criminal Court (Ukraine has not ratified the Rome Statute, but recognized its jurisdiction over crimes committed in Donbas) or other newly established international judicial institution. It is reasonable that Ukraine should initiate UNSC resolution that provides for the establishment of respective international judicial authority which could establish a truth baseline and punish persons accountable for crimes committed during the Euromaidan, Crimea's annexation and during the armed conflict in eastern Ukraine.

At the same time, completion of the reintegration process requires implementation of the constitutional reform. According to

pages 9 and 11 of the Minsk agreements the entire Ukraine's restoration of control over the state border should be completed after the constitutional reform and the adoption of the permanent law on the special status of non-controlled territories. In turn, the Minsk agreements link the new Constitution of Ukraine to decentralization, taking into account peculiarities of the uncontrolled territories of Donbas, but do not limit the constitutional reform only with these issues. Therefore, the most favorable way-out of this situation is the adoption of a new Constitution of Ukraine which should become a "new social agreement", a result of nationwide dialogue on a wide range of issues on the state system (including decentralization, rights and obligations of all regions). This will enable to complete reintegration of the uncontrolled territories without territorial discrimination against other regions of Ukraine. According to various polls, only 22% of Ukrainian residents support granting a special status provision for the uncontrolled territories of Donbas. The IIA will provide time for constitutional reform implementation. Adoption of a new Constitution of Ukraine will complete reintegration of uncontrolled territories of Donbas and restore sovereignty over these areas.

Thus, UNIAD could become an efficient instrument for the Donbas conflict settlement. Ukraine's respective proposal in the international arena will allow Kyiv to return the initiative in the negotiation process, strengthen its subjectivity and restore the image of a constructive, understandable and predictable partner. UNIAD also will be able to reduce the degree of tensions in Ukrainian politics and society on the implementation of the Minsk agreements. Finally, the UNIAD introduction will save the lives of Ukrainian citizens, who are dying every day due to the continued fighting, and restore peace in Ukraine.

Conclusion

There are no contradictions in U.S.-Russia relations which can not be settled—in bilateral relations or regarding Ukraine. But it would demand a good will from both sides. Achieving a U.S.-Russia agreement concerning Ukraine IS possible—and Ukraine

can be exactly an issue where settlement can open overall improvement in U.S.-Russia relations while bringing peace to Ukraine and to the region. An innovative approach and new ideas are needed—including a review of the European security architecture which does not provide equal security to all the countries, or in case of Ukraine—wider bilateral agreement on a real efficient security guarantee, or just in case of the Donbas—the concept of an IIA.

While the crisis can be equally called Ukrainian, Russian, European or geopolitical one, it is geopolitical contradictions which are at the core of the conflict. And achievement of a geopolitical, first of all U.S.-Russia agreement would not only unlock the settlement inside of the country or between Ukraine and Russia but also would present a chance to elaborate new rules on international level to avoid such conflicts in the future.

What Does Russia Want?

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The Nature of the 'Russia Challenge' – and How to Address It.

That Russia is a “challenge” to the West has become conventional wisdom. Hardly a single political speech is given in the West without this phrase, or something like it. But what is missing is clarity about the nature of the challenge. What does Russia want? Does it, for example, want to restore the Soviet Union? Start a socially conservative revolution in the West? Unify the Russian-speaking lands? Conclude a geopolitical deal with Donald Trump? Conquer the world? These questions matter. If we want a win over Russia—or to win Russia over—we should try to understand what Russia stands for, and why. Misconceptions can lead to misguided responses, and then whether we “win” or not will come down to blind luck.

This article makes the case that the West and Russia are indeed locked in a disagreement of a fundamental paradigmatic nature. But that standoff is not centered around a competition between domestic political or economic models, although these do play a role. Nor is it primarily focused on control over territory, although territory too plays its part. Russia’s true challenge, the issue on which it really is revisionist, has to do with the questions of the post-Cold War international order: the rules and taboos of international relations.

These days, the West is vulnerable and on the defensive. Europe fears Russia’s “meddling” in its internal affairs; it is concerned about the United States’ commitment to NATO and about the contours of Russia’s potential “deal” with Donald Trump—an idea that keeps coming back into Trump’s statements. The US, in turn, is mired in an emotive discussion about Russia’s possible influence on its own elections. In this

context, it makes sense to examine the various challenges presented by Russia, to enquire about their meaning, to ask whether Trump can grant Russia what it wishes, and to consider where all of this leaves Europe.

A Socially Conservative World Revolution?

To start with Russia’s perceived challenge to Europe’s domestic order: Moscow is often accused of promoting social conservatism both at home and abroad (in the form of the assistance that Moscow gives to Western nationalist politicians). But this social conservatism is in essence only a means: something that Moscow makes use of, not something it considers important as an end in itself. Social conservatism is not to Putin’s Russia in 2017 what Communism was to Lenin’s Russia in 1917. “World revolution” is not the ultimate goal.

Russia itself is not particularly conservative, and neither is Vladimir Putin. But nor is he a liberal: Putin’s views on the matter can probably best be described as “Soviet”, implying here a specific set of views that is not easily placed on the Western liberal-conservative scale. A certain conservative consensus does exist in Russia at the moment, but it is largely for domestic consumption, hardly exportable, probably temporary, and to a great extent rooted in craving for a great-power status and offense that the West has not granted it to Russia—in other words, in issues that have to do with Russia’s place in the world, as opposed to conservative thinking as such.

It is true that Russia has a longstanding and authentic conservative-Orthodox-Slavophile-Eurasianist tradition, with real personal links to the Western far right, but the real exponents of

this tradition have never been close to policy-making. At most, they have tried to serve the policy-makers in some freelance capacity. This is the case for the Eurasianist philosopher Alexander Dugin and his financier, Orthodox oligarch Konstantin Malofeev, two contemporary examples—and their success in befriending the policy-makers in the Kremlin is debatable.

As for the Kremlin, it opportunistically used the social conservative agenda in 2012 as a way of marginalizing and stigmatizing the urban creative class that had protested against the return of President Putin in the winter of 2011-12. It was only afterwards, and probably with some surprise, that the Kremlin noticed the agenda might also be used to win some hearts and minds in the West.

Still, it would not be true to say that Russia is now making an all-out effort to domestically destabilize the West. Some in Moscow do believe that destabilizing the West can bring Russia closer to its real aims (and on those, see below). But others think that a confused and paranoid West would make the world more dangerous, and thus cause problems for Russia, too. So Russia's "meddling" in European domestic politics is probably not a well-coordinated, conscious design to bring down the European Union or change its key governments. Rather, it is an improvised collection of activities by different actors, linked together by an ideological background in which the West is considered an adversary. In Moscow, experts often characterise "meddling" in European elections as just trying one's luck: "You walk into a casino, play at one table, lose, walk to the next one and try again..."

Still, the fact that Russia's social conservative agenda is accidental and opportunistic does not make it any less serious a problem for the West. Just as the reality of life in the Soviet Union never shook the belief of Communist adherents in the Third World, the insincerity of Russia's social conservatism will not necessarily affect those who vote for Marine Le Pen.

But it should change our ideas about the real nature and origin of the problem: it stems not so much from Russia, as from the Western countries themselves. What makes Russian "meddling" even worthy of mention is the disaffection of Western populations, and the widespread confusion about the Western model. If the West can address its own fundamental shortcomings, then the threat from Russia will be swept away, just as Western European Communism stopped being a serious force after the success of the Marshall Plan.

Territory or Order?

The challenge from Russia is also often viewed in territorial terms: Russia is seen as having an aspiration to restore the Soviet Union, to unify the Russian-speaking lands, or simply to establish a sphere of control in its neighborhood. While territory does play a role in Russia's agenda, it is important to understand the extent and nature of the part it plays.

Russia does not intend to restore the Soviet Union—it knows full well that this is simply not possible. Nor does it seek to unify the Russian-speaking lands. In the speech where he announced the takeover of Crimea, Putin did refer to the Russian nation as "one of the biggest, if not the biggest ethnic group in the world to be divided by borders," thus indeed signaling an ethnocentric approach to foreign affairs. But this has remained a one-off case—he has never returned to this line of reasoning.

What Russia truly wants in terms of territory is a sphere of control in its neighborhood—mainly, the six countries that lie between the EU and Russia and comprise what the EU calls its Eastern neighborhood: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. Moscow expects these countries to be sensitive to Moscow's wishes; it wants to have the ability to manage, arbitrate, and veto their relations with the West, and to prevent the expansion of Western organizations into that part of the world, based on the assumption that any Western actions there should have Russia's approval. What Moscow wants to avoid is the emergence of direct links and true closeness

between the region's countries and the West: that is why it bent over backwards in 2013 to prevent the association agreements with the EU from being signed.

And this is where the clash between Russia and Europe becomes fundamental and paradigmatic: it is impossible for the West to grant Russia such a sphere of control. The countries either have the right to choose their own arrangements and alliances, or they do not—there is no space in between, and this is not a question that can be managed with a wise compromise.

However, it is rarely understood that this paradigmatic disagreement extends far beyond this territory. What Russia really wants is a new international order, and new global—or at least European—rules of the game. It wants to do away with many of the basic concepts of what has been called the post-cold war liberal order: the emphasis on human rights, the possibility of regime changes and humanitarian interventions. This is not only a geopolitical Yalta-style bargain, but something much more systemic. A limited “Yalta-light”, a slice of “finlandized” neighborhood would form part of it, but just a minor part. The actual challenge is global in its reach and normative in its nature.

The way Russia prioritizes order over territory was illustrated by exchanges in late 2014 and early 2015, when some Western countries, shocked by Russia's annexation of Crimea, started looking into the possibility of a new security arrangement that could somehow transcend the differences. These talks never began, in part because the two sides had different views on what mattered more. As one Russian foreign policy insider described it: “The West says that Russia needs to leave Ukraine, and after that we can discuss a new European order. But Moscow says that no-no—order needs to be settled first, and the fate of Ukraine will be decided along the lines of that settlement.”

Russia's view of the new world order that it desires is admittedly neither very developed nor sophisticated. But in essence, Moscow wants the

West to give up on its vision of liberal international order and to return to conducting international affairs based on realpolitik. And because of this, the West and Russia are again locked in a conceptual standoff, not unlike that of the Cold War—this time, not over domestic models, but over the international order.

The Roots of Russia's Realpolitik

Russia's agenda here is long-standing and has internal as well as external roots. The internal roots have to do with Russia's own trajectory. In the early 1990s, Moscow tried to join the Western system as a rule-taker. Western rules soon collided with domestic political expediencies and the rulers' wish to keep power, so Russia became a rule-faker—an imitation democracy. It stayed as such for more than a decade, before finally making it explicit that it did not want to subscribe to Western rules at all.

The way the Western values and global power became blended in the “end-of-history” world of the early 1990s left Russia trapped for nearly two decades. Wanting a role in a “unipolar” Western-led world, and believing in its own Western/European destiny, Moscow signed up to a long list of Western norms. But its inability to adhere to them meant that Russia never quite became a full-fledged member of the Western system with an equal say in decision-making. This being so, it was only logical that Russia would ultimately distance itself from the Western domestic model and Western-led order.

Importantly, though, this was not just a case of “sour grapes”. Russia's change of direction also has external roots. In the twenty-first century, Western liberal foreign policy has had few success stories and lots of failures or near-failures: Iraq, Afghanistan, Libya, Syria, to name a few. For years, many in Moscow—those still holding onto a paradigm of superpower rivalry—assumed that the hidden aim of all these actions was to weaken Russia and to strengthen the U.S. By now, however, it is evident to almost everyone that these policies have if anything weakened the U.S. For this reason, Russia now is not only distancing itself from the Western-led order, but disputing the

viability of the order itself. In his famous Munich speech in 2007, President Putin spelled it out very clearly: “The unipolar model is not only unacceptable but also impossible in today’s world.... The model is flawed,” because “this is pernicious not only for all those within this system, but also for the sovereign itself because it destroys itself from within.”

Today, the debate between the West and Russia often feels like a debate about the laws of nature, about how the world really works, with each side thinking the other one has it wrong. The West sees Russia as clumsily clinging to old-fashioned concepts, unable to adapt to the modern world and its sophisticated ways. Russia, for its part, sees the West as an irresponsible belief-based actor who disregards reality in favor of trying to impose its own notion of how reality should be. Or in other words: the West thinks of Russia as of a person stuck in a geocentric worldview, who has never heard of Galileo or Copernicus. And Russia views the West as a New Age crackpot, trying to cure cancer with homeopathy, and creating catastrophes in the process.

Because of this, when it challenges the liberal order, Russia does not necessarily even think that it is challenging the West—rather, Moscow thinks that is trying to make the West come to its senses and abandon a disastrously utopian worldview that is already falling apart and causing chaos. It could be argued that Russia is trying to shape, not break, the West—although the shaping implies overturning many of the concepts that the West considers essential.

This stance has implications for any potential “deal” between the U.S. and Russia. A frequent question in discussions about “a deal” is what Russia could offer the U.S.—and the list does not seem to be very long. But Russia sees it differently: Moscow does not think it needs to offer anything. You do not pay someone to come to their senses—it is in their own interest to do so.

In 2001, when Russia offered the U.S. the use of bases in Central Asia and acquiesced to NATO enlargement, it expected a payback of

corresponding magnitude. That never happened: George W. Bush’s administration, mistakenly thinking that Russia was helping because it shared the U.S.’s interests or even values, simply said “thank you.” Now, the positions are reversed. Russia takes its relations with the U.S. seriously and might be prepared to make compromises on some practical issues—but at a fundamental level, it does not think it owes the West anything at all. For Moscow, it is the West that needs self-correction, not Russia.

A differently organized world, of course, would not solve all of Russia’s problems, and more thoughtful people in Moscow know that well. Russia would still have its oil-dependent economy and its demographic woes. It would still be in search of an international role that would grant it the great power status it craves—and in a world in which almost all the parameters are changing, finding that role would not be easy. But many of the factors that have caused so much stress in Russia-West relations over the last 25 years would be eliminated.

