Russia Still Matters: Strategic Challenges and Opportunities for the Obama Administration

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Russia’s institution of a ban on American adoptions of Russian orphans, an appalling response by the Duma to U.S. sanctions against officials involved in the Sergei Magnitsky case, was a clear indicator that bilateral relations will assume a lower priority in the next 4 years for both capitals. Russian President Vladimir Putin signed the measure despite open misgivings by some of his own key aides and against the opposition of most of Russia’s civil society. The Russian Internet response was scathing, producing an instant winner for best sick joke of 2012: “An educated American family has decided to adopt a developmentally disabled Duma deputy.”

Despite Putin’s calculated pandering to anti-American sentiment, however, there are important areas of the bilateral relationship where cooperation and improvement are possible. At his last face-to-face meeting with President Barack Obama at the Los Cabos G20 summit in June 2012, for example, Putin suggested both a desire and basis for real cooperation, particularly in expanding the economic aspect of the relationship. Putin’s public signals are mixed, but America remains the most important actor in the world for Russia, and Moscow by no means wishes to put the brakes on its relationship with Washington either in this or in half a dozen other key areas.

Looking beyond the low point in bilateral relations, reached at the beginning of February 2013, Russia will not cease to be important to U.S. policymakers and American geopolitical interests for a number of reasons. The country retains its Soviet-era inheritance of permanent membership and veto power in the United Nations (UN) Security Council, where its cooperation or opposition can prove decisive. The Russian Federation is still the only country in the world that can obliterate the United States with a nuclear strike. This
is not a fading, obsolescent capability. Instead, Russia’s new rearmament program is beginning to resuscitate military challenges dormant since the collapse of the Soviet Union and to upgrade the nuclear arsenal. Finally, cooperation with Russia on nuclear issues of all sorts is crucial to U.S. nonproliferation goals, many of which Russia shares.

Regional developments are altering the security architecture of the world and America’s place in it. In addition, Russia’s accession to the World Trade Organization (WTO) may slowly change the investment climate in Russia and, with passage of permanent normal trade relations, has already opened the door to expanded U.S. access to the Russian market, the sixth (by gross domestic product [GDP] measured by purchasing power parity) or ninth (by nominal market GDP) largest in the world.3 Despite numerous governance shortcomings, Russia’s remaining great power attributes give it the ability to influence events in a number of key regions around the globe:

◆ In South Asia, Russia will be important to the modalities of the International Security Assistance Force troop drawdown in Afghanistan, to the maintenance of any long-term U.S. presence there post-2014, and to the context of U.S. relations with adjoining countries, especially those in Central Asia.

◆ In the Middle East, Russia is maneuvering to play a key role in the Syrian endgame and will be an important player as the P5+14 engage in the next and possibly decisive set of negotiations with Iran over its troublesome nuclear enrichment program.

◆ In the Asia-Pacific region, Russia has set in motion its own pivot and is eager to be a part of the new multipolar security architecture developing as China’s rise continues to evoke a regional response.

◆ In Europe, expanding U.S. exchanges with Russia over the European Phased Adaptive Approach (EPAA) to missile defense will determine the possibilities and shape of any post–New Strategic Arms Reduction Treaty (START) and European theater arms reductions.

◆ In the Arctic, Russia is at the forefront of exploiting the Northern Sea Route for more efficient East-West commerce, has already begun to engage major U.S. business partners to exploit the region’s resources, and has started to focus more expansively on protecting its security interests in the region.

◆ On trade and investment, Putin has set his cap on significantly expanding ties with the United States, which will create more jobs for American businesses that manufacture goods and sell services to the Russian market.

Whether Russia prospers or stagnates politically and economically over the next 4 years, it will still matter to U.S. security interests around the world in critical ways. It will be impossible to isolate or marginalize Russia. America’s interests will continue to be best served by identifying areas of overlapping interests or concerns where Russia’s own self-interests will serve to advance American goals. Ignoring Russia as an irrelevant power has not proved an effective policy, as the 2007–2008 downturn in bilateral relations amply illustrated. Putin’s Russia cannot tolerate being disregarded and is sure to find a way, often a negative one, with which to regain the attention of American policymakers.

