



Russia's Global Engagement

PONARS Eurasia Policy Perspectives
August 2013

PONARS Eurasia

NEW APPROACHES TO RESEARCH AND SECURITY IN EURASIA

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Cover image:

*Russian President Vladimir Putin, center back, attends a meeting with representatives of the G20 Youth Summit at the economic forum in St. Petersburg, Russia, Thursday, June 20, 2013.
(AP Photo/Anatoly Maltsev, Pool)*

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Foreword

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The George Washington University

This collection of policy memos is based on the proceedings of a May 2013 workshop of the Program on New Approaches to Research and Security in Eurasia (PONARS Eurasia), held in collaboration with the European University at St. Petersburg. The workshop, “Russia’s Global Engagement,” brought together scholars and experts based in the United States and the Russian Federation, as well as Armenia, Azerbaijan, Canada, Estonia, Georgia, and Ukraine. Participants discussed Russia’s international position and U.S.-Russian relations; shifting Russian policies on energy, Asia, migration, and international economics; Syria, terrorism, and arms control; and military reform. We originally published the policy memos prepared for the workshop between April and August 2013, and we are republishing many of them in two collected volumes.

This volume, *Russia’s Global Engagement*, includes sixteen contributions on the nature of Russia’s engagement with the West and rising powers; the deficit of trust that characterizes U.S.-Russian relations; the political economy of energy and Russia’s “pivot to Asia”; and the Syrian conflict.

In **Part I**, *Serghei Golunov* analyzes the strengths, weaknesses, and limitations of Russian “whataboutism,” a strategy of appealing to Western experience to justify undemocratic or unpopular moves and to neutralize Western criticism. *Viatcheslav Morozov* examines the Russian “nationalization of the elites,” a policy that seeks to limit elite connections to the West while underlining Russia’s dependence on the West and its inability to sustain total isolation. *Vladimir Gelman* argues that Russian acceptance of the country’s status as a “C-student” has led to the rise of a “mediocrity syndrome” that contributes to escapism and the rejection of “A-student” ideas and values. *Andrey Makarychev* observes that while chairmanship in international organizations can be a form of soft power, Russia’s priorities in the organizations it chairs are largely inconsistent with or irrelevant to its actual policies or those of other major powers. *Ayşe Zarakol* argues that the “rising powers” literature offers few positive notions about Russia’s future prospects, whether as an “emerging market” or “rising power.”

In **Part II**, *Ed Ponarin* explains why Russian elites and the public-at-large have been shifting away from a pro-American attitude since the early 1990s and why we can expect U.S.-Russian relations to improve only in the long run. *Ivan Kurilla* argues that we can more accurately evaluate the current state of U.S.-Russian relations and find ways to improve upon it by emphasizing points where Russian and American identity and views of history converge. *Mikhail Troitskiy* examines a central aspect of the relationship – the status of the two states as nuclear superpowers – and argues that prospects for nuclear disarmament

depend on the ability of the United States and Russia to critically review and adapt their nuclear postures.

In **Part III**, *Juliet Johnson* questions whether the efforts of Russia, China, and other BRICS states to reinforce economic cooperation and create alternatives to existing international institutions can effectively challenge the status quo. *Vladimir Popov* upholds the developmental logic of reserve accumulation (exchange rate protectionism) practiced by countries like China and Russia as a way to favor investment, exports, and growth at the expense of wages, consumption, and imports. *Gulnaz Sharafutdinova* analyzes the reaction of the Russian government and Gazprom to the “shale revolution” in energy production and highlights the latter’s longer-term implications on Russia’s economy and politics. *Andrew Kuchins* argues that Russia’s “Asia Pivot” requires Russia to deepen its ties with China, especially for the development of its East Asian resources, while it improves ties with a wide variety of other Asian neighbors, including the United States. Relatedly, *Elizabeth Wishnick* analyzes Russian relations with China and Southeast Asia in the context of disputes over maritime boundaries and energy resources and outlines the growing role of Southeast Asia in Russian trade and security policy.

In **Part IV**, *Pavel Baev* explains how Russia has scored more than a few points in the complex diplomatic maneuvering around the Syrian conflict and assesses how regime collapse could change Russian policy. *George Gavrilis* explores lessons that may be applied to conflict resolution in Syria from the international mediation efforts that helped bring the Tajik civil war of the 1990s to an end.

We know you will find these policy perspectives useful and thought-provoking. Many individuals were instrumental in the production of this volume, as well as the organization of the workshop that generated it. We would like especially to thank our colleagues and co-organizers at the European University at St. Petersburg, Vladimir Gelman, Oleg Kharkhordin, Vadim Volkov, and Maria Bratisheva; Managing Editor Alexander Schmemann; Program Coordinator Olga Novikova; Research Assistant Julian Waller; IERES Executive Associate Caitlin Katsiaficas; and IERES Director Peter Rollberg.

PONARS Eurasia is a network of over 90 academics, mainly from North America and post-Soviet Eurasia, who advance new policy approaches to research and security in Russia and Eurasia. Its core missions are to connect scholarship to policy on and in Russia and Eurasia and to foster a community, especially of mid-career and rising scholars, committed to developing policy-relevant and collaborative research.

PONARS Eurasia, together with the George Washington University’s Elliott School of International Affairs, expresses its deep appreciation to the International Program of Carnegie Corporation of New York and the John D. and Catherine T. MacArthur Foundation for their support.

The Kremlin's Compulsion for *Whataboutisms*

WESTERN EXPERIENCE IN THE PUTIN REGIME'S POLITICAL RHETORIC

PONARS Eurasia Policy Memo No. 252

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From time to time, Russian authorities appeal to Western experience for different reasons. While they sometimes do this to signal the need to adopt advanced managerial or other best practices, in many cases they employ such references to neutralize Western criticism and justify undemocratic (and unpopular) moves by pointing to the West's own imperfections. In 2008, the *Economist* labeled this tactic *whataboutism*, and it has become one of Vladimir Putin's favorite rhetorical devices (alongside his denial of a leading role in initiating non-democratic or repressive measures against his opponents). In what ways have references to Western practices been used in Russian pro-governmental rhetoric during the post-Soviet period? What are the strengths, weaknesses, and limitations of such moves? How has the West responded to *whataboutist* Russian claims? These are the key questions this memo addresses.

The Soviet Period and the 1990s

During the Soviet period, positive references to Western experience were generally rare, as official Soviet ideology and propaganda proclaimed the superiority of the socialist system over the capitalist one. When Western opponents harshly and convincingly criticized Soviet reality, Soviet counter-propaganda stressed Western shortcomings in some non-pertinent sphere, such as problems with minority rights in the United States.

The situation changed during the *perestroika* period. It became unfashionable to proclaim the superiority of the Soviet system and fashionable to draw self-deprecating comparisons between Soviet and Western realities in terms of technical achievements, quality of management, treatment of human beings, and so forth. From then on, the perception of Western countries' practices and achievements as generally more advanced than Russia's own became rooted in social discourse, so much so that it has survived until now, despite the pervasiveness of anti-Western rhetoric in the Putin era.

During the 1990s, official references to Western experience were made mainly to criticize Russian deficiencies and to indicate ways for Russian development—basically to encourage audiences that Russia is already close to at least some Western standards. Ironically, some ideas and practices that were borrowed in the 1990s turned out to have a significant anti-Western potential—including classical geopolitics (Zbigniew Brzezinski's *The Grand Chessboard* became a pattern for Alexander Dugin and other

newly emerged Russian adherents of geopolitics to follow), the notion of a “sphere of vital interests” (borrowed from U.S. doctrines and official statements), and a concept of “national security” that focused on numerous perceived threats, some of which were associated to a greater or lesser degree with Western policies or influence on Russia.

Putin’s Regime: The Early Years

During the first years of Vladimir Putin’s presidency, modernizing and pro-Western rhetoric was prevalent in Russian authorities’ references to Western experience. Such rhetoric was sometimes controversial for Russia’s Western partners. This was the case, for example, with Moscow’s attempts to neutralize international criticism of Russia’s human rights violations by equating Russian military operations in Chechnya with U.S. and allied counterterrorist operations.