Can Trump Give Russia a New International Order?

It was actually surprising to see the jubilation in Moscow when Donald Trump was elected U.S. president. The Kremlin assumed that Trump would deprioritize the American-led global order, which would inevitably open the door to a Russian version of international order. Hardly anyone in Moscow stopped to think what would happen if Trump got rid not only of the Western liberal order, but almost of any order whatsoever. That would definitely not be in Russia’s interests.

Despite its occasional appetite for risk-taking, Russia would not flourish in a Hobbesian world, in the sense of an anarchic, “all against all” global struggle. Nor would Russia choose a Huntingtonian world, a clash of civilisations, the contours of which are occasionally detectable in Trump’s tweets. Russia wants to be a great power among great powers—if no longer in a bipolar world, then in a multipolar one. It wants to claim the great-power prerogative to break laws every now and then—but for that, it needs

laws that can be broken, and partners whose reactions are predictable. In its struggle with the West, Putin's Russia has sometimes made a travesty of rules, using the letter of the law to violate its spirit—but that does not change the fact that deep down, Russia remains a deeply legalistic country in its approach to foreign policy.

When Trump was elected, the expectation was that Washington and Moscow would collude. In April 2017, after U.S. missile strikes on Syria, they were expected to collide. By late May, collusion is being discussed again. The reality, however, will probably be less clear-cut and linear than either expectation: under Trump and Putin, the U.S.-Russia relationship is likely to be first and foremost messy and confusing, and prone to frequent changes of tone.

Many pundits have entertained themselves by discussing the similarities between Putin and Trump—how the two are both straight-talking, authoritarian, macho leaders who will either collude or collide precisely because of their similarity. In fact, two people have rarely been less similar than the Russian and U.S. presidents: one rational, calculating and systemic, and the other the exact opposite.

But Trump's modus operandi does have some telling similarities with another Russian leader: Putin's predecessor, Boris Yeltsin. Like Yeltsin, Trump came to power against the wishes of the establishment (even though being himself part of the establishment). Like Yeltsin, he governs with the help of his family. He has strong intuitions and he is a weak systemic thinker. He is a good destroyer of a system, but less good at building an alternative. He deprioritizes the global order built by his own country. He acts on a whim, he personalizes relationships, he is influenced by the people he meets. But, because he lacks systemic leadership and administrative skills, he is also vulnerable to the so-called "deep state": resistance from the system that—for good or ill—could prevent him from achieving many of his policy goals.

To extend the analogy somewhat arbitrarily, Trump's relationship with Russia may well end

similarly to Yeltsin's relationship with the U.S. Although he was well disposed towards the U.S. and had pro-Western sympathies, Yeltsin in the end failed to deliver the sort of Russia that the West wanted to see, or to build relations with the West in ways that the latter expected. Likewise, now, in a world that is rapidly and deeply changing, Trump, being the person he is, could not help Russia to create a global order to its taste even if he wanted to.

How the West Can Win

Ultimately, Yeltsin is best understood as a transitional figure. He did away with the Soviet Communist system and laid some seeds for the personalist, Putinist system that followed, but the latter only crystallised under and thanks to Putin. When Yeltsin resigned, many different futures were still available. Trump is likely to be a similarly transitional figure—a storm that shakes up a system without yet moulding it into a new form. And it will probably be in that post-Trump era that the outline of a new world order, including a new relationship between Russia and the West, will start taking shape.

The period before that will be dangerous, and probably especially hard for Europe. In many ways, Europe is more invested in the liberal American-led order than is America itself, and defending that order while America's mind is elsewhere will be an uphill struggle, particularly given Europe's own internal upheavals. But Europe will have no choice but to try—because for the EU, a return to a realpolitik state-centric world of "spheres of influence" would amount to a negation of its whole history, experience and identity.

It will also be a time of messy and dangerous great power relationships. Russia's calculated unpredictability may, for now, be overshadowed by America's genuine unpredictability, but in the context of major global change, mutual misunderstanding, flawed worldviews, and conflicting approaches can easily lead to disaster.

Russia will continue to be a challenge. Russia has been pursuing the goal of

establishing new international rules for more than a decade, certainly since Putin's 2007 Munich speech, and it will not give up on this aim. Russia knows what it wants, and it is prepared to suffer setbacks and frustrations along the way. To advance its goals, it will use its capacity for outreach into the West as and when needed. So, Russia-watching will remain important, and so will catching Russia's spies and hackers.

In the end, however, the outcome will not be defined by the success or failure of efforts to stand up to Russia. Russia matters, but the West itself is the decisive factor. If we want Russia to accept and accommodate our version of the world order, then we first need to restore the credibility of our own democratic capitalist model, and rejuvenate it where necessary. We also need to get better at translating our principles into policy (as opposed to keeping them simply for the satisfaction of taking the moral high ground) to try to present solutions to the world's problems—solutions that can work.

If we manage that, then we can have another conversation with Russia about world order, and have it on our terms. President Putin does not bow to pressure, but he recognizes realities, even if with a delay, and he accepts them, even if grudgingly. Right now, Russia has no incentives to accept a world order that it considers unrealistic, proposed by countries whose domestic models it views as delegitimized and dying. If Russia sees that the European order is not a utopia, but has a future, its outlook will change.

Many in the West console themselves with a simplistic comparison, by saying that "the West is still better than Russia, and therefore Russia cannot win". This is probably true—but it is beside the point. The West is not measured against what Russia is, but against what the West ought to be. And it is of small consolation that "Russia cannot win"—the West can still lose.

In reality, the West is facing off not with Russia, but with another phase of life and development. Globalization and democracy were

probably bound to clash; this confrontation was naturally most likely to be felt first in democratic countries, and it is now up to these countries to find a way of reconciling the two. The West is struggling with a bump on the road of democracy, while Russia's problems—if a comparison is even useful—come from its suppression of democracy. Russia is in a different phase of the journey, but it is still part of the same connected ecosystem. Russia may question the West and rebel against it, but the West remains an important focal point for Russia's own self-positioning in the world. Without it, Russia would lose direction.

More thoughtful Russians know that well. During a recent conversation in Moscow, one well-known and influential person first lectured his European visitor on how Europe is irrelevant and Eurasia is the new game, but then, hesitantly, asked: "and how is life, there... in the Western periphery of great Eurasia?" He then listened with deep attention, before admitting, quietly—"of course you have to overcome your problems. Otherwise, it will be very hard for us to overcome ours." Russia has a better chance of addressing its problems if the West has first addressed its own. And then we can win against Russia—or win it over.

Russia and the West: Narratives and Prospects

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Outside of action-adventure movies, almost no one believes themselves to be evil. Certainly, in the world of foreign and security policy, no advisor comes to a senior official to proudly propose a nefarious plan to turn the world to the dark side. But if foreign policies around the world are designed by people convinced that their actions are necessary to defend national goals, interests, and populations and make the world a better place, the way that these policies are perceived abroad is obviously often very different. Today, the story in Washington and Brussels is that Russia is doing all it can to undermine democracy, underhandedly using political, economic, military and information tools to attain its goals. The story in Moscow is that Washington has decided to make Russia an enemy, and no action on the Kremlin's part can possibly appease the blood-thirsty hawks in Congress and beyond.

In this essay, I argue that it is less important to determine the truth of who is at fault, an exercise doomed to failure and frustration, than it is to accept the realities of perceptions on both sides, and try to find ways forward despite our misaligned world views. This requires understanding both how each side sees the other and what they want from one another. In principle, this should be a way to identify common ground. In practice, at least today, the situation is further complicated by a changing global balance which makes goals and interests less than fully clear and coherent. Nonetheless, a continued unwillingness to accept the reality of one another's perspectives, no matter how erroneous they may seem, will lead to a continued and dangerous spiral.

A History of Competing Narratives

For much of the post-Cold War period, Russia and the transatlantic West have been arguing past one another. Russia says NATO is a threat. NATO insists it is not a threat, and Russia should therefore not worry about its military capabilities or enlargement to new members. The United States says Russia interfered in its election. Russia denies having done any such thing, and points out that the United States has been funding and supporting groups dedicated to changing Russia's government for decades. The United States argues that its missile defense programs do not threaten Russia's deterrent. Russia argues that the technology and capabilities could evolve to the point where they do, and should therefore be limited. And so on and so forth, with each accusing the other of barefaced lying.

From a Western standpoint, one can argue that Russian willingness to deny what look from Brussels and Washington like fairly clear truths in order to construct an alternative reality is purposeful and disingenuous. But demanding that the current Russian government simply admit that it was lying and stop does not seem likely to produce good results. However untrue Westerners may know something to be, Russians are highly likely to believe it, and vice versa. This is not to say that there is no objective truth—of course there are realities, and there are lies. It is to say, however, that it is unrealistic to expect the citizens, and indeed the officials, of a country to believe other governments more than they do their own.

Moreover, both Russian and Western views of current realities are not simply a matter of disputed facts. In both cases, perceptions are

based in a chain of logic and assumptions developed over the course of decades.

In Russia's case, this means a view of NATO as a threat. This is rooted in the fact that the alliance was created to counter the USSR and was not dissolved when the Soviet Union came to an end. Today, from Russia's perspective, NATO is a large, capable alliance that uses military force to overthrow governments and consistently acts against Russia's interests. NATO rhetoric, which includes talk of the illegitimacy of Russia's government, combines with past NATO action to make Russia believe that a NATO attack is, if not likely, worth worrying about. While Alliance members focus on the difficulty of deploying forces and challenges of interoperability, Russian military planners take a worst case scenario perspective, and look at everything that could be brought to bear. From this perspective, NATO's enlargement to countries that used to be Soviet satellites appear part and parcel of a strategy to weaken Russia. NATO and member states' outreach to countries that were once part of the Soviet Union is even worse, as these states (excluding the three Baltic countries) have been clearly identified by Russian leaders as within Russia's sphere of influence. The European Union's growing links to countries on Russia's periphery have also become more dangerous with time. Efforts by transnational institutions, individual states, and non-governmental organizations to change domestic political structures in these countries, and in Russia itself, are particularly egregious because they directly threaten stability and, in the Kremlin's view, sovereignty. Moreover, they are perceived as effective. Russia traces regime change in several countries, both in its neighborhood and in the Middle East, to Western interference.

Finally, Russia sees the United States as the leader of the NATO alliance and the transatlantic community more broadly. To Moscow, this means that the United States is the country with which Russia should be able to negotiate, and Washington's assurances should be binding on other states. Washington is also

held responsible for the West's anti-Russia policies.

Western governments and, for the most part, their populations, have a very different view. To them, NATO is an alliance of like-minded countries which share values and security perspectives. The alliance makes it possible for them to coordinate policies and actions, exchange information, and ensure military interoperability. In their view, NATO has enlarged because new member states sought membership in the alliance and were able to meet the requirements to join. It has reached out to states throughout the world, including those which emerged from the break-up of the USSR, in the interest of helping them develop transparent and democratic institutions and thus make the world as a whole more prosperous and more secure. EU outreach has a similar intent in the economic sphere. While the United States plays a leadership role, it does not speak for other countries and cannot make promises on their behalf.

It is not surprising that these very different understandings of the broader context make for highly divergent perspectives on the situation today. Most western leaders have no doubt that Russia is at fault. The crisis, after all, began with Moscow's 2014 annexation of Crimea and military intervention in Eastern Ukraine, actions that not only challenged decades of peace in Europe, but marked a stunning violation of one European state's sovereignty by another. They required a response, which took the form of a series of sanctions imposed by Western states and support for Kyiv in the face of Russian aggression. That Russia continues its military involvement in Ukraine and has not abided by the Minsk agreement to which it is a signatory is further evidence of its intention to undermine Ukraine. Moreover, the Kremlin's emphasis on Ukraine's historical relationship with Russia, raises concerns for and about other states with historical ties to Russia—particularly NATO members. Russia's military capability and its proximity to the states in question makes this even worse. NATO faces an imperative to assure allies at risk that the alliance has their backs and

ensure that Russia is under no illusions about the alliance's willingness to defend its own. Finally, the evidence that Russia has interfered in domestic political processes in the United States and several European countries at the least indicates the intention to contravene local laws and global norms while violating the sovereignty of NATO countries in order to attain political and influence goals. At worst, it suggests a concerted campaign to weaken and damage democratic institutions.

The Russian story, by contrast, is one of Western aggression. Ukraine's intention to sign an EU association agreement was the product of Western pressure, as were the protests that broke out when the Yanukovich government announced that it would not, after all, sign. U.S. and European support for a minority mob's overthrow of a democratically elected government led to chaos. Russia had little choice but to assist a beleaguered and terrified population on Crimea—which voted in a referendum to leave Ukraine and join Russia. The Kremlin is now helping keep a humanitarian disaster at bay in Eastern Ukraine, since if Kyiv's current government were to take control of the Donbas, a bloodbath would surely ensue. Moscow has no designs on NATO members, but it is deeply concerned that the alliance's build-up of forces could lead to conflict, including possible attacks on Russia. Finally, it is laughable to suggest that Russia could turn the tide in a Western democracy through a few social media advertising purchases, if those indeed truly took place.

These are simplified narratives, of course, but they are representative. Importantly, they explain why insistence on one position is unlikely to hold sway on the other side: the starting assumptions are simply too different, and the belief structures much too entrenched.