Pushing Past the Elections

During much of 2011–2012, resistance to Putin’s return to the presidency and the battle down to the wire in the American elections put bilateral relations on the back burner. The exceptions were forced by intruding crises, especially in Libya and Syria, and by calendar deadlines such as Russia’s WTO accession. Even now, the U.S. fiscal cliff and maneuvering in Moscow over domestic politics will probably keep the relationship on pause a bit longer. Nevertheless, President Obama and the Russian leadership agreed
to positive placeholders on missile defense and business ties at the Nuclear Security Summit in Seoul in March 2012 and during the G20 summit in Los Cabos in June 2012. Despite his endorsement of the Duma’s anti-U.S. adoption bill, Putin has a personal incentive to get back to productive relations with Washington sooner rather than later. The Russian president will not be able to reproduce the vast increases in wealth and standards of living that Russia enjoyed during his first two terms in 2000–2008. That earlier growth spurt came from the sharp increase in the price of oil and a steady restoration of industrial capacity left unused following the collapse of the Soviet Union. If the Russian economy now underperforms, support for Putin could plunge to the single digits in only a few years, the same fate that befell Mikhail Gorbachev in the 1980s and Boris Yeltsin in the 1990s.

The values gap between Russia and the United States, exacerbated by Putin's increasingly repressive policies and the continued absence of true democracy or rule of law in Russia, cannot be ignored. This gap is once more widening after a slight convergence while Dmitriy Medvedev was president and will remain an obstacle to progress in U.S.-Russian relations. Putin personally is much to blame. During the election campaign, he encouraged anti-U.S. sentiment at home to buttress his electoral base. Since then, he has presided over the rollback of the mildly liberal changes of the Medvedev years. Russia is again becoming more rather than less authoritarian. In the long term, Putin may not be able to control how Russian elites use these repressive and poorly defined measures against each other and against Russian society.

Nevertheless, Putin’s anti-Americanism is not blind. He will still be ready for business on issues of overlapping interest. In April 2012, he defended the Ulyanovsk transit point for U.S. and North Atlantic Treaty Organization (NATO) equipment and personnel from Afghanistan. More recently, even after President Obama signed the Magnitsky bill, Putin’s foreign policy aide Yuri Ushakov said the Russian president was looking forward to welcoming Obama to Moscow during the first half of 2013. Putin appears to calculate that Washington’s incentives for dealing with Moscow on specific issues will outweigh its distaste for his domestic politics, which he is not likely to abandon.

Despite obstacles to any U.S.-Russia strategic partnership in the near term, matters of mutual strategic concern will endure. Trust in dealing with Moscow on such issues cannot be negotiated or arrived at by discussion. It can only emerge from a series of interactions resulting in a positive outcome for all parties. At the same time, the lack of values and trust associated with the current Russian administration are not deterministic of future relations. Russian civil society will continue to develop in ways divergent from Kremlin wishes and will pull the Russian leadership along with it—witness the Kremlin twisting back and forth over how to implement the highly unpopular adoption ban. As this happens, the following are issues whose importance to U.S. interests transcends American objections to Putin's regressive domestic policy. These issues will provide ample opportunities for advancing relations between Washington and Moscow over the next 4 years and into—eventually—the post-Putin era.

South Asia: Afghanistan

The challenge for U.S.-Russian cooperation on Afghanistan will be calibrating post-2014 arrangements such that Russia feels assured the American military presence in the region will not be permanent. Moscow opposes permanent U.S. bases, yet worries that the International Security Assistance Force is planning to withdraw too early, leaving its mission undone as well as Russia and its allies vulnerable. Without Moscow’s agreement, it is unlikely that the United States will be able to sustain counterterrorism or intelligence, surveillance, and reconnaissance capabilities in the region. But if the central government in Kabul heads toward collapse as a result, Russia’s and Afghanistan’s other neighbors would again have to scramble to reinforce ties and support their historically favorite factions.