The turning point came in the middle of the 2000s, when Moscow began to systematically engage in counter-criticism of Western states after the latter began leveling criticism at Russia for its non-democratic practices, particularly regarding human rights violations and political persecutions (of Mikhail Khodorkovsky and others). Alarmist about Western support of “color revolutions” in the post-Soviet space, the Kremlin responded to these occurrences with Vladislav Surkov’s concept of “sovereign democracy,” which posits that Russia should choose its own political model and not copy devices imposed by Russia from outside. However, this rejection of the Western model continues to be combined with statements about Russia’s commitment to that model when it is useful or profitable to the regime. References to Western practices taken out of context have become one of the government’s favorite rhetorical devices to justify non-democratic or repressive moves while rejecting opponents’ claims that Russia is an increasingly non-democratic country.

The Russian government has systematically resorted to criticism of the United States and some EU member states in the global information space. To improve the country’s image abroad, the Kremlin established the international television network Russia Today (“RT”) in 2005. While this channel does not avoid moderate criticism of Russia, it places a major emphasis on harshly criticizing the domestic and foreign policies of the Kremlin’s Western opponents—all with an intent to portray Russia’s problems with democracy and lawlessness as ordinary.

Human Rights and NGOs

Since the mid-2000s, Moscow began to use *whataboutism* rhetoric regarding the torture of terrorist suspects in the U.S.-controlled Abu Ghraib and Guantanamo prisons. Russian authorities used this line of argument despite the fact that in Russia the mistreatment of all types of prisoners is so common that journalists and human rights activists readily applied “Russian Abu Ghraib” metaphors toward especially notorious Russian prisons and colonies.

Initially, Russian official rhetoric did not actively use Abu Ghraib and Guantanamo as Moscow did not want to damage the discourse of Russian-U.S. antiterrorist cooperation. Moreover, at the beginning of the 2000s, the United States had

softened its criticism of human rights violations in Chechnya. Russia's counter-rhetoric hardened over the decade, becoming particularly forceful after the regime placed restrictions against civic activists and opposition members on the eve of the 2007-2008 electoral cycle, provoking Western criticism. Notably, in July 2007, during a press conference for journalists from G8 member states, Putin called himself an "absolute and pure democrat" who "has nobody to talk to after Mahatma Gandhi's death," while accusing the United States of torture, maltreatment of prisoners, and a failure to care about a huge number of homeless persons, and EU member states of the violent suppression of demonstrators.

In October 2007, Putin decided to institutionalize such counter-criticism, announcing during an EU-Russia summit the establishment of the Institute of Democracy and Cooperation to monitor violations of human rights in the EU and the United States. In setting up the Institute, with offices in Moscow, Paris, and New York, Moscow aspired to respond symmetrically to the EU's support of civic activists in Russia. Evidently inspired by Western NGO reports criticizing human rights problems in Russia, the Institute issued a series of annual reports focused on human rights issues in the United States, as well as some reports on U.S. issues like illegal immigration, possession of firearms, and problems of the penal system.

A new rise in criticism of Western states for human rights violations occurred in 2010-12 in connection with the extradition of Konstantin Yaroshenko and Vladimir Bout to the United States, international criticism of the crackdown against Russian opposition protests in 2012, and U.S. sanctions against human rights violators including those suspected of involvement in Sergei Magnitsky's murder. Russia responded not only with official statements but also human rights reports including the Ministry of Foreign Affairs' "About the Situation with Human Rights in Some Countries," echoing U.S. State Department annual human rights reports. The Ministry of Foreign Affairs subjected to criticism the state of human rights in the United States, Canada, some EU member states, Georgia, and human rights violations by the anti-Gaddafi coalition in Libya (not surprisingly, Italy, then headed by Silvio Berlusconi, was not mentioned). In particular, the United States was accused of racial discrimination, xenophobia, unjustified use of the death penalty, and widespread corruption. Another remarkable document was the law "On Sanctions against Individuals Violating Fundamental Human Rights and Freedoms of the Citizens of the Russian Federation" (informally known as the Dima Yakovlev Law), which targeted not only perceived violators but also U.S.-sponsored politically active NGOs and notoriously prohibited U.S. citizens from adopting Russian children.

While resorting to counter-accusations, those in power continued to refer to the practices of Western states to justify the regime's repressive measures. In 2006, after a law was adopted tightening control over NGOs and widening the ground for their compulsory liquidation, Putin told his EU negotiating partners that the novelty fully conformed to EU standards.

In June 2012, as the government's reaction to mass protests against election fraud was toughening, a law was adopted that significantly increased fines for violating laws

governing demonstrations; rally organizers now could be given a heavy fine or compulsory community service. Responding to domestic and international critics, Russian authorities and their supporters argued that these novelties conformed fully to the corresponding legislation of EU member states. While these arguments had some basis in fact, authorities failed to acknowledge that Russian law-enforcement and court practices are far more biased against protesters than those in Western states.

In July 2012, NGOs receiving foreign funding became the next target of the regime's restrictive measures: amendments required NGOs involved in loosely defined political activities to register and label themselves as "foreign agents," an expression that has a strong negative connotation in Russian political discourse. This time, Russian officials pointed to the U.S. Foreign Agents Registration Act (FARA) of 1938. However, FARA covers a far narrower range of cases, specifically lobbying on behalf of foreign countries or other actors, while the Russian amendments were designed to cover any political activities by NGOs receiving any foreign support, such as election monitoring by Golos, which was an irritant to those in power during the electoral cycle of 2011-2012.

Elections

Whataboutism is especially high during Russian elections, which Western states and Western-based election monitoring organizations systematically criticise for being non-democratic and for favoring pro-governmental candidates. While denying these accusations, Russian officials claim that elections fully conform to the highest standards and that countries that criticize Russia commit serious violations themselves. The main target in this case was the United States, which was particularly attacked for the 2000 Bush-Gore presidential elections and the Florida ballot-recount controversy.

Such disputes were especially heated during the Russian electoral cycle of 2011-2012. In February 2012, the head of the central electoral commission, Vladimir Churov, called the Russian electoral system one of the most advanced, open, and trusted systems in the world. By way of comparison, Churov and the Ministry of Foreign Affairs presented reports in autumn 2012 that severely attacked the U.S. electoral system for its indirect system of presidential elections, lack of a single system for voter registration and counting, non-admission of some international observers, and other perceived flaws. In one public speech, Churov said that he was astonished by the insolence of the United States, which tries to teach Russia democratic values while "there are no more poorly organized elections than the American ones." Finally, during a press conference in December 2012, when Russian elections were condemned by Western observers, Putin himself noted that early voting, the subject of one criticism, was actually more widespread in the last U.S. presidential election. Although such statements do contain some facts, they come off as unconvincing attempts to compare apples and oranges.

Kosovo vs. Abkhazia/South Ossetia

Russia was strongly against NATO operations in Yugoslavia in 1999 and the subsequent withdrawal of Kosovo from Yugoslavia's control. Russia was also against the proclamation of Kosovo's independence and its recognition by mainly Western states at the beginning of 2008. Russian officials accused the United States and the EU of using

double standards in recognizing Kosovo while rejecting the independence of Georgia's breakaway regions of Abkhazia and South Ossetia.

Before the August 2008 military conflict with Georgia, Moscow denied that it would use the "Kosovo precedent" to recognize Abkhazia and South Ossetia. However, it did just that one month after the conflict. Responding to some Western states' objections, and emphasizing that recognition should take into account historical and other circumstances, then-President Dmitry Medvedev argued that Abkhazia and South Ossetia were special cases. Moscow thus employed the West's own tactic of recognizing independence based on unique criteria to legitimize its own controversial political move.

The Reaction of the West and Russian Opposition

Western states periodically react to controversial Russian references to their own practices. Yet these objections are usually poorly heard in the Russian information space, as are Russian references in the information spaces of Western states. Western states (like Russia) are generally reluctant to be even slightly self-critical during such disputes even when criticism has some foundation.

For their part, Russian opposition figures are usually highly sceptical of official references to Western practices and suspect that these references herald the introduction of undemocratic or repressive measures. Domestic (especially liberal) opponents of Putin's regime typically try to prove that such references are unfounded. Unfortunately, they are also usually poorly heard in the Russian information space and not very persuasive in refuting pro-government arguments that are based on careful examination of U.S. or EU experiences (as in the case of financial penalties for protesters). Ironically, opposition figures are skeptical even of those references that authorities plausibly invoke to improve management by Western standards. They thus denounce Western-inspired anti-corruption measures (such as official declarations of income) as mere simulation and the introduction of electronic identification cards (as was done in Estonia many years ago) as an attempt to closely monitor Russian citizens.