Who Wants What

The different views of reality also lead to very different desires. In the West, the dominant desired outcome can best be characterized as one in which Russia stops making trouble (whether that's invading Ukraine or funding social media

campaigns in support of political candidates in other countries), making it possible to normalize economic and trade ties. Most adherents of this viewpoint are ready to give up on trying to make Russia more politically open. However, they want it to play by the same economic and geostrategic rules that the European countries, at least, are willing to follow. This is not, however, the only point of view in the West. A second viewpoint, increasingly dominant in Washington and gaining currency in European capitals, is that Russia poses a danger, that this danger is in Russia's nature, and that it is immutable. There can therefore be no normalization of relations, because Russia will always pose a threat. It must be contained, ideally by some mechanism that weakens Moscow sufficiently that it can no longer threaten other states. A third viewpoint is more cynical: it sees advantages from Russia making a certain amount of trouble, as it helps support Euroatlantic cohesiveness and justifies maintaining strong militaries and strong military capabilities that can be useful for other goals, as well. While this last is certainly a minority view, and rarely if ever voiced even by those who hold it, it would be erroneous to ignore its existence.

Russia is also not monolithic in its desires, but unlike the broadly defined Euroatlantic community, it is a single country and led by a very small circle of people centered around one man. This means that there is only one view that matters, although it is worth noting that Russian perspectives have been remarkably consistent from leader to leader for quite some time. Russia wants recognition as a great power, and a vote on the big issues that come up, wherever they are and whatever they are. In Europe, the Caucasus, and Central Asia, it wants a renegotiation of the post-Cold War order, to guarantee influence in its neighborhood and certainty that others will stay out of its affairs, as defined by Moscow. Russia has long been unhappy with the way the post-Cold War settlement played out. Because it feels threatened by NATO, it wants an arrangement that mitigates that threat. The perception of NATO as dangerous and the United States as hostile also makes Russia notoriously difficult to reassure, as it views compromise as either a trick

or weakness, regardless of who is doing the compromising.

While Russia fears and seeks to avoid war with NATO, it has recently changed its approach in this sphere. While some Western officials and analysts have been able to convince themselves that Russian acquiescence (to NATO enlargement, to closer ties with countries in Russia's neighborhood, to U.S. withdrawal from the Anti-Ballistic Missile Treaty, to U.S. interventions in the Middle East), meant acceptance, the Kremlin has consistently said otherwise since the 1990s. Now, it is doing more than saying so. From the Kremlin's standpoint, it is taking steps to improve its bargaining position while making it clear to NATO that conflict would be disadvantageous for the alliance as well. This is to say, Russia is working to establish deterrence. Russia doesn't want to undermine European democracy, as such, but it is experimenting with what has, perhaps quite accidentally, turned out to be a successful strategy of exacerbating weaknesses in European democracies, long-thought impervious to attack. Finally, Russia most deeply wants rapprochement with the U.S., because there is no other way to make the deals it wants to make. This said, if NATO can be broken, and something new replaces it, that would be all to the good. But Russia does not expect that outcome in the near future.

A Changing Global Order

The situation is further complicated by continuing shifts in the U.S. role in Europe and in the world. As noted above, the desire to cement its great power role is at the core of Russian foreign policy goals and objectives. For most of the last 30 years, Russia has sought to demonstrate and exercise its great power status in large part by choosing whether to oppose the United States or partner with it. This makes sense—with the United States as the sole superpower, it was the obvious yardstick. This means that Russia looked at most issues through a U.S. lens, and not just in Europe. This is not to say that Moscow did not have its own interests, around the world—it did. But it saw U.S.

responses as a crucial component of its policy choices.

Today, the U.S. role is changing. While the current presidential administration is anomalous in many ways, it is also the third U.S. administration in a row that has sought to shrink the scope of U.S. global activism. Indeed, its more unique aspects may make it the one that succeeds. U.S. policies today are a combination of continuity with historical approaches, ideological breaks on specific issues, and sheer unpredictability. In common with past administrations, there is little prioritization among goals and commitments. In contrast to them, there is a substantial willingness to publicly chastise and alienate allies and friends. The willingness to use military force has not diminished, nor has an emerging consensus that U.S. leadership implies that the United States must not be deterred from any action it deems to be in its interest. All of this has led to trepidation among a number of countries, though many are willing to wait it out to see how U.S. policy evolves. In some cases, as in the Middle East, long-standing U.S. friends are growing closer to Russia, in part for the gains that can thus be attained, in part to send a signal to Washington.

Ironically, this less predictable and less decisive U.S. role means that while Russia is pursuing a range of policies that are dangerous to both itself and others, Russian foreign policy today is as hampered as anyone else's by the new uncertainty of U.S. intentions. Through all of Russia's quarter-century of railing against U.S. hegemony, Moscow has needed an active and somewhat predictable U.S. to rail against. This is no longer in place. Historically, Russia has anticipated, and hoped to do what it could to foster and take advantage of, a gradual U.S. decline on the global scene. But the more abrupt shifts presented by the Trump administration were not anticipated. While Trump's presidency was initially welcomed in many quarters of Moscow, this administration has been bad for Russia. Aside from its erraticism, the Trump team is substantially limited in its capacity to seek rapprochement with Moscow by both Congress and public approbation. Indeed, the year and a half since Trump's inauguration have

seen U.S. pressure on and actions against Russia increase, do so less predictably and reversibly than was the case under Barack Obama.

So while Russian policy for years was somewhat blurrily divided into areas where Russia had clear goals, and Moscow would work with or against the U.S. (as relevant) to attain them, and areas where standing up to the U.S. was the goal in and of itself, we now see emerging a Russian foreign policy that incorporates hope that the U.S. become more predictable with the first tentative efforts to figure out how best to take advantage of the new, emerging global order, all while continuing and trying to leverage policies begun in the past.

European countries, meanwhile, have continued to work with the United States as feasible, even as they explore possibilities for greater independence. The latter is made complicated both by domestic and regional constraints and a historical tendency to rely on U.S. leadership. Moreover, the role of the United States is not the only factor in a changing global order. The rise of nationalism and populism in Europe, and the popularity and even election of those who seek to centralize authority and limit certain citizens' rights raise questions about how common European values truly are. If NATO is not, in fact, an alliance of like-minded states, are its members' shared security concerns sufficient to keep the alliance necessary and viable? If so, what are those concerns, and what role is played by Russia? Finally, if Russia is the threat that binds European countries, liberal and illiberal, what implications does this have for strategy?

What Is to Be Done?

As things stand, competing views of how the world works, what has happened over the last quarter century, and who threatens whom have created a precarious situation. I close this essay with a few thoughts on the way forward, with the caveat that there are no easy or quick

solutions. But this does not mean that there is no way out. The key to progress lies in both Western recognition of Russia's threat perception and Russian recognition of the dangers of making itself into a threat. Meanwhile, the uncertainty of the U.S. role makes European leadership crucial. Indeed, if Europeans hold firm, Russia's desire to make its arrangements with the Americans may be mitigated by the realities of the emerging international balance. Even Russia must now recognize that bilateral deals between the U.S. and Russia, except in very narrow areas (e.g., nuclear arms control, where they are crucial), won't work. From a Western perspective, what is needed first and foremost is a settlement in Ukraine. From there, it is possible to move forward on other issues, including a new security arrangement in Europe—one which benefits all involved. Today's model of worst-case scenario planning on all sides increases the risk of just such scenarios emerging in real life.

Because of the current impasse in U.S. policy, however, a settlement in Ukraine is not possible without Russia taking the first steps. This actually is more likely to lead to a lasting solution, since Western first steps tend to be seen as weakness in Moscow. In many ways, backing off in the Donbas is in line with Russian goals by shifting the burden of implementing the Minsk agreement, and placing the difficulties of reintegrating the Donbas, on Ukraine. Dealing with these challenges will surely further shrink the already unlikely prospect of Ukrainian EU or NATO membership. It will also lead to substantial demand in Europe for the easing of sanctions and normalization, even as the relatively minor sanctions directly related to Crimea remain in place.

The window for this sort of action is closing, however, as the view that Russia is a persistent threat gains greater hold in the United States and European capitals.

Flawed Foundations: A Russian Critique of the U.S. Nuclear Posture Review

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The 2018 U.S. Nuclear Posture Review was the first one to have a specific chapter detailing a “Tailored Strategy for Russia”. On face value this makes sense, after all, Moscow is the only other nuclear superpower. With relations between the two countries in a downward spiral, a sober assessment of the situation and clear proposals to address the most pressing issues would be welcomed. Unfortunately, the authors of the NPR misinterpreted Russian strategy, proposed solutions that didn’t solve alleged problems, and missed the real challenges threatening bilateral relations.

First, the document stated that Russia (as well as China) has since 2010 “increased the salience of nuclear forces in its strategies and plans”. While it’s hard to say precisely what the authors of the NPR had in mind, the 2014 update of Russian military doctrine (which followed the Crimean crisis) reproduced word for word the nuclear related paragraphs of the previous 2010 document. Not only were nuclear weapons not assigned new roles, the 2014 doctrine also pioneered the concept of “non-nuclear deterrence”, which would take over some of the functions that had previously been reserved for nuclear weapons. With Russia getting more and more comfortable with its conventional capabilities, as demonstrated in the Syrian campaign, its reliance on nuclear weapons is actually decreasing.

Second, the NPR postulated the idea of a Russian “escalate to de-escalate” strategy, aimed at using tactical nuclear weapons during a conventional conflict to end it on terms favorable to Moscow. The problem with this concept was that it isn’t supported by actual

Russian doctrine, which foresaw only two conditions for nuclear use: WMD attack or a conventional defeat, putting the very existence of the state at risk. So, its proponents had to assume that Moscow had a secret nuclear doctrine contradicting the official one, and base their theory on indirect evidence of Russian exercise, capabilities and statements – all rather unconvincing. The one explanation for the persistence of this theory (to say nothing of it making its way to the NPR) I was able to relate to, came from a US colleague, who said, “we had plans for a limited first use in Europe during the Cold War, it would be only logical if you had such plans as well”.

While the NPR misidentified the challenges coming from Russia, the proposed responses also underperformed. They included de-facto increasing the role of nuclear weapons in providing U.S. security, in particular developing a low yield warhead for the Trident SLBM and a new nuclear SLCM to provide instruments to confront Moscow at lower rungs of the escalation ladder. Those would include “holding at risk [...], what Russia’s leadership most values” or in other words “escalating to de-escalate”. The SLCM was also touted as an instrument of returning Moscow to compliance with the INF treaty, though the conditions attached suggested that the authors of the NPR were being disingenuous.

Since few in the Moscow expert community believed in the “escalate to de-escalate” concept, the possible US response to an unlikely event didn’t hit the headlines. But new U.S. systems generally failed to impress Russian experts. As one retired Russian general put it during a closed

event, “We lived with US SLCMs until quite recently, it is hard to see how bringing them back would influence any of Moscow’s policies”. The low yield SLBM warhead received even more skepticism, a number of Russian military experts were confident it would never materialize. Alexey Arbatov described the idea as “quite absurd”, adding that “strategic nuclear submarines cannot be used in a calibrated, selective way”.

The extension of the number of conditions under which the U.S. might consider nuclear use was seen as a bigger problem. The Russian Foreign Ministry stated, that it was deeply concerned with Washington’s readiness to consider nuclear use as a response to non-military scenarios and U.S. planners, which “may view practically any use of military capability as a reason for delivering a nuclear strike against anyone they consider an “aggressor.” However, the most unexpected Russian response came on March 1, when President Vladimir Putin devoted a large part of his annual address to discuss nuclear issues, presenting five new strategic nuclear systems (an ICBM, a nuclear-powered cruise missile, an unmanned underwater vehicle, hypersonic aircraft missile system and a hypersonic boost glide vehicle).

Of course, the United States (much less the authors of the NPR) were not the only recipient of Vladimir Putin’s speech. Less than three weeks before the Presidential elections it was summing up the achievements of the presidency (hence grouping a number of systems at different stages of development) and reaffirming the security of Russian citizens. However, it provided a good reality check to the U.S. views of Russian nuclear doctrine and highlighted some overlooked issues.

Putin’s presentation gave another hard blow to the “escalate to de-escalate” concept. Moscow invested years of effort and millions of dollars in new systems aimed at penetrating US missile defenses and increasing Russian second-strike capability ill-suited for a limited de-escalatory use. President Putin also specifically addressed the authors of the NPR saying, “any use of

nuclear weapons against Russia or its allies, weapons of short, medium or any range at all, will be considered as a nuclear attack on this country. Retaliation will be immediate, with all the attendant consequences.”

The new systems on display were costly, complicated and redundant against both current and near-term U.S. capabilities, there also appeared to be a lot of questions concerning their mass production, operation and maintenance. But those weapons covered two important issues: burying any idea of using US missile defenses to help facilitate nuclear war with Russia and reminding Washington that this kind of war is crazy, ugly and there is no way it could remain limited.

Finally, President Putin’s speech also had an invitation to a dialogue with the U.S. While the proposal to “devise together a new and relevant system of international security and sustainable development for human civilization” was less full of substance than one might wish for, it was a welcome improvement compared to the NPR, which all but ignored the arms control issue.

Whatever one might think about Russia’s hidden agenda, its nuclear doctrine, official statements and force development are all consistent with concerns over the possibility of a counterforce strike from a technologically superior power or a military conflict getting out of hand and escalating to strategic nuclear level. And this brings us to a final point, not covered by the NPR: Russian nuclear-related rhetoric.

While the majority of high-level Russian statements on nuclear weapons are repeating basic and widely accepted notions (“Moscow will use nuclear weapons in response to a nuclear attack”) or showing support for strategic stability (“the U.S. also has weapons against which Russia has no defense”), the very fact of recurring referrals to nuclear weapons is a disturbing symptom, manifesting bigger problems in U.S.-Russian strategic relations.

Some of those statements might target the domestic audience or even have a coercive element to them. But mostly they reflect the

uncertainty over U.S. understanding of the “rules of the nuclear game”. Moscow fears that Washington might consider full-scale conventional or even limited nuclear war with Russia. Whatever one thinks of those fears, the U.S. cannot simply ignore a key issue of the doctrine of a major nuclear rival. At best, they should be addressed in strategic stability talks.

At the very least, Moscow’s threat perceptions should form a base of any “tailored strategy for Russia”.