On balance, Russian worries over the potential fragmentation and destabilization of Afghanistan will likely
overshadow concern over the extent of the remaining U.S. presence. Russian support will be important for the maintenance of any significant U.S. military deployment in Afghanistan and future use of the Northern Distribution Network. This network is even more important when factoring in the fragile state of U.S.-Pakistan relations. Any desire to deleverage away from Pakistani supply routes will inherently involve dealing with Russia. Both countries will have to reach an understanding that eases Russian suspicions of long-term U.S. intentions in Central Asia. There is also great potential for U.S.-Russian cooperation in the counternarcotics sphere, a common long-term interest.

For Russia and the United States, Afghanistan will probably be a necessary area of cooperation given long-term mutual security interests. Success would decrease the imperative for Russia to preserve the option of cooperation with Iran against future threats in Afghanistan. But success might also open the door to developments in Central Asia that Moscow would not welcome. It might result in Central Asian leaderships that are open to exploring significant regional cooperation ventures across Central and South Asia, which would reduce Russian influence in the region and call for bilateral relations with individual states. Although the track record since the Soviet collapse has not been encouraging in this regard, a modicum of stability in Afghanistan could have a transformative effect on regional economic integration.

Middle East: Syria

The political outcome of the civil war in Syria will be a key indicator of the fate of the Arab Spring and the regional balance of power. Russia's maneuvering is likely aimed at positioning itself to play a major role in shaping that outcome as an international guarantor of a post-Bashar al-Asad multiconfessional government that is still a largely secular state within Syria's current borders. Putin's apparent gamble is that an Alawite rump faction will survive—with or without Asad still around—and play a constituent part in a power-sharing government. Putin probably calculates that in its weakened state, that rump will have to reach out to Russia and will be dependent on Moscow's good graces in a way that Asad never was before the Arab Spring hit Syria.

Despite Russia's differences with the United States over Syria, Moscow shares with Washington a deep aversion to extremist Islamist regimes coming to power anywhere in the Middle East, to the territorial fragmentation of the existing states, and to another Libya-like outcome in Syria. Moscow realistically knows that Asad could fall—perhaps sooner rather than later—but does not want his ouster to appear as the result of Russian interference or withdrawal of support. Russian leaders are also convinced that Asad's fall would not be the end of the violent struggle over control of Syria because his supporters may simply trade places with the insurgency.

With the Asad regime weakened by defections and the loss of control of territory, Russia will have an increasing interest in working with the United States to dampen the even greater violence the Kremlin fully expects will ensue should the regime totally collapse. Moscow would bring to the table its longstanding contacts in Damascus, especially with the security remnants of the Alawite regime, and Russia's desire to preserve influence in the Syrian capital. At the same time, those remnants of the Asad regime left standing, together with their supporters, will probably reach out to Russia as their international protector.

Iran has been much more deeply involved than Russia in propping up Damascus during the civil war and much more heavily invested than Russia in Asad personally. But Moscow would be able to use its UN Security Council permanent membership and veto power to champion the cause of Asad-regime survivors, something that Tehran would not be able to do. Moreover, if there is to be any international presence in Syria either to secure or enforce stability post-Asad, Russia's UN Security Council vote will prove necessary.

Middle East: Iran

In this connection, keeping Russia on the same page with its P5+1 counterparts in upcoming negotiations over
capping Tehran’s nuclear enrichment program will be critical to their success, and that in turn will be vital to the future of the Non-Proliferation Treaty. The P5+1 need to keep a united front and not allow Iran to think Russia will provide it an escape hatch. This has never been easy since Russia’s approach to Iran has never been either/or but rather depends on shifting balances. However, Moscow’s overlapping but not identical interests with Tehran in both Syria and Afghanistan do not extend to the nuclear enrichment field.

Moscow continues to make clear to Tehran that it is opposed to Iran having nuclear weapons, and it has put its money where its mouth is. Russia is still paying the penalty of lost arms contracts for imposing tough sanctions on Iran in accordance with UN Security Council Resolution 1929 (2010), even going beyond it by breaking the contract for the S-300 air defense missile system. Russian and American success in persuading Iran to cap its nuclear enrichment program could in turn improve the chances of agreement in talks on missile defenses in Europe against the developing Iranian threat.