Conclusion

The tactic of systematically pointing out an opponent's perceived faults without attempting to be self-critical in response is unethical whether in individual or international relations. Russian authorities increasingly employ such tactics, but in doing so they often disregard political and legal contexts, manipulate examples, and arbitrarily cite different countries and practices.

As Russian domestic policy tightens, however, Moscow's references to Western practices and the counter-criticisms it employs to justify this policy have become more detailed and argument-based. An effective response to such criticisms calls for professional analyses of Russian counter-reports and communication of Western responses to Russian audiences. When Russian counter-criticism is just, Moscow's Western opponents should regard it seriously and constructively. The problem is that responding to Russian claims requires a degree of self-criticism, and politicians in Western states may not be so interested to admit policy imperfections that could

degrade their image in the eyes of domestic audiences. Taking this into account, Russian authorities may be able to successfully continue making arbitrary references to Western practices, even as their policies continue to move the country away from Western democracy.

“Nationalization of the Elites” AND ITS IMPACT ON RUSSIAN FOREIGN POLICY

PONARS Eurasia Policy Memo No. 251

Viatcheslav Morozov
University of Tartu

One of the consequences of Russia's recent political foment has been a phenomenon experts have labeled “nationalization of the elites.” The goal of the policy, which Vladimir Putin launched soon after his return to the presidency, was to reduce the odds that public servants and politicians would have multiple allegiances making them less loyal to the Kremlin. The most conspicuous element of the policy has been a recently adopted law banning government officials from owning financial assets abroad and establishing a requirement that they declare all real estate outside of Russia. This has been accompanied by a more infamous crackdown on the liberal part of civil society, perceived as a fifth column acting on behalf of the West.

The “nationalization of the elites” has multiple implications, mostly for the domestic balance of power within the Russian ruling class. This memo addresses the potential foreign policy consequences of “nationalization.” I argue that the phenomenon relies on an intensified hostility toward the West as the main external “other” in Russian identity politics. However, the very intensity of this antagonism points to the fact that Russia is dependent on the West and unable to sustain total isolation. Accordingly, the authorities' harsh rhetoric is primarily a tool for achieving domestic political goals; it does not imply aggressive intentions in the international arena that would truly isolate Russia. That said, spontaneous aggression resulting from a new domestic crisis cannot be excluded.

The West as the Key Security Concern

Throughout the history of post-Soviet Russia, it has not been easy to determine the extent to which the country's elites have been genuinely concerned about the West as a potential security threat, as opposed to using anti-Western rhetoric as a means to achieve other goals. After the mass protests of 2011–12, authorities appear to be taking the Western threat more seriously than ever before. All aspects of Russia's relations with the West are now evaluated through the prism of one overwhelming concern: the survival of the regime, which is perceived to be in danger from outside intervention.

A closer look at the Russian security discourse can illustrate the qualitative change that has occurred in elites' threat perceptions. To begin with, military security is not a top priority. Russian elites might have perceived NATO to be a real threat to post-

Soviet Russia's military security at certain times, in particular after the start of the military campaign against Yugoslavia in 1999. Since then, these fears have abated. The fact that Russia's military planning remains disproportionately focused on NATO as a potential adversary does not constitute sufficient proof that the political leadership perceives the West to be a significant military threat.

Other aspects of security politics are more telling. The Western threat to Russia's standing in international affairs, for instance, has always been more tangible to the Kremlin. Russia's status is jeopardized, in its leaders' view, by Western policies like democracy promotion and humanitarian intervention that undermine the basic principles of the current international legal order.

After Ukraine's 2004 Orange Revolution, "hostile intervention in domestic affairs" moved much higher up the list of potential threats. It was around this moment that "stability" likely came to be equated with the survival and self-perpetuation of the regime. If security concerns previously focused on Russia's status in the international system and alleged Western attempts to undermine this status, now Russian authorities came to view Western intervention anywhere in the world as a step toward regime change at home and, hence, as a direct security threat.

Since the start of the Arab Spring, and especially after the mass protests in Russia, Moscow has further hardened its stance on the principle of non-intervention. Avoiding political change has become an overwhelming concern and taken unquestionable priority over all other political tasks. While authorities viewed the color revolutions as signs of a potential risk to regime survival, urban protests became a symptom of a genuine and imminent threat. Preventing outside intervention has become the main prism through which the Kremlin views nearly all items on the agenda, domestic and international. "Nationalization of the elites," as well as the recent attacks against independent civil society, must also be viewed in this light. Over the last year or so, the ruling elites have also viewed cybersecurity almost exclusively through the prism of domestic politics, the aim being not to secure critical infrastructure but to seal off domestic political space against any attempts to "rock the boat" from outside.

Anti-Westernism as a Strategic Choice

There is no way of knowing how seriously each and every member of the Russian leadership takes the image of the West as potential enemy. The question has no practical significance, however. When Putin speaks about "structures directed and financed from abroad, and thus inevitably serving foreign interests" as a key security concern, this sets into motion a powerful political and institutional dynamic, regardless of whether or not he is being sincere. The adoption of repressive legislation against opposition activists, nongovernmental organizations, and media unfolds independently of anyone's subjective perception. Even if Putin decides one day that he wishes to stop the witch hunt, he might be unable to do it without significantly damaging his reputation in the eyes of his core electorate. But he is in no hurry to call off the attack.

One key indication of this are the ongoing inspections of NGOs, which the prosecutor general's office initiated in late February 2013. The main declared goal of the

inspections was to expose NGOs receiving funding from foreign sources and determine whether they were in violation of the infamous "foreign agents" law adopted in July 2012 and in force since November. The Ministry of Justice, which was supposed to conduct such checks, was not particularly eager to start. Minister Alexander Kononov even declared in January that the "foreign agent" law was unfit for implementation, as it contradicted the basic legislation on NGOs. Then, speaking at the Federal Security Service Board meeting on February 14, Putin explicitly demanded that all regulations concerning NGO activity, "including those related to foreign financing,...must be unconditionally implemented." This was a forceful reminder to the bureaucracy that the typical slipshod attitude to policy initiatives would not be tolerated in this instance.

Measures to establish tougher control over all individuals holding public office may be viewed in a similar light. They cannot be explained exclusively by a desire to assuage the general public's irritation at corrupt elites. Rather, the aim is to make the bureaucracy less vulnerable to instruments like the "Magnitsky list," a travel and asset ban imposed by the U.S. government on Russian officials involved in human rights violations like the prosecution of lawyer Sergei Magnitsky, who died in detention in 2009. While the new measures have led to the resignation of several MPs, the Kremlin really appears to be trying to sever any threads Western manipulators could pull to influence domestic political outcomes.

"Nationalization" in the face of Western interventionism appears to be less a sequence of isolated policy steps than a strategic choice based on fundamental ideological considerations. It stands in sharp contrast to the ideas about "sovereign democracy" and the "nationalization of the future," promoted by then-first deputy head of the presidential administration Vladislav Surkov back in 2005-07. At the time, talk of sovereignty was needed to dismiss Western criticism and to ensure Russia's right to independently interpret universal values. Today, it is a concrete policy aimed at ensuring effective autonomy from all foreign influence.

"Nationalization" as a Search for the Impossible

Even though the Kremlin probably takes its search for autonomy very seriously, one cannot fail to note that it is based on a number of extremely naive assumptions. It completely ignores the interdependent nature of today's world, not to mention the fact that the idea of sovereignty as total freedom in domestic affairs has always been an ideal-type device and not a description of empirical reality.

In Russia's case, these measures are particularly ill-founded, as they presuppose the existence of some kind of substantive "Russian Idea" in need of realization. In his December 2012 address to the Federal Assembly, Putin famously deplored the shortage of "spiritual bonds ... which have always, throughout our history, made us stronger and more powerful, which we have been always proud of." These spiritual bonds in his view are supposed to consolidate society against the hostile outside world.

In reality, however, the search for the essence of "Russianness" ends up either in repression or caricature. Attempts to ground a sovereign Russian identity in Orthodox Christianity are extremely divisive and can ultimately only be sustained by repression.