The new NPR failed to take into account real Russian nuclear doctrine and concerns, this doesn’t mean that U.S. policymakers should continue doing so.

Nuclear Weapons, Proliferation and Strategic Stability

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The purpose of this essay is, first, to engage the questions posed by the organizers for this session of the workshop. In so doing, to set a context for an analysis that makes the case for a new policy frame intended to halt the downward trend of deteriorating trust and confidence in U.S.-Russia relations and address the consequential risk of increasing existential threats being generated in the Euro-Atlantic space. Importantly, this essay will also set out a list of practical near-term steps that can begin to support the development of the longer-term plan. For a more developed form of this approach and the detail of the response, participants are invited to read the 2013 report on Building Mutual Security in the Euro-Atlantic region. (https://www.nti.org/media/pdfs/BMS_Long_Report_FINAL.pdf)

1. Is it necessary and if so, is it possible, to save the nuclear arms control regime?

The nuclear arms control regime represents an effort over many decades to provide a regulatory regime for enhancing predictability and reducing nuclear risks. That effort should not be abandoned, and we should not accept the alternative: a deregulated regime for the most deadly weapons.

Despite the challenges to the existing regime today—and the paucity of efforts to strengthen regulations and reduce risks—it is possible. One place to start would be to extend the existing New START Treaty, which both the United States and Russia are faithfully implementing today.

2. How does each side think about “stability”? Is a strategically stable relationship between nuclear powers desirable, or even possible?

We should not accept “strategic instability” as an inevitable outcome in today’s increasingly complex international security environment. We need a new process of dialogue that includes frank discussions relating to strategic stability—and is focused on building mutual security.

In the 2013 report on Building Mutual Security in the Euro-Atlantic region, 32 political and military leaders and experts from across the region recommended a set of core principles consistent with the development of a new approach to building mutual security. Those principles include:

- Considering offense and defense, nuclear and conventional weapons, and cybersecurity in a new security construct;
- Reducing the role of nuclear weapons as an essential part of any nation’s overall security posture without jeopardizing the security of any of the parties;
- Creating robust and accepted methods to increase leadership decision time during heightened tensions and extreme situations;
- Transitioning from the remnants of mutual assured destruction to mutual understanding to mutual early warning to mutual defense to mutual security; and

- Enhancing stability by increased transparency, cooperation, and trust.

3. What’s the significance of the relationship between offensive and defensive capabilities (such as Ballistic Missile Defense), and between nuclear and non-nuclear capabilities (such as space, cyber, and long-range precision strike)?

Again, referencing the 2013 report on Building Mutual Security in the Euro-Atlantic region, participants concluded that a new, flexible process of dialogue was essential for security in the Euro-Atlantic region—one that could address a broad range of issues, including nuclear forces, missile defenses, prompt-strike capabilities, conventional forces, cybersecurity, and space, as well as their relevant domains (e.g., air, sea, land, and space).

Within this flexible framework for dialogue, priorities could be established and progress implemented in phases over a period of years. Over time, increasing transparency, awareness, decision-time in extreme situations, and capabilities for cooperative defense—both active and passive—could increase trust, build confidence, and provide a foundation for subsequent steps.

In all instances, practical progress in one area will help catalyze progress in others.

4. Does either side view nuclear first use as legitimate? What is meant by the “escalate to de-escalate” doctrine?

In terms of nuclear use policy, none of the nuclear powers in the Euro-Atlantic region—the United States, the U.K., France, and Russia—have adopted “no first use” policies.

Russian nuclear capability was alarmingly married, years ago, with the concept of nuclear “de-escalation”—the deliberate escalation of a conflict through limited nuclear use designed to create a pause in the conflict and open a pathway for a negotiated settlement on Moscow’s terms. The reported Russian deployment of nuclear-capable *Iskander* missiles to Kaliningrad, and a

new nuclear-capable intermediate-range cruise missile—in violation of the 1987 Intermediate-Range Nuclear Forces (INF) Treaty—has further aggravated the issue.

I am not, however, prepared to conclude that political leaders of nuclear weapon states are not aware of, or constrained by, the incalculable risk of the first use of any nuclear weapon, of any yield, for the first time in seventy-three years.

5. How does each side see the threat from North Korea’s ongoing nuclear activities? If the Iran nuclear deal collapses, how is Russia likely to respond? What can be done to address these threats?

The international community in a series of increasingly tough United Nations Security Council resolutions has showed a high degree of unity in opposition to North Korea’s nuclear program. I believe that unity continues to exist today, and remains vital to diluting and ultimately eliminating the threat.

The same unity was apparent in the international community’s response to the Iranian nuclear program, and underpinned multilateral diplomacy that produced the Joint Comprehensive Plan of Action (JCPOA) regarding Iran.

One of the principle casualties of the collapse of the JCPOA could well be the international trust and confidence that was required to effectively pressure states pursuing illicit nuclear activities.

Plan for Strategic Security in this Context

Since the historic events of the nineties changed Europe forever, efforts to build mutual security in the Euro-Atlantic region have lacked urgency. As a result, the Euro-Atlantic space has remained vulnerable to political, security, and economic crises.

For a decade or more, trust and confidence has deteriorated, as has the security environment—with events in and around Ukraine tragically underscoring the point. In the

absence of new initiatives by all parties, things are only likely to get worse.

NATO countries and Russia possess about 95% of global nuclear inventories, with many weapons minutes from use. Current NATO-Russia relations help create an environment where miscalculation, accident, mistake, or catastrophic terrorism are the most likely catalysts of nuclear use.

With little communication or co-operation between NATO and Russian military leaders, issues around decision time and the command and control of nuclear forces, particularly, are most acute.

Magnifying the risks of a nuclear mistake is the emergence of cyber threats to strategic warning systems and command and control. Increasingly, experts are warning of the threat of a cyber-attack on our strategic weapons systems.

There have been two excellent studies over a period of four years by the Pentagon's Defense Science Board. In the first, they say that "the cyber threat is serious and the United States cannot be confident that (their) critical [Information Technology] systems will work under attack from a sophisticated and well-resourced opponent utilizing cyber capabilities...."

In the second, the authors recommend that the highest priority is to protect a select limited set of nuclear and other strike capabilities. A specially protected sub-set, as it were, to ensure survivability.

The implication is that, because of the cyber-threat, they cannot be sure that the deterrent and command and control system will work as designed. The significance of this for strategic stability is grave.

If the U.S. can't assure their leaders of this, other nuclear powers—including the UK—cannot be certain that we are immune to this risk.

In these difficult circumstances, dialogue is essential and it is possible.

If we want to work together with Russia to achieve a better future, the first step in acting to advance our common interests is to identify concrete, practical, near-term initiatives designed to reduce risks, rebuild trust and improve today's Euro-Atlantic security landscape.

For the last 10 years, I, former German Ambassador Wolfgang Ischinger, former Russian Foreign Minister Igor Ivanov and former Senator Sam Nunn and, increasingly, a wider group, a mix of senior government officials and experts from the US, Canada, Russia and 15 European nations, have been advocating urgent co-operative action between the West and Russia on areas of existential common interest.

Our arguments have developed and are now concentrated on a few urgent matters. They are set out in public reports and documents and go as follows.

As we did during the darkest days of the Cold War, Americans, Europeans, and Russians must work together to avoid catastrophe, including by preventing terrorist attacks and reducing the risks of a military – or even nuclear – conflict.

The carefully considered view of a wide range of senior political, diplomatic and military figures across the whole region is that this should include:

- Reducing the risk of nuclear use.
- Increasing, not suspending military-to-military communication.
- Increasing transparency in the air to avoid military activity in the NATO-Russia shared area presenting an unacceptable danger to civilian air traffic.

- Reducing the threat of loose nuclear and radiological materials.
- And, recognising that we have crossed over to a new nuclear era in which cyber capabilities transform the nuclear risks, engaging in urgent discussions for reaching at least informal understandings on cyber dangers related to nuclear facilities, strategic warning systems and nuclear command and control.

On the eve of the Munich Security Conference in February 2018, this group issued two new statements. (<http://www.nti.org/newsroom/news/recommendations-improve-security-and-reduce-nuclear-risks-presented-munich-security-conference/>)

The first states that leaders of states with nuclear weapons in the region should reinforce the principle that a nuclear war cannot be won and must never be fought, nations should work

to preserve and extend existing agreements and treaties that are crucial to sustaining transparency and predictability, and all nations should support full implementation of and strict compliance with the Joint Comprehensive Plan of Action (JCPOA) with Iran.

The second, focused on cyber threats, states that nations in the Euro-Atlantic region should engage in discussions for reaching at least informal understandings on cyber dangers related to nuclear facilities, strategic warning systems and nuclear command and control. As a first priority, nations could work to develop clear “rules of the road” in the nuclear cyber world and explore mechanisms to develop and implement measures that reduce these risks.

There are many important issues facing Europe, America and Russia today. But identifying a new policy frame—existential common interests—that can stop the downward spiral in relations is vital. The near-term, practical steps identified here are the right place to start.

Russia Sanctions: Assessment and Outlook

Oksana Antonenko

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Relations between Russia and the West have been deteriorating since 2014 when Russia responded to the Maidan revolution in Ukraine by annexing Crimea and backing the separatist conflict in Donbass in Eastern Ukraine. The United States and the European Union, as well as other G7 members and Western allies, have responded to Russia's violation of international law and Ukraine's sovereignty and territorial integrity with tough political and economic sanctions. The EU's sectoral economic sanctions, which are currently linked explicitly to the full implementation of the Minsk Agreements, are extended every six months and require unanimity among all EU member states.

In August 2017, Congress authorized new unilateral U.S. sanctions on Russia in response to Moscow's alleged interference in the 2016 U.S. Presidential elections and to Russia's "malign activity" around the world, including its backing for the Assad regime in Syria. In pursuing the Congressional bill, the U.S. Treasury Department imposed new sanctions on several Russian individuals with links to the Kremlin, and on several of Russia's private companies, headed by powerful oligarchs.

The EU has not expanded its economic sanctions since 2014, although several countries, including the UK, are in the process of elaborating further unilateral measures in response to Russia's recent actions, including alleged Russian involvement in the nerve agent poisoning of Mr. Skripal and his daughter in March in Salisbury (UK).

While sanctions are multiplying, the Transatlantic unity required for sanctions to have meaningful impact is fracturing. Some European states, and EU institutions have criticized U.S. threats to impose secondary

sanctions on European companies, which continue to work with U.S.-sanctioned Russian entities. At the same time, several European countries continue to maintain active and friendly bilateral political relations with Moscow.

As the transatlantic unity over the sanctions policy begins to fray, and the intra-EU consensus over the long-term commitment to sanctions may be fracturing, it is important to analyze the impact of sanctions on Russia and its policies, and how they fit into the overall Western strategy towards Moscow. Scope and Evolution of Western sanctions against Russia

In 2014, as the situation in Ukraine deteriorated and the Malaysian Airlines flight was shot down over Eastern Ukraine, Western countries gradually upgraded their sanctions regime from Tier 1 (diplomatic) sanctions, to Tier 2 (individuals/entities) sanctions, before finally adopting Tier 3 (economic or sectoral) sanctions—the most costly for both sides, and hence also the most controversial. Russia retaliated with its own counter-sanctions.

Tier 1 – diplomatic sanctions (March-April 2014; indefinite)

The EU and other Western countries have suspended talks with Russia on:

- EU-Russia visa facilitation and modernization of the partnership agreement between the two sides; no bilateral summits held since 2013;
- a (U.S.-Russia) bilateral investment treaty;
- (Switzerland/New Zealand-Eurasian Economic Union): free trade agreements.

International organizations have put cooperation with Russia on hold:

- Organization for Economic Cooperation and Development (OECD): Russian accession process suspended;
- NATO: all practical civilian and military cooperation with Russia suspended; however, Russia-NATO Council resumed working level meetings at the Ambassadorial level on April 2016
- G8: reverted to G7 format; Russian participation suspended;
- Council of Europe Parliamentary Assembly (PACE): voting and other rights of the Russian delegation to the Assembly suspended (10 April 2014). Since then, Russia has not participated in PACE, although in other respects it remains a full member of the Council of Europe, and is not planning to leave.

Tier 2 – sanctions against individuals and organizations (adopted March 2014, amended several times since; renewed every six months- next renewal on September 15, 2018)

In March 2014, the U.S. and the EU imposed visa bans and asset freezes on certain Russian and Ukrainian individuals and organizations. The EU's list has been gradually expanded to 149 persons and 38 organizations, including:

- Russian/Ukrainian politicians and officials publicly supporting violations of Ukrainian sovereignty: Deputy Prime Minister, Dmitry Rogozin; Chechen leader, Ramzan Kadyrov; Liberal Democratic Party of Russia leader, Vladimir Zhirinovskiy;
- Military leaders, such as Black Sea Fleet Commander, Aleksandr Vitko;
- Donbas separatists, such as former Donetsk People's Republic (DPR) head, Andriy Purgin, and Roman Lyagin, organizer of the DPR independence referendum;
- Oligarchs, such as Putin ally, Arkady Rotenberg, whose company was awarded a contract to build a bridge connecting Crimea to the Russian mainland;

- Russia-backed Donetsk and Lugansk 'people's republics'; political parties participating in illegal Donbas local elections; pro-Russia militia fighting there;
- Formerly Ukrainian-owned companies, such as the Sevastopol Commercial Seaport company, illegally transferred to Russian ownership.