**Europe: EPAA and Arms Control**

Moscow argues that the EPAA to a potential Iranian threat will undermine U.S.-Russian strategic stability by endangering its own second-strike capability against the United States. Its view is that the “true strategic partnership” that Russia and NATO called for at the Lisbon Summit in November 2010 is only possible if strategic stability is preserved. Although the United States announced that it is abandoning Phase 4 (the most controversial phase), this will not address Russia’s fundamental fears about the missile defense plan—even more so if the change results in a gradual expansion of U.S. missile defenses elsewhere, such as more interceptors and new radars on Russia’s eastern border. Russia is also concerned that the U.S. missile defense program could catalyze China to improve or increase its current offensive nuclear forces with security consequences for both Russia and the West.

Allaying Russian concerns over EPAA through transparency measures and technical cooperation will be critical to future post-New START strategic weapons reduction negotiations. Absent agreed understandings on missile defense in Europe, more negotiated strategic cuts are unlikely. The current numbers are already low from Moscow’s perspective of its need for an assured second-strike capability, and it will have little incentive for new negotiations.

Russia is also unlikely to negotiate on tactical weapons in Europe given its requirement to deter against the conventional superiority of NATO in the West as well as China in the East. Any cuts would be rather one-sided, and the small number of U.S. deployed tactical weapons provides Moscow with little motivation for negotiations. Even if there were mutual incentives for negotiations on reductions of nondeployed or nonstrategic arsenals, these are unlikely to be productive until the missile defense issue is resolved. Progress on missile defense could also improve the atmospherics for productive exchanges on mutual restraint in cyberspace.

There is still ample time to address Russian concerns over EPAA. The official abandonment of Phase 4 changes little since it can be reinstated at any time. As now planned, EPAA’s technical challenge will not begin to emerge until after 2018 with Phase 3 and may never fully materialize. Russia’s primary concerns over Phase 3 deployments are the numbers of Aegis-equipped ships and their areas of deployment. Russia will insist on scaling back the numbers of these Aegis platforms from multiples of 10 to single digits, and limiting their operation to the North and Mediterranean seas. Otherwise, Russia fears that ships operating close to its borders in the Black, Baltic, White, and Barents seas and equipped with advanced SM-3 interceptors will be able to intercept Russian intercontinental ballistic missiles on transpolar trajectories, degrading Russia’s second-strike capability and undermining strategic stability.

Russia’s security establishment fears that without any agreement on transparency and cooperative measures, bureaucratic inertia and technical success could lead the United States to expand its missile defense plans beyond those currently envisioned in the EPAA. The U.S. plan to expand the number of long-range interceptors on the Pacific coast, and to explore a third continental site...
for missile defenses, underscores this concern. This fear is demonstrative of the lasting distrust in the relationship, and the persistence of capability-based planning, but an opportunity exists for cooperation between the two countries. This can only be achieved if missile defense is not dismissed as primarily a political problem. The domestic political environment in the United States and Russia will become less, rather than more, conducive to a political resolution. There are, however, a number of practical and technical measures of cooperation and transparency on missile defense that remain undeveloped but that could address the matter.9

**Asia-Pacific: China**

The rise of China will increasingly present an opportunity for the United States to discretely engage Russia in shaping a new multilateral security architecture, along with all the other countries in the region that fear the emergence of a more nationalistic Beijing. Putin's Russian Federation has ambitions to regain the status of an Asia-Pacific power, which was lost after the collapse of the Soviet Union. Although now frequently overlooked as a potentially significant player in the region, the Russian Empire expanded to Pacific shores in the 1600s. In contrast to the United States, however, Russia is unable to announce any overt “pivot” that could lead to open competition or confrontation with its giant neighbor and will refrain from doing so out of necessity. Putin prefers to stress the “unprecedentedly high level of trust” between Russian and Chinese leaders and the “colossal potential for business cooperation—a chance to catch the Chinese wind in the sails of our economy.”10 These platitudes belie a Russian quest for relevance and strategic independence in the face of its neighbor’s dwarfing economic and military development.