The Pussy Riot case of 2012 split the country deeper than any event since the 1996 presidential elections. This split has been particularly painful as it relates to many things that people take very personally and consider private – not just their attitude to religion, but also their family life, sexuality, entertainment, and potentially their whole lifestyle.

If the Pussy Riot affair was in many respects a tragedy, the story of the “anti-Magnitsky law” was a farce. Even the initial idea was absurd: ban adoptions and invest in future improvements, leaving today’s generation of orphans with no opportunity for proper care. In the months after the law’s passage, anti-adoption campaigners tried to position themselves on the side of good versus evil, repeatedly accusing American families of deliberately mistreating Russian children and even crying that it would be better for orphans to die in their home country.

From a certain viewpoint, the very logic of “nationalization” demonstrates its political hollowness and the impossibility of achieving autonomy through opposition to the West. It is premised on a deep suspicion of any form of grassroots politics: if a political initiative is not sanctioned from above, it is classified as being instigated by outside forces. It follows that the Russian people do not and cannot have any autonomous political existence outside the narrow limits of presidential politics. It is only the president who can act in the name of the people.

The self-proclaimed mission of the presidency, however, is to preserve stability and prevent any genuine political change. The state pursues gradual development and incremental improvements through the paradigm of technocratic management, consciously avoiding any bold political choice. It turns out that Russia needs sovereign autonomy as a means to escape politics. The authorities claim autonomy for the sake of inaction: sovereignty to do nothing at all. Paradoxically, the only truly sovereign political subject remaining on the horizon of Russian politics is the “interventionist” West.

Foreign Policy Implications

In practice, the ideology of “nationalization” points toward isolation. But given Russia’s economic and normative dependence on the outside world, coupled with the inability of the ruling class to develop an alternative economic or political vision that is not a caricature, this isolation is unachievable.

Russia needs the West to buy oil and gas, and it needs the Western mirror to reflect its illusory sovereign greatness. Looking for alternatives outside the West does not work. The BRICS grouping has succeeded to a certain extent at the symbolic level, but any honest comparison of social and economic indicators is not in Russia’s favor. Moreover, Brazil, India, and South Africa do not share Russia’s anti-liberal attitude. Only China largely satisfies the demand of the Russian political class for a model of gradual, top-down development in which a strong sovereign power keeps external intervention in check. The problem is that Russia risks ending up in a position that is dependent on and inferior to China, similar to that which it finds itself in with regard to the West.

Given a lack of alternatives, Russia's relations with the West are bound to remain in a state of unstable equilibrium. It is evident that the Kremlin has no aggressive foreign policy plans. All recent hostile moves, such as the "anti-Magnitsky" law or the expulsion of USAID, have been purely defensive in nature, ultimately motivated by domestic concerns.

As far as the latter go, the current anti-Western frenzy is self-sustaining and can go on for an indefinite period of time. In practice, it will continue only so long as the Kremlin can deliver on its promise to preserve stability and makes no bold political moves. If Russia's fragile economy forces the leadership to cut spending on welfare or raise utility costs, domestic support for the regime could dissolve quickly.

In a situation of growing expectations and shrinking resources, postponing painful decisions will be increasingly difficult. The recent economic and political crises have turned a game of position between the government and its opponents into a gambit. Whether the gambit will lead to an end game, and what kind of end game it will be, depends first and foremost on domestic factors and the state of the Russian economy.

From a foreign policy perspective, the bad news is that the Western "other" will inevitably be blamed for any domestic crisis. Since the government's top priority will be to regain control, it is unlikely that the Russian leadership would risk a major confrontation with the West even in a major crisis. That said, in situations where the regime's survival is not at stake, aggressive international outbursts appear more likely than ever since Putin became president once again.

Mediocrity Syndrome in Russia

DOMESTIC AND INTERNATIONAL PERSPECTIVES

PONARS Eurasia Policy Memo No. 258

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Numerous experts reason that Russia is a normal country with a mid-range level of socioeconomic development. In other words, if one likens countries to students, Russia is a C-grade student: neither among the best in class like Finland or Singapore, nor among the worst like Zimbabwe. It is of an average mediocrity akin to Argentina.

Even though such evaluations of Russia over the last decade are hardly unique, they have been met by a quite shocking reception among educated Russians. Across many generations, the government's propaganda—correctly or not—claimed the global superiority of the Soviet Union in numerous categories. Later on, during Soviet collapse, the country was placed in a dramatically lower “school” class and the assessment of Russia's global role reverted to the opposite pole, leading some intellectuals in the early 1990s to deny *any* achievements of Russia throughout its entire history.

Today, the recognition of Russia's rank-and-file international position has become a painful burden for some of its citizens—especially for those who have aspired to be among the best and brightest domestically. For instance, Boris Akunin, the eminent liberal-minded Russian novelist and vocal spokesman for the opposition during the 2011-2012 wave of political protests, vividly complained in his popular blog that Russia has “turned into a global periphery.”

For many of the country's elite and ordinary citizens, such a realization has led to frustration and a conspicuous assertiveness. They have become hostage to a kind of “mediocrity syndrome,” which has contributed to escapism and the open rejection of the ideas and values of A students. They search for a miraculous upswing, to turn Russia into a class leader without major effort. The consequences of this mediocrity syndrome are not helpful for solving Russia's real problems.

In Search of an Exit Choice

Similar to descendants of noble families, Russia has always cared about maintaining its prestige and status. This is why many Russians (and not only the elite) have reacted to the multiple changes in today's world and Russia's shifting global role with rising feelings of disillusionment and alienation, taking the form of nasty words rather than active deeds. In the early 1990s, Michael Burawoy labeled this type of reaction to Russia's post-Communist transformation as “involution.” Albert O. Hirschman, back in

1970, used the term “exit” and juxtaposed this form with active protest, or “voice.” While Russia occupies a midrange (or sometimes much lower) position in international rankings of socioeconomic development, rule of law, science, and education, one can observe a variety of “exit” strategies among Russian citizens, especially among those who should not be regarded as C students on the domestic landscape. Many elderly, poorly educated, and impoverished inhabitants of Russia's small towns and rural areas rarely bother themselves with existential issues, let alone the global positioning of their country. However, the great expectations of the educated and relatively well-to-do residents of large cities meet the tough global reality in different ways. No wonder that Russia's elites and also a visible share of its educated class have become victims of the mediocrity syndrome in one way or another, often with the following manifestations:

- 1) escapism, oriented toward the search of false (and/or imagined) alternatives to the status quo;
- 2) open and conspicuous denial of ideas and values brought to Russian soil by A students from the West (as well as from the East); and
- 3) attempts to find or invent a miraculous panacea, which will allow Russia to surpass international competitors and proudly promote the national “here and now” (if not once and forever) without major effort.

In a sense, increasing signs of would-be emigration among Russia's middle class, such as active investment into the language capacities of their children, can also be perceived of as a kind of exit, like C students looking to switch schools in the hopes of becoming A-level overachievers elsewhere.

Let us elaborate on the above typology. First are those who do not create trouble but waste their own potential. A significant number of Russian scholars, pundits, and media personalities are highly aware of their country's low degree of competitiveness in the changing global intellectual market. Their strategic occupation of sometimes exotic ideational niches allows them to preserve a certain influence, status, and funding. They are akin to those quiet and lonely C students who devote their time to useless and riskless ventures like computer gaming instead of homework. These ideational niches in present-day Russia are mostly oriented toward reinventing the greatness of the Russian past, with means ranging from reestablishing outdated Orthodox doctrines to reinventing decrepit brands such as “Moscow as the Third Rome.” These ideational trends are typical not only for longstanding reactionaries but also for some intellectuals who initially produced some interesting insights but are now contaminating the atmosphere with their marginal and peripheral visions. Escapists often justify their ideational position by referring to Russia's glorious past, but in truth their arguments are often similar to historical reenactments by amateur actors who don the armor of medieval knights (some of these people even get stuck in character and wear their garb every day). Even the most stubborn Russian niche thinkers, however, understand that their ideas are doomed to remain within a narrow and nearly forgotten intellectual ghetto.