Tier 3 – EU sectoral/economic sanctions (adopted July/September 2014, renewed every six months- next renewal on July 31, 2018)

Two weeks after the U.S. announced economic sanctions on July 16, 2014, the EU adopted similar restrictions targeting the Russian financial, defense and energy sectors. Both the EU and the U.S. reinforced economic sanctions on September 12, 2014:

- Restricted Russian access to EU capital markets: EU nationals and companies are no longer allowed to lend money for a period exceeding 90 days (since September 2014: 30 days)
- To five major Russian state-owned banks (since September: also three oil companies and three arms manufacturers);
- Arms embargo: a ban on arms trade with Russia; a ban on exports of dual-use (civilian/military) items to military clients (since September 2014: also nine companies producing a mix of civilian and military goods);
- Cooperation with the Russian energy sector: a ban on exports of innovative extractive technology (since September: also on services, such as drilling and testing) used by Russian companies to develop deep-water, Arctic and shale oil reserves; all other energy-related exports require special approval.
- In addition to these economic sanctions, in July 2014 the EU stopped issuing low interest loans for projects in Russia (in 2013, new loans from the European Bank for Reconstruction and Development and the European Investment Bank were worth €1.7 billion and €1 billion respectively);
- It also cut off grants to Russia, except those for research, Russian civil society, cross-border cooperation projects and universities.

On March 20, 2015, the European Council decided to tie economic sanctions to the full implementation of the Minsk agreements by the end of the year, including restoring Ukraine's control over its eastern borders (U.S. official statements follow a similar line).

Additional EU sanctions against Crimea (renewed yearly, next due June 23, 2018)

Crimea-related sanctions, first introduced in June 2014 and expanded since then, ban: all investment in the peninsula; all tourism services (for example, EU cruise ships may not call at Crimean ports); imports from Crimea; and exports of goods, technology and services for use by the Crimean transport, telecommunications and energy sectors.

Differences between EU and U.S. sanctions

For the most part, the EU, the U.S. and other countries have aligned their sanctions with one another, although there are some important differences:

- EU sanctions allow previously existing activities to continue, U.S. ones do not;
- In view of the EU's dependence on Russian gas, its energy sanctions only apply to the oil sector, whereas the U.S. ones apply to both oil and gas;
- EU and U.S. lists of sanctioned persons and companies are not identical;
- EU sanctions against Russia are all Ukraine-related and all date from 2014 or later, whereas the U.S. had already adopted sanctions against Russian officials involved in serious human rights abuses (the 'Magnitsky Act') in 2012; in December 2016, it adopted additional sanctions over alleged Russian meddling in the U.S. presidential campaign;
- EU sanctions are adopted by a unanimous decision of the Council of the EU, whereas most U.S. sanctions are adopted by presidential executive order.

Countering America's Adversaries Through Sanctions Act (CAATSA)

- The Act, adopted by the U.S. Congress in August 2017, requires the U.S. president to ask Congress for approval before lifting sanctions against Russia, thus making it more difficult to end them.
- It also tightens and expands existing sanctions: the U.S. now has the option of discretionary sanctions against European companies involved in constructing Russian pipelines;

U.S. Treasury Sanctions

On January 29, the U.S. Treasury Department issued a report mandated by CAATSA Section 241, which identified 114 "senior foreign political figures" and 96 "oligarchs" in the Russian Federation, who are determined to be "close to the Russian regime".

On April 6, 2018, the Office of Foreign Assets Control (OFAC) has designated a number of Russian individuals and entities (asset freezes and travel bans imposed) on the basis that they have been involved in a range of "malign activity around the globe". The designations include:

- Seven Russian oligarchs—Vladimir Bogdanov, Oleg Deripaska, Suleiman Kerimov, Igor Rotenberg, Kirill Shamalov, Andrei Skoch and Viktor Vekselberg—as well as 12 companies owned or controlled by them; Among them Rusal PLC (and its subsidiaries), EN+ group and Renova Group
- 17 Russian government officials; and
- The Russian state-owned weapons trading company Rosoboronexport, and its Russian subsidiary bank, Russian Financial Corporation Bank (Russia-Syria related designations).
- Non-U.S. persons may be liable for knowingly facilitating "significant transactions" for or on behalf of the individuals and entities sanctioned today.

OFAC has issued Ukraine/Russia-related General Licence 14, which authorizes U.S.

persons to engage in specified transactions related to winding down or maintaining business with United Company RUSAL PLC (RUSAL) and its subsidiaries until October 23, 2018. RUSAL, along with linked entity EN+ Group PLC and Russian oligarch, Oleg Vladimirovich Deripaska, were among those sanctioned on April 6 for being involved in a range of “malign activity around the globe”. New OFAC FAQs have also been published, which clarify that “OFAC will not impose sanctions on foreign persons for engaging in the same activity involving RUSAL or its subsidiaries that General Licence 14 authorizes U.S. persons to engage in.”

In March 2018, 23 countries, including the U.S., and 16 EU states supported the UK by expelling Russian diplomats to protest the alleged involvement of the Russian state in the poisoning of ex-Russian spy, Sergei Skripal, and his daughter by the banned chemical weapon substance. EU Council adopted a statement of support for the British position, but this was the first time, since EU sanctions were adopted in 2014, that the EU did not reach consensus on backing the diplomatic expulsions, as several EU member states refused to expel Russian diplomats.

Economic Impact of Sanctions

Economic sanctions usually produce a dramatic negative short-term effect, but in the long run they are less effective unless backed by collective political will to consistently enforce and progressively tighten the economic pressure, thus preventing the sanctioned economy from adapting to sanctions. For a country like Russia, one of the leading raw material exporters with trade links across the globe, and a deeply entrenched public support for nationalizations and economic self-sufficiency (inherited from the Soviet period), maintaining the agility and effectiveness of economic sanctions is a particularly challenging task. At the same time as any sanctions, Russia sanctions also create unintended consequences and economic distortions, which affect other Western interests in Russia, like enabling the development of a

non-state, pro-rule of law and anti-corruption middle class.

Growth dynamics

Introduction of the sectoral sanctions in July 2014 coupled with the market-driven collapse in the price of oil earlier that year, have had a major impact on the Russian economy, sending it into the most prolonged and deep recession since Putin came to power in 2000. Sanctions and oil price drops hit the Russian economy, already in the state of stagnation, with growth being close to zero already since 2012, due to the lack of structural reforms and declining productivity.

This recession was accompanied by a significant Rouble devaluation, by a four year long decline in real incomes for ordinary Russians (which started before sanctions), particularly its middle class, and by the collapse in foreign and domestic investment.

However, despite the continuity and even toughening of sanctions, the Russian economy has gradually adapted and eventually started to recover, driven again by the rise in oil prices. In 2017 it has finally resumed growth with Russian GDP expanding by 1.5%. If oil prices continue to rise, or remain above \$45, the Russian economy is likely to continue growing at the same low rate.

According to the IMF estimate, the impact of sanctions in 2015 was at around 1-1.5% of GDP. Russian officials estimated that the loss to the Russian economy from sanctions in 2015 were at around 25 billion Euro, or around 2% of GDP. In 2017, Russia’s main proponent of liberal economic reforms, Alexei Kurdin, estimated that since their introduction, the cost of sanctions had declined from 1% of Russian GDP per year to below 0.5%. He also warned that unless Russia reforms its economy, sanctions could hold back growth for decades. The current consensus forecast on the Russian economy among leading Russia and foreign economists puts its GDP growth projection between 1.5 and 2% in the next 5-year period.

Sectoral impacts

A more micro level analysis indicates that certain sectors have been significantly affected by sanctions, while others benefitted from them. The overall conclusion is that they made the Russian economy more state-dominated, self-sufficient and focused on diversifying its business/trade links from West to East, particularly China.

In the defense sector, sanctions lead to the almost complete cut off of all supplies of weapons and equipment from the West to Russia. Western supplies were limited even before sanctions, but the disruption of component exports from Ukraine—which inherited parts of the Soviet defense industrial complex—has had a much greater negative impact on the Russian military modernization (for example absence of Russian-made gas turbines delayed the naval modernization program by around 18 months, according to Putin).

Russia responded to these measures by implementing an import-substitution program for its defense industry, which focused primarily on replacing Ukrainian produced components with Russian-made ones by 2017, and replacing 80% of all imported Western components by 2018. Some progress has been made towards this objective but import substitution programs are still far from achieving the industrial production. Overall, however, 2014 sectoral sanctions did not significantly impact Russia's technological capacity to project power in either Ukraine or Syria, or constrain its arms exports.

The recent U.S. sanctions that ban foreign banks from processing payments from sanctioned Russian defense companies, prompted the Russian government to move away from dollar transactions and to arrange payments in other currencies or even through a form of barter arrangements. Some of Russia's key arms importers—such as China or Iran—are themselves under sanctions. Russia does not export its weapons to any of the G7 countries. At the same time, NATO member Turkey has announced the purchase of S-400 systems from

Russia, while U.S./EU sanctions were already in place.

In the energy sector Russia's dependency on the West for investment, technology and export sales remains high. Europe continues to represent a major import market for the Russian energy exports. Commodities and raw materials represent around 70% of all Russian exports, with oil and gas accounting for 48.5% in overall exports in 2017 and reaching \$173 billion. The value of commodities exports declined considerably from 2015-2016, when oil prices dropped, but in 2017 increased again by 25% (commensurate with the similar increase in oil price).

In 2017, Russia's overall gas production, the world's largest, rose by 12.4% to 471 billion cubic metres (bcm). Europe remains the key export market for Russian oil and gas. According to Alexei Miler, the head of Gazprom, Russia's state gas export monopoly, Russia's gas exports to Europe and Turkey rose by 8.1% to a record high 193.9 bcm in 2017 (exports to Germany, Gazprom's largest customer, jumped by 7.1% to 53.4 bcm last year, a new record high).

Russia exported more than 5.2 million barrels per day (b/d) of crude oil and condensate and more than 2.4 million b/d of petroleum products in 2016, mostly to countries in Europe. Crude oil trade is important to both Russia and Europe: about 70% of Russia's crude oil exports in 2016 went to European countries, particularly the Netherlands, Germany, Poland and Belarus. Russian imports provided more than one-third of the total crude oil imported to European members of the Organization for Economic Cooperation and Development (OECD).

At the same time, Russia has been trying to diversify its exports from Europe to Asia, particularly China. Outside of Europe, China was the largest recipient of Russia's 2016 crude oil exports, receiving 953,000 b/d, or about 18%, of Russia's total crude oil exports. Russia was the largest supplier of crude oil to China in 2016, surpassing Saudi Arabia for the first time on an annual basis. Russia's gas exports to

China are also increasing, with the launch of the Yamal LNG (liquefied natural gas) project (which is set to produce up to 5.5 million tons of LNG annually, most of which will be sold to China) and with the construction of the massive \$20 billion Power of Siberia gas pipeline, which is due to be finished by 2020. China's National Petroleum Corporation and Gazprom signed an agreement under which Gazprom will supply 38 billion cubic meters of gas over a 30-year period. Over this period, China will purchase \$400 billion worth of gas from Gazprom.

Russia was able to diversify its oil and gas exports, while at the same time maintaining record high exports to Europe, but it was less successful in attracting alternative sources of technology to support its new exploration projects, particularly in Eastern Siberia and the Arctic, where climatic and other conditions require specialized technology, supplied only by Western companies. Since 2014, Russia mainly looked to China, which made significant progress in developing new technologies, including in the energy sector.

While Western companies, like Exxon, withdraw from large joint production projects in Russia, companies from China, Gulf States, Japan and India made new investments or are in the process of considering them. Several European companies including BP and Total continue to operate joint projects with Russian counterparts—such as Rosneft and Novatek—which are on the U.S. sanctions list. However, Russian energy companies continue to struggle to raise necessary financing for new large-scale exploration projects, which in the medium term could further reduce Russian oil and gas output.

Structural impacts

Western sanctions and Russian countersanctions have created several structural impacts on the Russian economy. Firstly, it has accelerated economic divergence between Russia and the EU. Trade with China more than doubled from around 7% of all Russian foreign trade in 2010 to over 15% in 2015. Russia is developing closer trade links with Japan, South Korea and the Middle East.

Secondly, the Russian economy has become more closed and inward looking with focus on economic self-sufficiency and import-substitution. Shares of Russian-made consumer products in agriculture, construction and some manufacturing increased. However, Russian dependency on imports remains very high, particularly in the high technology export (one Russian official recently acknowledged that the share of foreign components in the Russian civilian satellite program stands at 70%). Despite countersanctions banning the import of several categories of EU-U.S. produced food articles, the share of imported food in Russian trade remains high—it declined from 36% to 22%. In the pharmaceutical sector dependency on imports is also very high, even the majority of Russian made medications are using imported components, although most of them come from China and India.

Thirdly, the Russian economy has become more “self-financing.” Limitations on international borrowing for Russian banks and corporates, and limitations on access to Western capital markets, led to substantial deleveraging of the Russian large businesses, that prior to 2014 were actively tapping into foreign sources of funding. In June 2014, all Russian private sector borrowing reached \$451 billion; by October 2017 it declined to \$353 billion. Foreign borrowing for Russian banks reached \$214 billion in summer 2014, and declined to below \$108 billion at the end of 2017. Russia has launched its national payment system, aimed to provide some substitute in case the Russian economy is disconnected from SWIFT (the international bank transfer and messaging system). At the same time, Russian state banks have accumulated deposits from Russian citizens and companies, which dramatically reduced consumption and investment during the recession period and remain reluctant to invest in 2017 when the economy started to recover. Russian foreign currency reserves also recovered as a result of increasing oil priced. After the initial decline from \$514 billion in 2014 to \$351 billion in summer of 2015, reserves grew again to \$424 billion at the end of 2017.

Fourthly, the Russian economy is now more dominated by the defense industry than at any moment since the end of the Cold War. In 2016, the Russian defense industry grew by 10% and in 2017 by 7.5%, while the overall manufacturing sector grew during this period by 1.3% and 1% correspondingly.