Putin used the September 2012 Asia-Pacific Economic Cooperation (APEC) summit in Vladivostok to underscore Russia’s presence and role in the region. The Russian approach to raising its regional profile, however, is plagued by fits and starts. Many observers have judged the results of the APEC summit as disappointing. Gross venality and criminality led to the squandering and disappearance of billions of rubles allocated to the many high-profile investments in infrastructure for the meeting. The same problems of demographic decline, low investment, corruption, and neglect from Moscow persist and continue to dog development in Primorski Krai and elsewhere in the Russian Far East.11 All the same, the investment of $20 billion into Vladivostok’s infrastructure and surrounding region demonstrated Moscow’s desire to signal the return of Russia’s presence in the Far East.

This region will see increased Russian attention and activity in coming years, and Moscow could develop into a major participant in the emerging multipolar order in Asia. In this context, there is a growing convergence of concern among Russia, the United States, and other Asia-Pacific powers over China’s global ambitions and role in the region. While not shouting it from the rooftops, Russia knows that any cooperation with China inherently relegates Moscow to a junior partner role, and Russian elites believe that China is liable to treat it far more ruthlessly as an inferior partner. “Nothing concentrates minds in Moscow as much as the thought of Russia becoming a raw materials appendage to China,” notes Dmitri Trenin, head of Carnegie’s Moscow Center. “That specter rattles Russian national pride to no end—and it raises very direct concerns about national security.”12

That being the case, the argument is increasingly made that Russia has to make some strategic choices, all involving significant changes in its current approach to realizing its aspirations in the Far East. While Putin stresses the importance of the China connection, others argue that Russia needs to supplement those ties with other major partners in order to succeed. Some point to Japan as a priority in this regard. They urge that Moscow solve the Kuril Islands dispute with Tokyo in order to facilitate Japanese trade and investment in the Russian Far East. This would in effect transform Japan from a historic adversary to an economic partner, as Russia did with Germany. It would also strengthen Russia’s position in Asia vis-à-vis China while not undermining the Moscow-Beijing relationship.13 Another priority could be a more concerted effort to address North Korea’s nuclear weapon and ballistic
missile tests, which are sources of regional instability and could result in further militarization.

**Arctic: Trade, Resources, and Security**

The melting ice cap is already resulting in Arctic sea lanes remaining open longer each year. Increasingly, this will facilitate Russia’s pivot to Asia, both commercially and militarily. In September 2012, the Northern Fleet held an unprecedentedly large, week-long exercise to practice protecting Russia’s interests in the Arctic, including against expected visits by Aegis-equipped ships that Russia fears will pose a threat to its strategic nuclear forces. In November–December, Gazprom sent its first liquid natural gas (LNG) tanker from Norway to Japan via the Northern Sea Route.

As competition from LNG and shale oil and gas enables Europe to lessen its dependence on Russian energy, Russia will be able to use the Arctic sea lanes to transfer increasing volumes of hydrocarbons and other raw materials from Western to Eastern markets. In addition, given the right season, Russia will be able to transfer military assets from its Western military district and Baltic and Northern fleets to the Asia-Pacific region more quickly.

That said, given Russian-held resources and Western extraction technology, the Arctic will be an area of expanding opportunities for U.S.-Russian-European cooperation. Russia does not have the technology to map and explore its own resources properly, let alone extract them. As a consequence, it is turning to Western firms for help. The joint venture that the state-controlled Russian oil company Rosneft signed with Exxon Mobil in April 2012 at Putin’s country residence underscored this dynamic. The two oil giants will spend $3.2 billion in exploring for oil in the Russian portion of the Arctic Ocean and in the Black Sea, and this seed money could grow to $500 billion over the next two decades.

**Trade and Investment**

American business leaders strongly supported congressional passage of permanent normal trade relations with Russia in November following its accession to the WTO after 18 years of negotiations. According to some estimates, U.S. exports to Russia could double to $19 billion in 5 years. With a population of 143 million, the country represents a huge market. The International Monetary Fund estimated its GDP at around $2.38 trillion in 2011, outranked in purchasing power parity only by the United States, China, Japan, India, and Germany.