A second more active and aggressive manifestation of the mediocrity syndrome is based upon an explicit and demonstrative rejection of what was called in the Gorbachev era “new political thinking.” While the values and institutions of the West over the last quarter century have been recognized in Russia as normative guidelines for the country’s future, some thinkers disregard these views, similar to C students who prefer to juxtapose their jolly ignorance onto some A students. Blaming the West for real or imagined sins has become a mainstream pastime not only within the discourse of state-sponsored Russian media, but also among some independent-minded intellectuals. They often compete with each other to loudly express their disdain for political correctness, minority rights, and, most of all, the monstrous public enemy called “liberalism.” The problem of this alternative, however, is twofold. Not only does the “disgraced” West pay no attention to this gloomy rant, the public, to whom these comments are largely addressed, is also sick and tired of listening to conspiracy theories and unsubstantiated claims that such views represent the mainstream of Russian public discourse.

Moreover, these anti-Western crusaders have not been able to propose any viable alternatives to the “despised” Western values and institutions. Despite the ubiquity of arguments about the uniqueness of Russia that serves to justify talk about the need to protect it from Western influence in politics, culture, or education, they cannot produce positive ideals different from those of the “hated” West. In reality, vicious attackers of Western ideas and institutions look like mutineers on their knees: even the harshest anti-Westernists prefer to drive a Mercedes (or at least a Toyota), use an iPhone (or at least a Samsung), and want their children and grandchildren to graduate from Oxford (or at least Harvard). This is why the extensive anti-Western rhetoric in Russia has limited substantive relevance, to some degree resembling a similar (and similarly useless) late Soviet practice. Finally, we note that even though C students in class somehow resemble their failing counterparts, one should not put them in the same category: the latter often reject learning entirely, while the former are rather mimetic and their explicit envy of A students does not preclude them from implicitly following the leaders.

Third, the compensatory reaction of adolescent C students often manifests itself in the form of a highly visible performance: they attempt to launch some ill-considered move in order to demonstrate their toughness (or coolness) to other students, irrespective of appearance and consequences. The strong Russian tradition of building Potemkin villages is widely recognized (it has been a ruse since the eighteenth century). We see it these days in the hosting of major global events such as the 2014 Winter Olympics or the 2018 FIFA World Cup. More broadly speaking, while some business people in Russia are known for their conspicuous consumption of luxury goods, Russia’s educated class is more deeply engaged with the conspicuous consumption of status-oriented intellectual goods, a movement implicitly aimed at turning themselves from C students to A students through the pursuit of high-class attributes and accessories. For example, government-sponsored “nongovernmental” organizations held a series of high-level Yaroslavl Global Policy Forums that not only included then-president Dmitry Medvedev and powerful politicians like Italy’s then-Prime Minister

Silvio Berlusconi, but also some global intellectual stars such as Nobel winner (and critic of American capitalism) Paul Krugman. This event was basically presented as the Russian equivalent of the Davos World Economic Forum. In a similar vein, the Kremlin sponsors the Institute for Democracy and Cooperation, a Russian asymmetric response to Freedom House and other international organizations with democracy promotion agendas. The Russian institute has two branches, in Paris and New York, and it serves to monitor violations of human rights in Europe and the United States. Such tremendous efforts have brought rather modest results, however. Attempts to highlight and oppose human rights violations in the West have been limited to second-rate copycat publications, while the Global Policy Forum exhausted its potential in parallel with Medvedev's decline.

Of course, not all the Russian government's claims to enjoy new global leadership are completely useless. Some of its status-seeking efforts can have certain positive effects. For example, a program aimed at propelling five top Russian universities into the ranks of the most prestigious globally will contribute to the rise of investment in academic infrastructure, as well as the international advancement of some scholars and scientists. But the scope of these globally-oriented innovations and their impact on the rest of the Russian system of higher education, which has suffered greatly, remain unclear.

Some moves might bring material and non-material benefits to major proponents of various exit choices for Russia, although it is doubtful they can endure. "You cannot fool all the people all the time," to quote Abraham Lincoln. Likewise, one cannot fool *oneself* all the time. To put it bluntly, programs to rapidly thrust Russia from C-grade to A-grade in the metrics of the global community tend to be groundless and poorly designed, and are likely destined to become unfulfilled promises.

Argentina of the North?

Russia is not the only country that seeks to reorient itself after experiencing the loss of global (or regional) leadership. France, for example, promoted its internationally recognized culture (from fine arts and cinema to *haute cuisine*) as a relatively successful substitution for the decline of its former grandeur. As to the international experience of other mid-range/second-order countries, the closest example for present-day Russia might be Argentina, one of the fastest-growing nations of the early twentieth century. It then muddled through numerous troubles and unsuccessful dictatorships (and democracies). It finally lost even its regional leadership to the more dynamic Brazil. Argentina's adjustment took decades and was quite dramatic.

Further aggravation of the mediocrity syndrome in Russia will contribute to preserving the above-mentioned pathologies almost by default, making it more difficult to overcome its intellectual trap. If the status quo persists over time, as Russia's classmates move forward, one should not be surprised if in the next two decades the country's standing will be perceived around the globe as somewhere between Eastern Europe and Western China. Moreover, few will care about it beyond the region; the

problems of Argentina are visible in Latin America, but they are not important to the rest of the world.

But is there any other solution to the mediocrity syndrome for a C level country? After all, most C students are not mediocre in *every* subject. They often love certain classes and are able to achieve major successes in specific fields. A teenager who loves dolphins but is insensitive to the writings of Tolstoy and Dostoevsky can become an excellent marine biologist. A young musician who cannot comprehend multiplication tables may one day play in a world-class orchestra. (Despite Argentina's failures, it gave birth to brilliant worldwide phenomena such as tango, Jorge Luis Borges, Julio Cortazar, and Diego Maradona.)

Whether in school or among the countries of the world, accepting one's C status is a path to honest self-assessment, which can lead to a careful selection of appropriate subjects to pursue and a systematic effort to achieve excellence in those niches. Despite the fact that many Russians would agree with their country's C status, in most instances this understanding is limited to words rather than deeds: no major actions follow this recognition, neither at the level of government policy nor in individual life strategies. Russia's sub-average report card does not mean that it is worthless and lacks future prospects. It is just that Russia needs to find relevant areas in which to apply its as of yet unfulfilled potential.

Russia's Chairmanship of International Organizations

THE QUESTIONABLE PURSUIT OF SOFT POWER IN MULTILATERAL SETTINGS

PONARS Eurasia Policy Memo No. 259

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Chairmanship in international organizations is one institutional form of soft power major states use to establish common policy frameworks and enhance their leadership potential. The agendas of chairing governments usually reflect policy spheres in which they have major traction and can thus lead by example.

Many countries have used their rotating presidencies in international organizations in this fashion. For instance, Germany and Poland used their presidencies in the European Union to promote more intensive policies toward Eastern Europe, while Hungary took advantage of its EU presidency to promote the Danube regional project.

For Russia, this topic is currently salient due to its chairmanship of the G20 and hosting of the G20's forthcoming summit in St. Petersburg in September 2013. This memo assesses Russia's efforts to utilize its multiple chairmanships in regional and global organizations for the sake of fostering its own international agenda.

Russia in Regional Organizations

In regional organizations, Russia's stated priorities are largely inconsistent with or irrelevant to its actual policies or the priorities of other key region-shapers. Russia's chairmanship of APEC (Asia Pacific Economic Cooperation), culminating in the Vladivostok summit of September 2012, was focused on the following priorities: liberalization of trade and investment; regional economic integration; food security; transportation and logistics, including facilitation of border-crossing procedures; and innovative technologies, research, and education. Human security was also mentioned as one of Russia's interests. Huge investments in upgrading the host city's infrastructure signalled Russia's interest in the Asia-Pacific region, although these were ultimately mismanaged and did not extend far beyond political symbolism. In general, Russia's declared priorities remained rather abstract and largely detached from its domestic agenda in the Far East, essentially focused on stimulating investment in Russia's eastern regions and managing the effects of Chinese migration.

Russia's chairmanship in BSEC (Organization of the Black Sea Economic Cooperation) from July to December 2011 was marked by a long list of priorities that included institutional effectiveness, transportation infrastructure, tourism, energy, ecosystems and bioprotection, coordination between law-enforcement agencies in

security issues, food security, and mass communication. In connection with Russia's chairmanship, Foreign Minister Sergey Lavrov emphasized that Russia was opposed to the politicization of regional agendas, which basically amounted to a refusal to discuss troublesome security issues in the region, above all the consequences of the August 2008 war with Georgia. On the one hand, Moscow longs to depoliticize the BSEC agenda; on the other hand, it advances a purely political demand for equality in relations with the EU, which only strengthens a false feeling of self-sufficiency and an underestimation of multilateral regional diplomacy.