Another major structural impact of sanctions relates to the increase in the share of the state-controlled sector at the expense of the private sector. In Russia this new type of economy is often referred to as “mobilization economics,” which signifies a decisive shift from mixed market economy and state-controlled economy towards state capitalism. In the real economy the share of the state increased to over 70%. Even the banking sector now reaches the same 70% (after several private banks were closed by the regulator because of its poor balance sheet and NPLs). If sanctions continue for several more years, this share could reach 80-95% thus undoing a lot of progress in opening the Russian economy after the collapse of the Soviet Union toward more competition and private sector led innovation and entrepreneurship.

Growing state dominance over the economy is changing Russia’s political economy as well. Even a greater share of Russia’s middle class now consists of state-employees. The power of large state corporations, often headed by members of the Kremlin’s inner circle, is growing, while the influence of private sector entrepreneurs is declining, just as the share of small and medium size companies continues to decline. Regions that once set an example of openness, transparency and best business climate—mostly due to high share of foreign investment in their economy—are declining and becoming more dependent on the federal centre. Exodus of foreign—particularly Western—investment from Russia continues. The state statistics agency reported 24,000 organizations with foreign participation in 2013, by 2016 the number has declined to 17,600. These changes mean that the share of Russian economic actors—be its regions relying on FDI for growth or private sector entrepreneurs—who do not depend on the state for their development have shrunk considerably, and the power of the

Kremlin over Russian economy and business has strengthened.

Political impact of sanctions

While the economic impact of sanctions has been significant in the short term and could further constrain Russia’s economic growth and technological development in the long term, the political impact of sanctions has not been favorable to Western interests. Sanctions worked to consolidate public support around President Putin and his policies, strengthened the Kremlin’s power over political and economic elites and crucially failed to bring about any change in Russia’s foreign policy either in Ukraine or more globally.

Sanctions usually create a “rallying around the flag” effect and Russia here is not an exception. Annexations of Crimea and the rise of a foreign enemy—the West—which imposed sanctions on Russia have both contributed to a meteoric rise in Putin’s approval rating, which increased in 2014 from 60% to over 80% and remains at the same level until today despite a painful economic recession and falling real incomes. At the same time, a combination of Western sanctions and the Russian propaganda campaign in the media, which aims to amplify “Western aggression” against Russia, have shifted Russian people’s attitudes towards the West deep into negative territory. In February 2018, 52% of Russians have negative perception of the U.S. (22% have positive perception) and 46% of Russians have negative perception of the EU (31% positive). In July 2013 over 80% of Russians have a positive attitude towards the EU. At the same time in February 2018, 70% of Russians expressed a positive attitude towards China.

As for Putin’s policies, in June 2017, over two thirds felt that Russia should continue its current policies, with only 19% in favor of making concessions in order to get sanctions lifted. Support for integration of Crimea has not changed since spring of 2014 and remains above 80%. In March 2018 the number of Russians who believe that integration of Crimea was beneficial to Russia once again reached 70% (a

record high level last seen in March 2015) and only 15% believe that it had brought more damage than benefit. The percentage of respondents who claimed to have been affected by Western sanctions declined from a peak of 35% in January 2015, to just 19% in April 2017.

Domestically sanctions have strengthened Putin's power over elites and even over the Russian middle class. Business elites have become more dependent on the Kremlin's support to continue benefitting from access to the now smaller oil rent pie. Many sanctioned state companies and individuals within Putin's inner circle have received generous bailouts or procurement contracts.

As the state control over the economy expands, Russia's middle class is increasingly dominated by state sector employees (including those who are linked to state corporations and state procurement orders). The recent World Bank/EBRD Life in Transition survey indicated that since 2014 Russians with the 30% highest income report most the significant fall in life satisfaction than any other post-Communist countries in Eurasia. However, at the same time, the same top 30% of earners also indicate that the importance of political connections for their success has increased considerably.

Therefore unlike 2011-2012 when we witnessed large middle class protests in major Russian cities, in 2017-2018 most of the protests are taking place in the regions and include the younger generation, rather than Russian entrepreneurs and intelligentsia. Many successful entrepreneurs have chosen to emigrate from Russia in the recent years, but recently this trend has slowed down (the proportion of Russians who might consider leaving their country for another has decreased from 19 percent (2016) to 15 percent (2017)) as more Russians feel that they are not welcome in the West, given the rise of anti-Russian sentiments in the U.S. and Europe. At the same time, recent polls indicate that nearly one-third of all young people (18-24 years old) living in major urban areas are interested in leaving Russia, citing a lack of good jobs with high salaries, as well as educational opportunities.

Internationally, sanctions have so far failed to isolate Russia. In response to Western sanctions, Russia has looked to the East to break out of diplomatic isolation. China is an increasingly important partner both economically and geo-politically. The two countries often coordinate their positions at the UN Security Council, both are engaged in building up the G20 and the BRICS (an association of five major emerging national economies: Brazil, Russia, India, China and South Africa), as an alternative to Western dominated global governance institutions like the G7. Moscow remains a major arms supplier to Beijing, and the two countries have carried out several joint military drills. Russia's relation with other East Asian states are improving as well, including with both Japan and South Korea, both of which are not enforcing sanctions on Russia. Turkey has also refused to join Western sanctions and continues to expand cooperation with Russia in the energy and even defense fields. Russia has rebuilt its influence in the Middle East following its military intervention in Syria in support of the Assad regime.

Russia elites, including its political class, hoped that the election of President Trump could lead to the lowering of U.S.-Russian tensions and the easing of sanctions. In fact the opposite happened. Following investigations into the Russian election meddling, the U.S. Congress has asserted its influence over the sanctions policy and any future lifting of Russia sanctions would require congressional approval. In Moscow this is seen as a sign that that U.S. sanctions will remain in place for many years, if not decades, to come (similar to the Jackson-Vanik amendment which remained in place for nearly 40 years). Even Russian liberal reformers are now advocating policies which are based on the assumption that U.S. sanctions will be a permanent feature of Russia's external economic environment.

As relations with Washington continue to deteriorate, Moscow has shifted its attention at policies aimed at eroding the EU consensus over sanctions policy. Russia continues to maintain

close political ties with several European countries including Austria, Hungary, Greece, Cyprus and Italy. Relations with Germany and France have strained as a result of Russia's policies in Ukraine and its reluctance to implement its part of the Minsk Agreements, but businesses from both countries have significant interests in Russia and oppose U.S. extra-territorial approach to new Russia sanctions. The European Commission also spoke strongly against U.S. threats to impose sanctions on European companies, which violate U.S. sanctions on Russia.

The Nordstream-2 project, which aims to bring Russian gas directly to Germany from Russia, thus cutting out Ukraine and several central European states from the transit of Russian gas, will be the ultimate test of transatlantic unity over Russia sanctions. Congress explicitly included Nordstream -2 on the U.S. sanction list, while German leaders remain committed to the project. Chancellor Merkel has recently modified Berlin's position by linking Nordstream-2 to the continuation of Russian gas exports to Ukraine, but she showed no appetite to shelving the project all together. U.S. plans to expand its LNG exports to Europe as a way to enhance Europe's energy security and reduce Europe's dependency on Russian gas is welcomed by many Central Europeans on geo-political grounds, but it remains significantly more expensive than Russia's pipeline gas and therefore is unlikely to displace Russia from Europe's energy market any time soon.

U.S.-Russia Relations: Western Sanctions and Energy Factors

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Hydrocarbons Keep the Russian Economy Going

The Russian economy is not in a major crisis. At the moment, the growth rate is about 2% and it is expected to stay at that level for the foreseeable future as well. Learning from the collapse of the Soviet Union, the Russian elite has secured reserve funds for the falling oil prices. They have linked the currency rate to the price of oil to keep the state budget stabilized in all conditions. However, hydrocarbons remain both the blessing and curse of the Russian economy.

Diversification of the Economy is the Major Problem for Russia

Only 1.6% of the population is working in the energy sector, which is the main contributor both for export and for the state revenues. From the start, diversifying the economy was a major goal for President Putin. A diversified economy would serve several interests. It would generate the financial resources necessary for modernizing the state and society, including key infrastructure, plus state institutions responsible for the welfare and education systems, while it would also bolster Russian foreign policy influence, its security services, military capability, as well as its identity and culture. The initial choice of Putin's government was to pursue these wide-ranging state and societal interests by means of developing the fossil fuels sector. Thereafter, fossil fuels have been central to many visions for Russia's development. Ten years ago, Russia had plans to contribute 10% of U.S. energy needs. When fracking technology became profitable enough, non-conventional hydrocarbons brought the U.S.

onto the international arena, no longer as a buyer but as a significant energy producer. Russian plans did not come true, and commerce between the U.S. and Russia remained marginal. At the same time, the U.S. appeared to the European market as a competitor to Russia.

Between the U.S. and Russia, there is no economic interdependence. However, for many other countries the constellation is more complex and Russians see that the exports of fossil fuels can support foreign policy influence. Some Russian politicians have an old joke about Russia having only two allies, the army and the navy; but now the allies have turned into gas and oil. However, efforts to exert influence can have unintended consequences since Russian actors can only to a limited extent control the international structures through which Russia conducts its energy diplomacy, or the domestic structures within the target countries. The Russian capacity to exert foreign policy influence through the trade of fossil fuels varies not only from case to case but between markets, target countries, and product segments – be they oil, oil products, natural gas, or Liquid Natural Gas. Moreover, issue-, project, and policy-specific differences exist within Russian conduct.

The Russian government has also sought to diversify the economy by supporting the non-fossil fuel sectors. Many observers associate the diversification aim with the presidency of Dmitry Medvedev (2008-12). However, the policy planning for diversification started already in the early 2000s when part of the Russian elites called for such a shift. Putin himself referred to diversification in 2005 and 2006. Although the fossil fuels-based choice and

the income generated enabled the diversification policies in the first place, a question prevails as to what extent it can co-exist with aims to diversify the economy. On the one hand, the export of oil in particular was the primary generator of wealth in the 2000s in Russia. On the other hand, overreliance on natural resources in middle-income economies of Russia's type is often associated with weak long-term growth, unequal distribution of income and wealth, and weak institutions. Diversification, in turn, usually emerges as a means to widen the range of industrial capacities and hence create new areas of specialization and competitive advantage, functioning as alternative sources of future growth.

Sanctions Do Matter

Whatever Russians say, the sanctions matter. They do not jeopardize the whole of Russian economic development but they affect the financial and technological conditions of the energy sector. With new energy resources being taken into use in demanding conditions in the Arctic and Far Eastern regions, including offshore fields, Russian actors have become more heavily dependent on western technology, equipment, and expertise – from roughly 30-50% of technology dependence across the entire industry to 80-90% in the new energy provinces. As the sanctions of 2014 targeted precisely such frontier oil-exploration technologies, Rosneft and Gazprom's oil arm, Gazprom Neft, had to continue developing this expertise on their own.

The onset of sanctions has also increased the domestic investment costs. While investments for many new projects consequently stalled, the required new investment came mostly from publicly-owned financial institutions, to replace the foreign investment that had previously accounted for some 70%. However, the simultaneous depreciation of the Russian rouble decreased the domestic cost of producers, while export income remained in dollars. Nevertheless, the state increased the risks to its fiscal interests as it sought to secure the profit interests of companies.

Regarding markets, towards Putin's third term expectations of stagnating demand for Russian oil and natural gas in the main European markets emerged, owing to the plans of European Union area customers to diversify their supplies away from Russia over the long term and to replace fossil fuels with domestic renewables by around 2050. The gradual re-orientation of Russian production to the Arctic, eastern Siberia, and Sakhalin Island, and the geographical diversification of exports towards Asia that this enables, will not dissolve the problem of tightening competition. LNG from the U.S. and Australia, as well as piped natural gas from Myanmar are now entering the Asian markets. Unconventional oil and gas production may also start in Asia. Nevertheless, from 2007/8 to 2013/14, Russian oil and gas exports to China and the rest of Asia more than doubled.

Sanctions Also Have Unintended Results: Import Substitution

However, the sanctions have also unintended results. To support the domestic industry and production while reducing Russia's dependence on imports the government launched a high-profile import-substitution policy in January 2015. This policy is allegedly the largest-scale program of industrial recovery since the Soviet era. It is also a measure for bolstering Russia's economic sovereignty interest when tensions prevail with the West and Russia's economic growth is sluggish. This policy envisages the implementation of 2,059 projects in 19 branches of the economy between 2016 and 2020. Its cost estimate is 1.5 trillion roubles, of which only 235 billion roubles are to come from the federal budget.

Russians have mixed feelings about this policy. In a recent poll, the majority of Russian civil servants (79%) consider this policy reasonable, given the external structural constraints. At the same time, they note the forced and belated nature of this program, its limited funding, and the timescale for reforming regulation and its implementation. In fact, the evaluation of this program is still pending. A balanced assessment of the import substitution policy requires several years of monitoring,

given the long production cycles in manufacturing and the financial constraints, including exchange rate volatility and high interest rates. For example, enterprises choosing this difficult path cannot cover the required 20% of the investments, given the high refinancing rate of the Central Bank.

The Most Important Unintended Effect: Russia is Giving Up on China

Western sanctions have also significant foreign policy implications. Russia is going to give up trying to have a coalition with China in international relations. In order to understand why this is the case it is essential to acknowledge the “frames” of the global political system after the Cold War. Both Russia and the West have several frames in contemporary international relations. One major problem is that the frame is not necessarily the same for the other part of the interaction. The concept of frame highlights to us that we are here dealing with forms of interaction rather than the approaches of individual states. The frame is not merely ideology, since it comprises real actions and practices, as well as expectations about the other players. Russia is not alone in the world and it is not an omnipotent player able to control the reactions of the others. The three frames simultaneously existing in international relations are the following:

- Continuation of the Cold War
- Power struggle between multipolar great powers
- Consensual international integration based on multilateral organizations, agreements and common interest in avoiding risks.