The global fiscal crisis has served to remind Russia that it is not impervious to external economic shocks. At the Los Cabos G20 summit in June, Putin pushed expanding trade with the United States as his priority for bilateral relations. The need for Western technical know-how and significant investment capital to grow its economy should continue to steer Russia away from lingering Soviet-era delusions of autarky and toward greater integration in the world economy and global economic governance in coming years. Yet rather than evolving or diversifying the economy, Putin’s government appears to be doubling down on Russia’s comparative advantage as an exporter of energy and natural resources to developed countries, although it simply does not have the technology to maximize or make extraction more efficient. Looking to the future, Russia is also eager to explore shale extraction, energy that can only be acquired with methods pioneered by the West.

Continuing Western investment in Russia this past year, even as he encouraged anti-Americanism and clamped down on his civil opposition, has no doubt persuaded Putin that his domestic political stances will not deter profitable foreign investment. However, WTO membership with time should nudge Moscow toward a more transparent and rule-based economy. Were Russia also to make a serious bid for membership in the Organization for Economic Co-operation and Development, this would give the United States and other more transparent advanced economies added leverage to nudge the country toward an improved business climate.

In the shorter run, however, WTO membership will not be without problems. Russia likes to be part of international institutions but often chafes under their rules. Disputes and challenges are already in the works. Nevertheless, while it will be a slow process, WTO’s impact on
Russia’s corruption-riddled and heavy-hand-of-the-state business culture may eventually rival the impact of the Commission on Security Cooperation in Europe (CSCE, now the Organization for Security and Co-operation in Europe) on Soviet politics. Signed in 1975 by Brezhnev, the CSCE provided the legal and political justification for Soviet domestic opposition and pro-reform movements that eventually helped produce Gorbachev’s perestroika thaw and set the stage for everything that followed.

Although Russia’s authoritarian turn has highlighted the obstacles to a genuine partnership with the United States under the current Putin administration, the set of mutual interests and concerns described herein necessitates pragmatic engagement with Moscow. The opportunity exists to expand the current agenda to emerging issues such as cybersecurity and strategic restraint in cyberspace. There is also the potential for technical and defense cooperation with NATO to serve a transformative role to the antiquated strategic stability framework for the current security relationship. But it is more than likely that this confining framework will persist as long as the leadership and system of government in Moscow remain unchanged. In the meantime, Russia will continue to play an important role for U.S. interests and retain a significant influence over regional events.

Notes

1 Russian attorney and auditor Sergei Magnitsky exposed a large fraud and corruption scandal involving Russian officials, the police, and the mafia. He was subsequently arrested in 2008, held for 11 months without trial, and died in prison from lack of medical treatment.

2 Original Russian “Интеллектуальная американская семья возьмёт на воспитание умственно отсталого депутата Госдумы.”


4 P5+1 refers to the five permanent members of the United Nations Security Council plus Germany, namely China, France, Germany, Russia, the United Kingdom, and the United States.

5 For example, on trade, “One of the key tasks on our shared agenda is the expansion of trade and investment relations, which should foster mutual economic growth and prosperity.” On missile defense, “As a priority, we intend to successfully implement the New Strategic Arms Reduction Treaty, and to continue our discussions on strategic stability. Despite differences in assessments, we have agreed to continue a joint search for solutions to challenges in the field of missile defense.” See “[Obama-Putin] Joint Statement,” Los Cabos, Mexico, June 18, 2012, available at <http://ipdigital.usembassy.gov/st/English/text-trans/2012/06/201206187628.html#axzz2HVxm18Xk>.

6 Attached to the bill that gives Russia permanent normal trade relations with the United States, the Magnitsky provision punishes a list of Russian officials believed to be involved in the death of Sergei Magnitsky, denying them travel to the United States and access to U.S. banks.


14 Yaroslav Vyatkin, “It’s Time to Expect ‘Guests’ from NATO in the Arctic,” Argumenty Nедели Online, September 27, 2012, CEP20120928358003.