Russia's chairmanship agenda in the Council of the Baltic Sea States (CBSS) from July 2012 to June 2013 consisted of four points. The first concerned modernization and innovation, which was transposed from the Russia-EU agenda but not properly coordinated with the policies of all local actors. This is particularly the case with energy policy, in which the priorities of Russia's closest neighbors, the three Baltic states, are not necessarily in line with Russia's interests (they include energy efficiency, regional LNG terminals and interconnections, sustainable energy plans, liberalization of energy markets, and use of renewable energy).

Second, Russia included in its chairmanship agenda the concept of state-private partnerships, which has been largely discredited within Russia itself by the large-scale corruption involved in the construction of Olympic infrastructure in Sochi. Russia can hardly be a flagship country in this respect.

Third, the elevation to the top of Russia's Baltic agenda of tolerance as an antidote to extremism and radicalism looks hypocritical against a backdrop of growing intolerance within Russia and an overly broad interpretation of extremism easily adaptable to the Kremlin's own political interests. For that matter, promoting religious and ethnic tolerance would probably have greater significance in more conflict-ridden regions like the Caucasus or Central Asia, where Moscow prefers to keep a low profile.

Fourth, the inclusion of visa facilitation in the regional agenda for the Baltic Sea region is out of place. Moscow's goal might be to project the good experience of Russia's visa facilitation agreement with Poland, but the CBSS has no policy prerogatives in this domain, as it is an element of the wider EU-Russia relationship.

As a chair of the Barents Euro-Arctic Council from 2007 to 2009, Russia pledged to promote sustainable development, including environmental protection (fostering biodiversity) and the protection of small ethnic groups; healthcare; education; trade liberalization, transborder cooperation and facilitation of customs regulation; energy-saving technologies; and cooperation in emergency management. In this list, perhaps the most vulnerable element is Russia's declared care for indigenous peoples. The indigenous groups that live in Russia's north are constantly appealing to the central government – with little effect to date – for legal protection of their traditional environs and way of life from large-scale ecologically detrimental extractive projects.

Russia and Global Organizations

Many in Russia, as elsewhere, see global organizations as elements of the nascent global governance infrastructure. It is through this prism that Russia's engagement with the G8 and G20 should be analyzed.

As chair and host country of the G8 in 2006, Russia chose to promote three priority areas. First, it elevated energy to the very top of its agenda, a problematic move due to the divisive nature of the issue. Russia's efforts were unable to bridge gaps between producing, transporting, and consuming countries, a fact that was illustrated by its subsequent series of gas conflicts with Ukraine. These conflicts raised serious questions about Russia's trustworthiness among EU member states.

Second, Russia pledged to focus on education, an area in which its global positioning is decidedly inferior. The Russian government has become increasingly upset about the low international ratings of Russian universities, the migration of professional cadres to foreign universities, and other symptoms of an educational system in crisis. The functioning of transnational educational projects, considered one of Russia's landmarks in this sphere, has been hindered by the low effectiveness of Russian educational institutions, and a controversial higher education reform has provoked negative reactions among professional educators and part of the ruling elite itself. The rather narrow agenda item of migrant integration through education is important, but its social effects are surpassed within Russia by growing nationalism and xenophobia.

The third Russian priority as chair of the G8 was healthcare, another area where the domestic record is wanting, from declining life expectancy to the underfinancing of medical institutions. Moreover, medicine is a sphere that illustrates Russia's critical dependence on Western technology and know-how.

The G20 is currently the focus of Russian diplomatic attention due to the September 2013 summit in St. Petersburg. The G20 plays a key, if mixed, role in Russia's promotion of its approach to international politics. On the one hand, as liberal think tank INSOR has noted, the Kremlin perceives Russia's chairmanship in the G20 (like the G8) to be instrumental for redressing Russia's relations with the West, which have drastically deteriorated since Putin's resumption of the presidency in May 2012. On the other hand, Russia considers its G20 chairmanship to represent the interests of the BRICS states, driving Moscow toward a policy of balancing and de-centering the West, rather than cooperation with it. This is particularly the case with regard to politically sensitive issues like Syria and North Korea.

Russia's G20 agenda has the following priorities. First are issues of investment, employment, food security, and human capital development. This is an excessively large basket involving numerous activities in both core economies and financially unstable regions. The overall progress and success of policies in this basket will be hard to measure.

Second, Russia has declared the building of trust and transparency to be among its priorities. When it comes to practice, however, this area is lacking in success stories. In the Cyprus debt crisis, Russia and the EU failed to find a common approach and demonstrate the benefits of collective action across institutional divides. Global sporting events are mentioned as one of the specific areas for which accountability and the eradication of corruption require international efforts, yet there are no signs that Russia is willing to go global in terms of controlling, for example, the management of the Sochi

Olympics, which have become associated with large-scale profligacy and weak financial discipline.

Third, Russia has prioritized governance effectiveness, including anti-protectionist measures and sustainable development. In particular, the good practices of German businesses in Russia were discussed at meetings of the B20 (business associations of G20 states) prior to the St. Petersburg summit. However, the recently released 2012 Progress Report on the Four EU-Russian Common Spaces has noted how Russian sanitary and phytosanitary measures remain “non-transparent, discriminatory, disproportionate and not in line with international standards and norms.” In 2012, these included new restrictions in the veterinary sector, including a refusal “to withdraw the establishment listing requirement for a number of commodities...contrary to its WTO commitments.” The report also noted that Russia “threatens to impose restrictions on nursery products...without a scientific justification” and resists “EU-supported attempts to further reinforce the sustainability of fisheries” in Antarctica.

Conclusion

In theory, Russia might use its chairmanship in international organizations for the sake of further socializing itself internationally in two ways—by demonstrating leadership on the basis of its own domestic example and by publicly accepting commitments in key spheres and in coordination with major partners. Such an outcome would fall outside *realpolitik*-based models of international relations like spheres of influence and the balance of power.

Yet Russia appears to be failing on both counts. Russia’s presidencies in regional and global organizations matter more for its public relations than for its international socialization. In the Baltic and Black Sea regions, Russia is not eager to engage in full-fledged cooperation with the EU, but it also lacks a policy of its own comparable to those of Brussels (for example the EU Strategy for the Baltic Sea Region or the Black Sea Synergy effort). Russia wishes to portray its turn from Europe to the Asia-Pacific region as the emergence of a new policy substantially different from its relations with EU neighbors, yet in practice Russia’s APEC agenda does not drastically differ from the agenda of trans-border cooperation Moscow pursues in the EU-Russia common neighborhood.

Russia also faces serious challenges when it comes to global organizations. In spite of the overwhelmingly economic agenda of its G20 chairmanship, the key problem looming large here is political: how to strike a balance between securing a decent place for Russia within the framework of Western-led institutions and prioritizing an alternative strategy of forging relations with BRICS states. As the G8 summit in Northern Ireland in June 2013 made clear, politically Russia is placing itself beyond the group of leading Western democracies, especially in the Syria debate.

In the end, Russia is neither a committed region-builder nor a strong contributor to global policy issues like conflict resolution, climate change, environmental protection, sustainable development, good governance, and developmental assistance. Even if Russia raises some important global issues in organizations like the G20, one can

question its agenda-setting resources and leadership capabilities due to its own lack of success stories in a plethora of fields – from fighting corruption to effective regulation of the labor market. All this reduces the institutional possibilities for multilateral diplomacy and Russia's soft power appeal both regionally and globally.

Russia in a Sea of “Rising Powers”

THE VIEW FROM WASHINGTON, D.C.

PONARS Eurasia Policy Memo No. 263

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Since the start of the 2000s, it has become commonplace to speak of the so-called “Rise of the Rest.”* This theme skyrocketed after the global financial crisis of 2008-9, which disproportionately affected the economies of Western industrialized states. Although not everyone agrees† that “the Rest” is rising to the extent that they seriously challenge Western dominance in the international system, it cannot be denied that “rising powers” now occupy a significant space in Western policy discourse about international relations and international political economy.‡ This memo considers how the growing interest in “rising powers” has affected the perception of Russia in the United States.