Ever since the Georgian War we have heard louder voices echoing the Cold War. In the West, several scholars and politicians make the distinction between “democratic capitalism” and “authoritarian capitalism”. Russia and China are seen as the main representatives of the latter. In Russia, the Shanghai Cooperation Organization (SCO) is displayed in the media as a potential global player challenging NATO. These voices on both sides should not be understood as mere rhetorical reactions. In fact, on both sides of the

former Cold War, adversaries show a real tendency to fall back into the trenches of that time! In this frame, the other is seen mainly as the enemy and any interaction is defined as a zero-sum game. However, in this frame the most significant resources are material and extremely “hard”. As we know, both the U.S. and Russia have a vast arsenal of strategic nuclear weapons: ballistic missiles, submarines, and airplanes mobilized for action within minutes. Former U.S. Defense Secretary William J. Perry has been warning several times that “We will start a new Cold War. As a dream walker we are walking towards new nuclear rearmament competition ... Neither we, nor the Russians or anybody else is able to understand what we are doing”.

Yet within this frame, Russia alone is no more able to challenge the West. The entire Russian gross domestic product is smaller than the U.S. military budget. The real challenger of the U.S. is already China, with the second largest military budget in the world. Ever since the NATO enlargement started, Russia and China have been developing the SCO as a military alliance in continuation of the Cold War frame.

On the one hand, NATO is a strong military, alliance that is seen particularly in “New Europe” as a defense force against Russia. On the other, for the Russian military NATO is still the most significant threat approaching Russian borders. The more the Cold War frame dominates international relations, the more military structures will be determining Russian reactions. This is not yet the only frame but, in fact, the nuclear deterrence still defines the limits of conflicts escalation in the contemporary world.

The Sphere of Interest Game is a Real Thing

Another frame in international relations is the power struggle between great powers in the world. In the nineteenth century, this frame was the dominant one. In those days, during the “symphony” of international relations Russia often played a major part as a conservative stabilizing force. It is no wonder that in the era

of Russian conservative ideological restoration, many Russian politicians would like to see the contemporary “multipolar world” in this light. They are hankering after lost empire. China shares the idea of multipolarity with Russia. In this frame Japan, India, Brazil, and Indonesia would also be rising powers challenging the U.S. hegemony. After the Cold War, many processes and incidents in international relations can be interpreted in this context. For Russian foreign policy this frame emphasizes the “sphere of interest” that is comprised of the area of the former Soviet Union.

What We Have Witnessed in Ukrainian Crisis is Integration Conflict Turning into a Sphere of Interest Conflict

As far as Europe is concerned, the European Union is a major factor in the integration game. However, if we look more closely, the lessons of the Ukrainian conflict, the problem was that integration competition somehow turned into a conflict concerning spheres of interest.

Even if Russia is not comparable to U.S. or China in global economic power, the Eurasian Union is the Russian instrument of integration and the sphere of interest game. In the former Soviet region, Ukraine has the most significant economic potential. Before the crisis in 2014, Russia was a bigger economic partner for Ukraine than the whole EU. However, Russia really wanted to get that country integrated into the Eurasian Economic Union (EAEU). The Ukrainian crisis emerged out of the confrontation of the two Unions. Who caused this constellation of mutually-exclusive choices between the two Unions in Ukraine has been

debated among the scholars. Anyhow, when Ukraine seemed to be excluded from the EAEU, Russia started to reinforce its sphere of interest by military force.

The Ukrainian crisis has pushed Russia towards China. Russian foreign policy has now only one wing, Dmitri Trenin has said recently. Within the Eurasian Union, Russia has been very flexible towards the wishes of other participants in order to keep them on board. This has made the EAEU a kind of ‘clientelist’ form of integration, in which the political dimension is more significant than the real economic benefits. At the same time, an ideological tone has grown stronger, linking the Union with the strange and multifaceted ideology of Eurasianism. Even Nusultan Nazarbajev has recently echoed the weird ideas of ‘superethnos’ and ‘passionarnost’ as the specific cultural code of the EAEU nations. These concepts are from a rather strange Russian ideology from 1920’s called ‘Eurasianism’. This discourse is becoming more popular in contemporary Russian conservative turn. The message is that the nations in EAEU represent ethnicities that are more energetic and passionate than the others. The latter comprising especially morally degraded West. Many scholars in international relations are apt to see only one of the frames in the post-Cold War international system. This explains the variance in evaluations. However, if we were to accept the fact of several frames, we should put the questions concerning Russia on a multilevel approach. Europe should be able to eliminate the perspective of Cold War return, and put the power political game into the consensual frame. Pacifying Russia is the challenge for our generation.

How Russia Survived Sanctions

Christopher Miller

Assistant Professor of International History
The Fletcher School of Law and Diplomacy
Tufts University

When Americans discuss Russia's economy, words such as corruption, kleptocracy, and petrostate dominate the conversation. This misses the point. Anyone with even a passing knowledge of Russia knows that the country is badly governed. But the interesting question is not why Russia's economy is run inefficiently. It is how—after four years of low oil prices and economic sanctions—the Kremlin is doing so well.

Of course, concepts such as corruption and petrostate get much right. Russia's rulers are corrupt. Former spies and secret agents dominate not only the government, but business, too. Oil and gas play as large a role as ever in Russia's economy. But despite the corruption, despite the inefficiency, Russia has survived four years of war and sanctions mostly unscathed. It has waged war in Ukraine and Syria. It has imposed counter-sanctions on Western food producers and on Ukraine. Putin recently won re-election (flawed though the election was) with two-thirds of the vote. Russia's elite is, broadly speaking, united around him. How did Russia manage this? Faced with Western sanctions over its nuclear program, Iran made concessions and cut a deal. Even North Korea appears at least partially responsive to sanctions, and in the past has proven willing to cut a deal in exchange for sanctions relief. Russia has, at least so far, proven relatively immune to economic pressure.

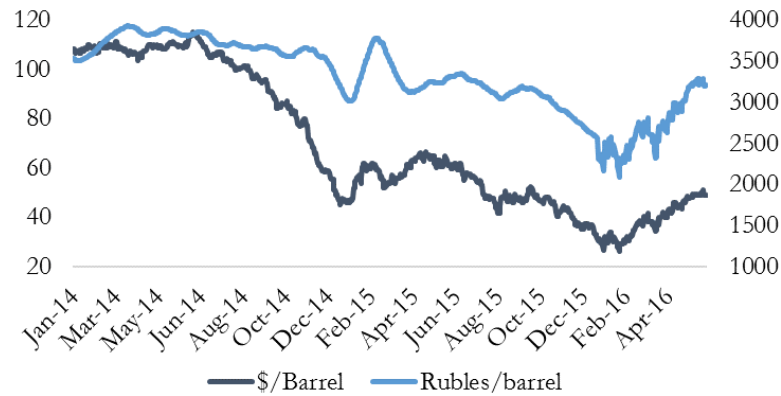
How has Russia managed to survive sanctions? First, it prioritized macro-economic stability, keeping its government deficit low.

Second, it pushed the cost of adjustment onto the population by devaluing the ruble. Third, it bailed out sanctioned firms via the banking system. Thus far, the system has worked. The Kremlin has retained domestic control and foreign policy independence. It has not been forced to compromise with the West.

Start with macroeconomic stability. Russia has prioritized macroeconomic stability—limiting deficits, keeping government debt levels low—since Putin took power. The entire generation of people who rule Russia suffered through two financial crises during their formative years, first in 1991, when the Soviet Union collapsed, and again in 1998. Russia's rulers are committed to macroeconomic stability because they personally understand the costs.

Even well-governed countries struggle to manage their economies responsibly. Oil-soaked autocracies manage less well than most. Try this thought experiment: Imagine an oil-dependent country in 1999, in which a young lieutenant colonel took power, committed to using the security services to bolster his power. Such a country exists in Russia (Putin was a Lieutenant Colonel in the KGB) but also in Venezuela (Chavez had been a Lieutenant Colonel, too.) It is worth reflecting on their differences. Putin's economic successes are often credited to oil prices, yet commodity price swings alone cannot explain what differentiates Russia from Venezuela. Where Venezuela spent recklessly, Russia saved, paying down debt and accumulating reserves.

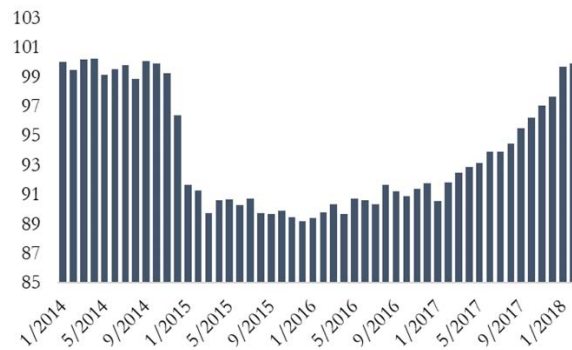
Oil Price: Dollar versus Ruble



When Russia entered the current crisis in 2014—facing falling oil prices and Western sanctions—it stuck with the Putinomics playbook. The Kremlin kept its budget deficit low, and as a share of Gross Domestic Product it peaked at 3.4%—significantly lower, as a share of GDP, than America’s budget deficit will be in 2018. Russia balanced its budget via the second part of its crisis response, a sharp ruble devaluation that pushed the cost of adjustment on to the population. Roughly half of Russia’s government revenue is funded via taxes on oil and gas, which is priced in dollars on international markets. Nearly all of Russia’s

government spending—salaries, pensions, and the like—occurs in rubles. Russia cannot control the price of oil, nor can it control how much oil it pumps. The Kremlin can, however, control the ruble price of oil. Letting the ruble fall against the dollar means that the Kremlin gets more rubles for each barrel of oil it taxes. Though the price of oil collapsed in 2014 and 2015, the Kremlin let the price of rubles collapse too. Thus it received roughly the same number of rubles at the end of 2015 as it had in early 2014 [see chart 1]. Its budget, as a result, was not far from being balanced.

Russian Real Wages, 2014=100



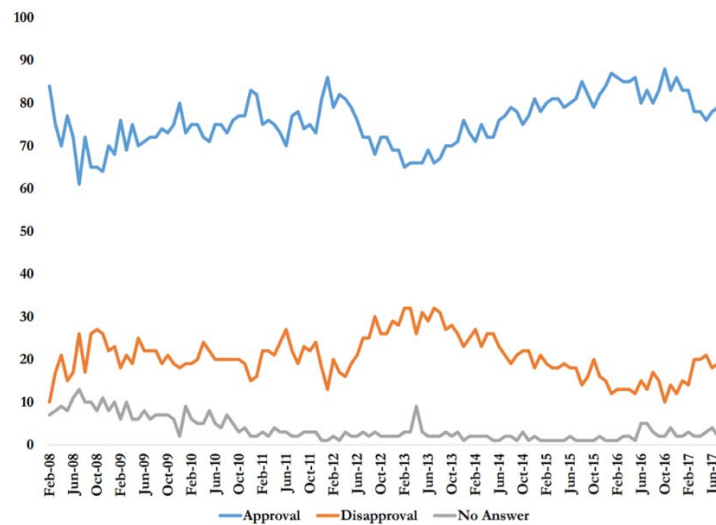
Devaluing the ruble achieved the government’s goals. The Kremlin retained the financial flexibility it needed. But it was not

costless. Ruble devaluation saved the budget by shifting the cost onto the Russian people. Imported goods, priced mostly in dollars or in

euros, became far more expensive in ruble terms. As import prices increased, inflation shot upward. Yet Russians' incomes didn't increase, so they became poorer. Inflation-adjusted incomes fell by over 10% at the nadir of the crisis—a level that, if it was experienced in the U.S., would bring the population onto the streets with pitchforks in hand. Yet Russians have not mobilized in opposition to the government's decision to make them bear the cost of the crisis—at least, they have not mobilized yet. By every metric we have, Russians approve of

Putin's activities in office. Public opinion polls say that at least 80% of Russians approve of his work. Political scientists who have researched the polling data say the true number may be closer to 70%. Either way, it is a far higher approval rating than what you might expect after a painful economic crisis. There have been no significant protests about wages, and hardly any strikes. Thus the government has no incentive not to make the population pay the cost, and to keep its own budget balanced.

Percent of Russians Expressing Approval and Disapproval of President Putin



After the 2014 sanctions, Russia not only had to distribute the cost of adjustment—doing so on the backs of the populace—but it also had to bail out specific firms. The Kremlin chose to do this via the banking system. Rather than handing out cash directly to sanctioned firms, a policy that risked attracting attention from Russians who believed that they, too, deserved help, the Kremlin hid its bailouts in the banking system. In the year after sanctions hit, several new, privately-owned banks grew rapidly, borrowing dollars from Russia's central bank, and using this funding to provide loans to sanctioned firms. Thus even Russia's most heavily leveraged firms that were under sanctions survived. Since then, most of the banks that grew rapidly in 2014 and 2015—

largely by lending to sanctioned firms—have gone bankrupt. Taxpayers have picked up the tab. Yet because this bailout—of banks, but also of the sanctioned firms that they lent to—was disguised via bank loans, few Russians understood, and fewer still complained.

After the U.S. decision to impose new sanctions on several Russian oligarchs and firms in April 2018, many analysts have asked whether Russia has the capacity to withstand a new round of sanctions. Yet so long as Russia's population remains docile in face of falling incomes, there is no reason to think that the Kremlin cannot repeat its 2014 playbook. It would take far more serious sanctions to drive Russia's economy toward a crisis deeper than that of 2014. Sanctioning Russian sovereign debt

issuance might have that effect, or cutting it off from the Swift international payments system. Yet the more that Russia's economic problems are directly caused by U.S. sanctions—as opposed to Putin's mismanagement—the easier it is for the Kremlin to blame economic problems on the West. Sanctions have imposed a significant long-term cost on Russia's economy, deterring investment and modernization. But the Kremlin has been willing to bear the cost. And the Russian people have been willing to let the Kremlin stick them with the bill. Until they start complaining, the Kremlin will have the foreign policy flexibility it needs.