The primary candidates to surpass the United States and the West were originally designated back in 2001 by Jim O’Neill, an economist for Goldman Sachs. These were Brazil, Russia, India, and China, summed up in the memorable acronym BRIC.§ This acronym captured the imaginations of the West and “the Rest” to such an extent that in 2006 these four states began holding high-level governmental meetings, forming a quasi-international organization after 2009, which later in 2010 expanded to include South Africa as well (rechristening the group as BRICS). However, the cast of characters discussed as “rising powers” in Western capitals has not been restricted to the BRICS. Especially since the global financial crisis, analysts from both private and public foreign policy sectors (and academia) have been in a rush to identify the next crop of “rising powers,” either as a complement or an alternative to the BRICS, an effort only hampered by the difficulty of finding an equally compelling acronym. Contenders have included: TIMBI (Turkey, India, Mexico, Brazil, and Indonesia)**, MIST (Mexico, Indonesia, South Korea, and Turkey) and N-11 or Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, the Philippines, Turkey, South Korea, and

* See, for example, National Intelligence Council, *Global Trends 2025: A Transformed World*, Washington, DC: U.S. Government Printing Office, 2008.

† See, for example, Rushir Sharma, “Broken BRICs: Why the Rest Stopped Rising,” *Foreign Affairs*, November/December 2012.

‡ By my estimate, the number of policy reports about “rising powers” issued by major U.S. think tanks has increased more than 10,000 percent in the last ten years.

§ Dominic Wilson and Roopa Purushothaman, “Dreaming with BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No 99, 2003.

** As identified by Jack Goldstone in “The Rise of the TIMBIs,” *Foreign Policy*, December 2, 2011.

Vietnam).^{*} Many of these newer contenders are also members of the G-20, which consists of the original G-7 (United States, Great Britain, France, Germany, Italy, Canada, and Japan) and Russia (G-8) plus Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea, Turkey, and the European Union. The G-20 was established in 1999 but rose to prominence after the financial crisis incapacitated much of the original G-7. During the worst period of European financial troubles, both the BRICS and the G-20 were invited by the United States (and some European leaders) to take a more prominent role in international economic discussions.

What can be said about how concern over the new “rising powers” has influenced discussions about Russia in U.S. foreign policy circles? Given that attention spans in Washington, D.C. are limited, it is reasonable to assume that this newfound focus on such “rising powers” must have come at the expense of other traditional policy concerns. Does this emerging perception of the rise of the non-West help or hurt Russia? Over the last year, as a Council on Foreign Relations International Affairs Fellow with a placement at the Congressional Research Service,[†] I have compiled a database of policy related work products issued by major U.S. governmental organizations and major foreign policy think tanks in the last ten years. Based on this research I can make the following generalizations about Russia's place in the U.S. policy discourse vis-à-vis other “rising powers.”[‡]

The Good News – Russia Still Gets a Lot of Attention

In terms of sheer numbers, it is hard to argue that U.S. policy circles do not pay attention to Russia. In terms of the number of reports, memos, and briefs produced, Russia is only second to China as a subject matter of U.S. analytical concern, and a close one at that. Russia still gets considerably more attention than, for instance, Iran, a major security concern for the United States and even a “rising power” by some accounts. Some of this interest in Russia can be attributed to path dependency. Given the history of U.S.-Russia relations, there are simply more analysts and experts prepared to write about Russia than Brazil or even Iran. Russia's second place showing is not unwarranted either, considering that it is comfortably ahead of all other members of BRICS in terms of GDP per capita (though in terms of overall GDP it has fallen behind not only China and Brazil but also possibly India). In terms of military spending, Russia is only behind the United States and China, another reason why it makes sense for U.S. analysts to continue their focus on Russia.

The Bad News – There is No More Russia Hype

Unfortunately, it is difficult to come away from a review of policy output on Russia with any kind of positive notion about Russia's future prospects, either as an “emerging market” or as a “rising power.” Gone are the days of Thomas Friedman urging

^{*} Both MIST and N-11 were also coined by Goldman Sachs economist Jim O'Neill.

[†] The views expressed in this memo are not necessarily endorsed by either CFR or CRS. This memo does not draw from any confidential or classified sources.

[‡] At the time of writing (June 2013).

Americans to “keep rootin’ for Putin.” Indeed, notwithstanding the fact that Russia was one of the first economies to be designated as a “rising power” in the new millennium as a BRIC country (or that Goldman Sachs mutual funds based on Russian stocks have fared better than their Brazilian and Indian counterparts),* most analysts in D.C. rarely talk about Russia as a “rising power” anymore, preferring instead to focus either on China or those potential “rising powers” like Brazil, India, and Turkey that are seemingly more favorably disposed toward the United States. In fact, much of the acronym game of late (BRICS vs. TIMBI and MIST, etc.) seems designed to leave Russia out as a designated “rising power.”

In other words, despite the fact that high volumes of policy research continue to be produced about Russia, very few, if any, of these recent reports label Russia as a “rising power” or even as a “regional power,” in marked contrast to countries such as Turkey, which has economic and military indicators that are much weaker than Russia’s but which nonetheless plays a much bigger role in the U.S. policy imagination as a “rising” or “regional” power. Whereas recent analyses about Turkey emphasize economic potential and regional power, recent analyses about Russia focus mostly on Russia as an obstacle to U.S. foreign policy vis-à-vis Syria or Iran. In contrast to a decade ago, there is hardly any positive spin on Russia’s foreign policy choices. Instead of discussions of Russia’s involvement in the BRICS organization or its term leadership of the G-20, we get analyses of Russia’s tolerance for domestic turmoil or Putin’s long-term prospects. This is not to say that Russia does not have serious domestic problems or that Russian foreign policy is not an obstacle to U.S. interests in the Middle East or elsewhere. I am merely drawing attention to what gets emphasized in U.S. analyses of Russia vis-à-vis other states like Brazil or Turkey, which have hardly solved all their own domestic problems (as evidenced by the recent wave of protests in both countries) or lack their own regional agendas. The “policy relevance” story that is told about each is particularly telling in terms not only of what it mentions but also of what it leaves out.

Overall, two lines of argument can be discerned in policy related briefs and articles circulated in Washington about “rising powers” vis-à-vis Russia: it is either posited that the economies of states like Mexico, Indonesia, South Korea, and Turkey (and Brazil and India) are more dynamic than the Russian economy, as is possibly also the Chinese (which is supposed be hiding serious structural problems), or it is argued that the entire proposition of emerging markets is overblown, nobody is really emerging, and that Russia and China, as export economies, will be hurt most when “the Rest” fail to rise. It is not hard to see elements of ideology in such analyses, which should come as no surprise to anyone. Those who believe that “the Rest” is rising want those who rise to be similar to the United States, democratic and capitalist. States that resemble this ideal type, however remotely, get extra hype from analysts, due to knowing or sub-conscious biases. This is why we also sometimes produce overly optimistic projections about a capitalist China salvaging and preserving the international order. Present-day Russia fits this mold even less than China does, on the

* See Ian Salisbury, “Goldman Sachs bails on BRIC funds,” *The Wall Street Journal*, October 12, 2012.

one hand, and it is easier to ignore indicators of whatever remains of Russia's economic and military strength than China's, on the other. This is how Russia became the red-headed stepchild of the "rising powers" literature in less than a decade, despite the fact that surface political and economic indicators have remained more or less constant.

As the Ottoman Empire discovered in the nineteenth century when it was labeled "the Sick Man of Europe," perceptions of Western analysts have power to influence reality on the ground, regardless of their veracity. Back then, despite suffering from some similar domestic problems, Russia was spared the humiliations visited upon the Ottomans because of perception. Ironically enough, Turkey seems to be sheltered for the moment from the type of criticism that is routinely leveled against Russia about the quality of its democracy, corruption, and so forth, because it is considered a "rising power" whereas Russia is imagined as fading. Turkey was recently shaken by month-long anti-government protests sparked originally by objections over the development of a centrally located park into a shopping mall. Turkish Prime Minister Recep Tayyip Erdogan's reaction to the protests was to amp up his authoritarian rhetoric and to condone the excessive use of force, tear gas, and plastic bullets against protestors. People have died and many activists have been arrested. These events demonstrate that an alternative narrative about Erdogan, one that is much more similar to the one about Putin, was available to the West, but for reasons identified above was not in circulation until facts on the ground made it impossible to ignore Erdogan's increasing authoritarianism. Despite this, the criticism from the United States vis-à-vis Turkey and Erdogan has been very mild.