U.S.-Russia Relations: Policy Challenges in a New Era

Agenda

May 29-June 3, 2018
Helsinki, Finland and Tallinn, Estonia

MONDAY, May 28:

American participants depart the USA

TUESDAY, May 29:

All participants arrive in Helsinki

Dinner with Speaker

U.S.-RUSSIAN PERSPECTIVES: A VIEW FROM HELSINKI

Sauli Niinistö, President of Finland

Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the opportunities, challenges and potential solutions regarding U.S.-Russia relations.

WEDNESDAY, May 30:

INTRODUCTION AND FRAMEWORK OF THE CONFERENCE

*Dan Glickman, Executive Director,
Aspen Institute Congressional Program*

Roundtable Discussion

U.S.-RUSSIA RELATIONS: WHAT IS AT STAKE, WHAT IS POSSIBLE, AND WHY IT MATTERS

U.S.-Russia relations are at their lowest point in decades, comparable in some respects to the tensest years of the Cold War. Washington accuses Moscow of meddling in the 2016 U.S. election, attempting brazen attacks on U.S. and European targets, and undermining peaceful resolution of the Syria and Ukraine conflicts, and the North Korean nuclear standoff. A collapse of diplomatic relations has brought mutual expulsions of diplomats and shuttering of consulates, while both sides accuse each other of violating arms control agreements, and both are developing and deploying new military capabilities aimed at one another. Are the US and Russia set on an inevitable “collision course” in their respective foreign policies, dictated by divergent national interests and worldviews, or is the current impasse more a function of specific policy disagreements and clashes of personalities and institutions?

- How do Russians define their national interests, and how do they see their role in the world?
- How do Russian domestic politics shape Russia's view of the United States?
- Why does Russia matter for U.S. national interests? Is it a threat?
- What are the risks of continued or deepening U.S.-Russia conflict?
- What U.S. policy approaches are likely to lead to an outcome where Russia is less of a threat and/or adversary?
- Are there prospects for improving the U.S.-Russia relationship? What are our common interests?
- How can the U.S. and Russia manage conflict in the cyber domain, including the fallout of Russian election hacking in 2016, and the risks for 2018?
- Social media has driven a transformation in the global economy and in democratic politics. How can freedom of expression and innovation be protected while deterring states from abusing social media to wage information warfare?
- How does the U.S. Congress (and the Russian Duma and Federation Council) engage on U.S.-Russia relations? Which have been the most significant impacts of legislative action on the relationship?
- Are our current formats for official, second track and unofficial engagement adequate? Are other arrangements needed to manage this relationship?

John Beyrle, former U.S. Ambassador to Russia
Robert Legvold, Professor Emeritus in the Department
of Political Science, Columbia University, New York
Matthew Rojansky, Director, The Kennan Institute, The Wilson Center
Dmitri Trenin, Director, Carnegie Moscow Center, Moscow

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding Russia.

Individual Discussions

Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include John Beyrle, Robert Legvold, Matthew Rojansky, and Dmitri Trenin.

Pre-Dinner Speaker

A RUSSIAN PERSPECTIVE ON THE U.S.-RUSSIAN RELATIONSHIP

Sergey Kislyak, First Deputy, Foreign Relations Committee,
Russian Federation Council, (former ambassador to the U.S.) Moscow

Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Discussion will focus on the key policy issues at stake in U.S.-Russia relations and their importance.

THURSDAY, May 31:

Roundtable Discussion

U.S.-RUSSIA TENSIONS OVER NATO, EUROPEAN SECURITY, UKRAINE AND THE BALTICS

The fighting in Ukraine has become the latest and most costly failure of the Euro-Atlantic and Eurasian security architecture since the end of the Cold War. More than 10,000 have been killed, and millions have been displaced, with the damage to infrastructure and economies reaching into the hundreds of billions of dollars. Russians argue that rapid enlargement of NATO and the EU over two decades has demonstrated the West's indifference to Russian concerns and objections, while U.S. allies in the region identify Russia as an acute threat to their security, and point to Russia's intervention in Ukraine as proof of Moscow's aggressive intentions. Does an "America First" approach lessen the U.S. commitment to NATO?

- What is the risk of military conflict between Russia and NATO?
- How do European states closest to Russia (the Baltics, Poland, and the Black Sea region) think about their own security and the broader problems for the region?
- What is the motivation for Russia's policy in Ukraine? How does it see U.S. and European involvement in Ukraine?
- Can the Minsk agreements be salvaged as a framework for managing and resolving the Donbas conflict?
- How can Russia's behavior be modified? What U.S. policies are likely to help lessen the Russian threat?
- Are U.S. and EU policies likely to aggravate Russia's aggressive tendencies or reduce risks of Russian interference in the former Soviet space?
- What are the prospects for the dispute over Crimea? Will this be an indefinite obstacle to productive relations between Ukraine and Russia, and between Russia and the West?

Vasyl Filipchuk, Senior Advisor, International Center for Policy Studies, Kiev
Kadri Liik, Senior Policy Fellow, European Council on Foreign Relations, Tallinn
Olga Oliker, Director, Russia and Eurasia Program, Center for Strategic & International Studies

Roundtable Discussion

NUCLEAR WEAPONS, PROLIFERATION, CYBERSECURITY AND STRATEGIC STABILITY

Russia and the United States possess over 90% of the world's nuclear weapons, and each has the ability to destroy the other in less than one hour. Presidents Trump and Putin have discussed the U.S.-Russia nuclear relationship and have dispatched officials to hold initial talks, but a return to major bilateral arms control negotiations now seems unlikely. The sides accuse one another of violating the 1987 INF treaty, and both are committed to significant modernization investments in their nuclear arsenals. Russia views rapidly advancing U.S. anti-missile defense, space weapons, and high precision conventional weapons as game changers, and the U.S. is deeply concerned about Russia's defense doctrine, which apparently lowers the threshold for nuclear use in case of conflict.

- Is it necessary and if so, is it possible, to save the nuclear arms control regime?
- How does each side think about "stability"? Is a strategically stable relationship between nuclear powers desirable, or even possible?
- What's the significance of the relationship between offensive and defensive capabilities (such as Ballistic Missile Defense), and between nuclear and non-nuclear capabilities (such as space, cyber, long-range precision strike)?

- Does either side view nuclear first use as legitimate? What is meant by the “escalate to de-escalate” doctrine?
- How does each side see the threat from North Korea’s ongoing nuclear activities? If the Iran nuclear deal collapses, how is Russia likely to respond? What can be done to address these threats?

Andrey Baklitskiy, Consultant, PIR Center, Moscow

*Desmond Browne, Member of the House of Lords,
former UK Defence Secretary, London*

*Elaine Bunn, former Deputy Assistant Secretary of Defense
for Nuclear and Defense Policy*

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding Russia.

Individual Discussions

Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include Andrey Baklitsky, Desmond Browne, Vasyl Filipchuk, Kadri Liik, Olga Oliker, and Elaine Bunn.

Working Dinner

Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Scholars will discuss with members of Congress their perspective on the challenge of arms control, and the role of NATO, Ukraine and the Baltics in the context of U.S.-Russia relations.

FRIDAY, June 1:

Roundtable Discussion

WESTERN SANCTIONS AND ENERGY FACTORS IN U.S.-RUSSIA RELATIONS

Under pressure from low energy prices and Western sanctions, Russia has seen a significant real GDP decline and a collapse of the Russian stock market since 2014. Yet in 2017, the Russian economy was set to grow by around 2%, and Russia’s government has not suffered anywhere near the negative political consequences that many Western experts predicted at the start of the recent downturn. Although ordinary Russians resent corrupt officials and oligarchs, they do not seem to associate flat or declining wages and living standards with their own government’s policies, and Mr. Putin has remained popular going into his fourth presidential term of six years.

- What is the current state of the Russian economy? What is the state of the federal budget? Is Russia in recession?
- How does the state of the Russian economy influence Russian domestic politics and foreign policy?
- Is Russia a state in decline or a rising global power? How does this reality constrain or drive Russia’s aspirations regarding its role in the world?
- Is Russia effectively isolated as a result of Western sanctions? How has it pursued non-Western economic relationships and developed new trading blocs as an alternative?
- What are Russia’s strongest economic partnerships and how has Russia’s trade progressed in the context of its isolation from the West?

- How accurate are the frequent statements from U.S. leaders of both major political parties that Russia “doesn’t make anything” other than natural resource exports? How dependent is Russia on commodity prices?
- How have sanctions, low energy prices, and structural factors impacted Russia’s economic situation over the past several years? Are sanctions effective to impose significant “costs” on Russia?

Oksana Antonenko, Visiting Fellow, London School of Economics
Markku Kivinen, Director, Aleksanteri Institute for
Excellence in Russian Studies, Helsinki
Chris Miller, Assistant Professor,
Fletcher School of Law & Diplomacy, Tufts University

Roundtable Discussion

POLICY REFLECTIONS (MEMBERS ONLY)

Members of Congress will reflect on the previous discussions and offer their ideas for policy implications.

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding Russia.

Individual Discussions

Members of Congress and scholars meet individually to discuss U.S. foreign policy. Scholars available to meet individually with members of Congress for in-depth discussion of ideas raised in the morning and luncheon sessions include Oksana Antonenko, Markku Kivinen, and Chris Miller.

Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Scholars will discuss with members of Congress their perspective on the purpose and effectiveness of western sanctions against Russia, as well as the role of energy in the U.S.-Russia relationship and its policy implications.

SATURDAY, June 2:

Transit to Tallinn via Ferry with On-Board Briefing

THE BALTIC FACTOR IN U.S.-RUSSIA RELATIONS

Matthew Rojansky will lead a briefing in a private area on the ferry for Members of Congress to provide analysis of the perspective of the Baltic states in U.S.-Russia relations and implications for U.S. policy.

Matthew Rojansky, Director, The Kennan Institute, The Wilson Center

EDUCATIONAL WALK THROUGH HISTORIC TALLINN

Matthew Rojansky will lead a walking educational visit through historic Tallinn, explaining the country’s historic connections to both Russia and Europe and highlighting its current perspective on policy challenges as a NATO member which borders Russia.

Matthew Rojansky, Director, The Kennan Institute, The Wilson Center

Working Luncheon

Discussion continues between members of Congress and scholars on the challenges for the U.S. policy regarding Russia.

*Remarks by the Prime Minister of Estonia (*Members of Congress only)*

A BALTIC VIEW OF U.S.-RUSSIA RELATIONS

Jüri Ratas, Prime Minister of Estonia

Return to Helsinki via Ferry

Working Dinner

Scholars and members of Congress will explore topics covered in the conference. Seating is arranged to expose participants to a diverse range of views and provide opportunity for a meaningful exchange of ideas. Scholars and lawmakers are rotated daily. Scholars and members of Congress will reflect on the discussions and analysis of the past four days to reach conclusions for the most appropriate policies for U.S.-Russia relations.

SUNDAY, June 3:

Participants depart Helsinki

Resource Scholars:

Arkady Moshes, Program Director, Finnish Institute of International Affairs, Helsinki

*Katri Pynnöniemi, Assistant Professor of Russian Security Policy,
Aleksanteri Institute, University of Helsinki, Helsinki*

U.S.-Russia Relations: Policy Challenges in a New Era

Participants

May 29-June 3, 2018
Helsinki, Finland and Tallinn, Estonia

Congressional Participants

Representative Don Beyer
and Megan Beyer

Representative Earl Blumenauer
and Margaret Kirkpatrick

Representative Susan Davis
and Steve Davis

Senator Dick Durbin
and Loretta Durbin

Representative Elizabeth Esty

Representative Jeff Fortenberry
and Celeste Fortenberry

Representative Nita Lowey
and Steve Lowey

Representative Mark Meadows
and Debbie Meadows

Representative David Price
and Lisa Price

Representative Mike Quigley
and Barbara Quigley

Representative Tom Rice
and Wrenzie Rice

Representative John Sarbanes
and Dina Sarbanes

Representative Jan Schakowsky
and Robert Creamer

Non-Congressional Participants

Oksana Antonenko
Visiting Fellow, London School of Economics
London

Andrey Baklitskiy
Consultant, PIR Center
Moscow

John Beyrle
Former U.S. Ambassador to Russia

Desmond Browne
Member of the House of Lords
Former UK Defence Secretary
London

Elaine Bunn
Former U.S. Deputy Assistant Secretary of
Defense for Nuclear and Defense Policy

Vasyl Filipchuk
Senior Adviser, International Centre for Policy
Studies
Kiev

Markku Kivinen
Director, Aleksanteri Institute for Excellence in
Russian Studies, University of Helsinki
Helsinki

Sergey Kislyak
First Deputy, Foreign Relations Committee,
Russian Federation Council
Former Russian Ambassador to the U.S.
Moscow

Robert Legvold
Professor Emeritus,
Department of Political Science
Columbia University

Kadri Liik
Senior Policy Fellow
European Council on Foreign Relations
Tallinn

Christopher Miller
Assistant Professor of International History,
Fletcher School of Law and Diplomacy
Tufts University

Arkady Moshes
Program Director
Finnish Institute of International Affairs
Helsinki

Sauli Niinistö
President of Finland

Olga Olikar
Director, Russia and Eurasia Program
Center for Strategic & International Studies

Katri Pynnöniemi
Assistant Professor, Russian Security Policy,
Aleksanteri Institute, University of Helsinki
Helsinki

Jüri Ratas
Prime Minister of Estonia

Matt Rojansky
Director, The Kennan Institute
The Wilson Center

Dmitri Trenin
Director, Carnegie Moscow Center
Moscow

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Carnegie Corporation of New York

Betsy Hawkings
Director, Governance Program
The Democracy Fund

Stephen Heintz
President
Rockefeller Brothers Fund

Aspen Institute Staff

Dan Glickman
Vice President, Aspen Institute
Executive Director, Congressional Program
and Rhoda Glickman

Melissa Neal
Congressional Associate
Aspen Institute Congressional Program

Bill Nell
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