All this is not to say that Turkey's problems are equal to Russia or that criticisms against Russia or Putin are unfair. I simply want to point out that no problem is entirely endogenous and much depends on whether the international environment is favorable, which in turn depends to some extent on how analysts in Washington and other Western capitals perceive a country. Furthermore, as I and others (like Andrey Tsygankov, Viatcheslav Morozov, and Iver Neumann) have shown in our academic work, Russia traditionally cares deeply about how it is perceived by the West. Russia might handle being cast in a negative light by the United States as long as it is taken seriously as a world power. This also suggests that the present tense condition brought about all the recent spying kerfuffle is more preferable to the Russian leadership than being sidelined entirely. If history is any guide, what Russia cannot abide is being ignored by the West or outshone by other powers, especially if those hail from the non-West. This has not happened yet, but given "the rebalance to Asia" and other trends in the United States, it may no longer be a question of if but when. Russian reaction to such an eventuality is unlikely to be pleasant.

Russia's Elite

WHAT THEY THINK OF THE UNITED STATES AND WHY

PONARS Eurasia Policy Memo No. 273

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In the early 1990s, many members of the Russian elite were proponents of the country's liberal reforms. Moreover, American-style democracy and market economics were popular among Russia's general population. However, as Figure 1 shows, the generation of Russian elite that were born in the 1960s, a generation that was once among the most pro-American, has now become rather anti-American, even compared to other generations. Ominously, there are few pro-American individuals among the younger cohorts of the Russian elite. Mass surveys also show that most Russians, including the younger generations, hold negative attitudes toward the United States. Furthermore, college education and high social status seems to exacerbate anti-American sentiment, leading the elite to become more anti-American than the public-at-large. This memo addresses the nature of this drastic change and discusses some policy implications.

Researchers often take two approaches to explaining anti-Americanism in Russia. They present anti-Americanism as either *issue-oriented* or *instrumental*. According to the *issue-oriented* theory of anti-Americanism, negative attitudes toward the United States emerge as a reaction to its foreign policy, especially to specific tensions in Russian-U.S. relations at a particular moment. *Instrumental* theories emphasize the role of the ruling elite in maintaining anti-American sentiment among the mass public for their own selfish goals. It emanates from politicians who seek popular support and/or a lightning rod to divert people's personal and situational frustrations.

In the case of Russia, neither of these two theories are sufficient to explain the evidence. Polls show that anti-American sentiment peaks at certain critical periods in U.S.-Russian relations, such as during the Kosovo crisis of 1999, the 2003 invasion of

* This memo draws on an ongoing research project at the Laboratory for Comparative Social Research, Higher School of Economics, directed by Eduard Ponarin. Contributors include William Zimmerman, Ronald Inglehart, Yegor Lazarev, Boris Sokolov, and Irina Vartanova. Any errors found in the memo are the responsibility of Eduard Ponarin. This research has been supported by the Russian Government (contract # [11.G34.310024](#)) and the Valdai Club.

The key dataset in this research are six surveys of Russian elites done in 1993, 1995, 1999, 2004, 2008, and 2012. The total number of people interviewed each time is about 240. Respondents are real elites—they would be identified as being a member of the elite anywhere. They all live in Moscow, which is the financial, political, intellectual, and cultural center of Russia, a country centralized to a much greater extent than the United States. Comparative data for the general public was obtained from the New Russian Barometer project directed by Richard Rose (<http://www.cspp.strath.ac.uk>) and the Russian data from the World Values Survey project (<http://www.worldvaluessurvey.org>) covering roughly the same period.

Iraq, and the Russian-Georgian war of 2008 (see Figure 2). This would seem to bolster the case for *issue-oriented* anti-Americanism. However, there are no obvious peaks before 1999 even though similar developments were occurring then, like Operation Desert Storm in Iraq or Western support for Bosnians and Croats in their wars against Serbs. The data also show that elite anti-Americanism surged between 1993 and 1995, roughly half a decade before the mass spread of anti-American sentiment that the Kosovo crisis provoked.

These findings suggest that the *instrumental* theory of anti-Americanism in Russia also has merit. Elites may have led the masses to anti-Americanism. However, these findings also raise a question about the source of this change among elites. The gap in elite and public attitudes that emerged between 1993 and 1995 leads us to propose an alternative model for explaining the growth of anti-American sentiment in Russia.

First, we argue that the early change in Russian elite perceptions of the United States is an effect of the *ressentiment* of the early 1990s. Friedrich Nietzsche introduced the concept of *ressentiment* to describe a slave's envy and hatred of his master. Sociologist Liah Greenfeld famously used the concept to account for the rise of nationalism in various states. She used *ressentiment* to refer to a political elite's feelings of disappointment with a model country that they want to emulate. Their attitude changes from idealization and admiration to hostility and resentment. The source of this transformation is elite frustration over the failure to modernize their country along some foreign model. We argue that a similar phenomenon took place in Russia and became the initial driver of anti-Americanism in the 1990s. In that context, confidence in the country's political course and a positive appraisal of its economic development could reduce the level of anti-Americanism, whereas those who felt more frustrated were more likely to express anti-American sentiments.

Second, we argue that when Russian elites eventually passed on their anti-American sentiment to the mass public, it became a factor in its own right in the context of the still-competitive Russian political arena of 1999-2000. Since then, it has been rational for politicians to instrumentally apply anti-American rhetoric in bids to garner public support. Such rhetoric has had consequences. In particular, anti-American sentiments became popular among younger cohorts who were socialized at a time of economic growth and had no obvious reason to be frustrated by the U.S. model society. Instead, they were affected by the anti-American rhetoric of an economically successful government. Therefore, since around 2003, confidence in the Russian government and a positive appraisal of Russia's economy have correlated positively with anti-American sentiment. In other words, in the 2000s, happier people were more likely to be anti-American, which is a reversal of the trend of the 1990s. Continuation of this newer trend tipped the balance of public opinion around 2006; anti-Americanism has been the dominant discourse since.

Finally, anti-Americanism grew further mainly due to some non-committed people conforming to the majority's opinion and jumping on the bandwagon at critical moments, like the 2008 Russian-Georgian war, when the Russian media was particularly vocal about U.S. policies. Russian elites still remain more anti-American by far than the

public-at-large, which suggests that the instrumental theory of anti-Americanism has, in fact, only limited value. The elites so far have abstained from whipping up the anti-American sentiments of the mass publics to their own level.

Yet the consequences are clear. Russian elites and the public-at-large have been shifting away from a pro-American attitude for a long time. It will take at least as long a time to reverse the situation. Furthermore, this shift coincided with nation-building efforts and the rise of nationalism, which according to many observers has become the only force capable of unifying Russian society. Anti-Americanism seems to be a core value in this ideology. We can thus expect that the Russian elite will consist soon enough of individuals who have no meaningful Soviet experience but behave as if they are still living in the Cold War.

Thus, any attempt at another U.S.-Russia reset will likely fail unless it is conceived as a long-term strategy, rather than a short-term policy keen to achieve specific *instrumental* goals. This will be particularly challenging to do, however, with regard to the promotion of democracy and human rights. If the human rights agenda is used as a *quid pro quo* in geopolitical bargaining, it will likely even further undermine the United States' few remaining sympathizers inside Russia. If this agenda is abandoned, however, it will likely alienate them.

Given that a grand reversal of the long-term trend is unlikely, the next question to consider is how wide a national interest do Russian elites perceive Russia to possess. The USSR was a world power with global interests. Do Russian elites view their country to have similarly broad interests? Will Russia try and challenge the United States globally? Are we really going to return to Cold War times?

Our answer, based on data presented in Table 1, is quite certain. Despite popular invocations of Russia's importance and influence (often extending well beyond Russia's borders), one of the clearest generalizations that emerges is that the younger the elites, the more likely they are to say that the domain of Russia's national interest should be limited to its own borders (Figure 3). Moreover, this is part of a larger trend; Russian elites in general have increasingly agreed with this sentiment over time. This is a very significant change. While the United States may expect opposition to its policies from Russia here and there, a head-on collision is something Russian elites will likely want to avoid.

Figure 1. Is the United States a threat? (Elite by year and cohort)

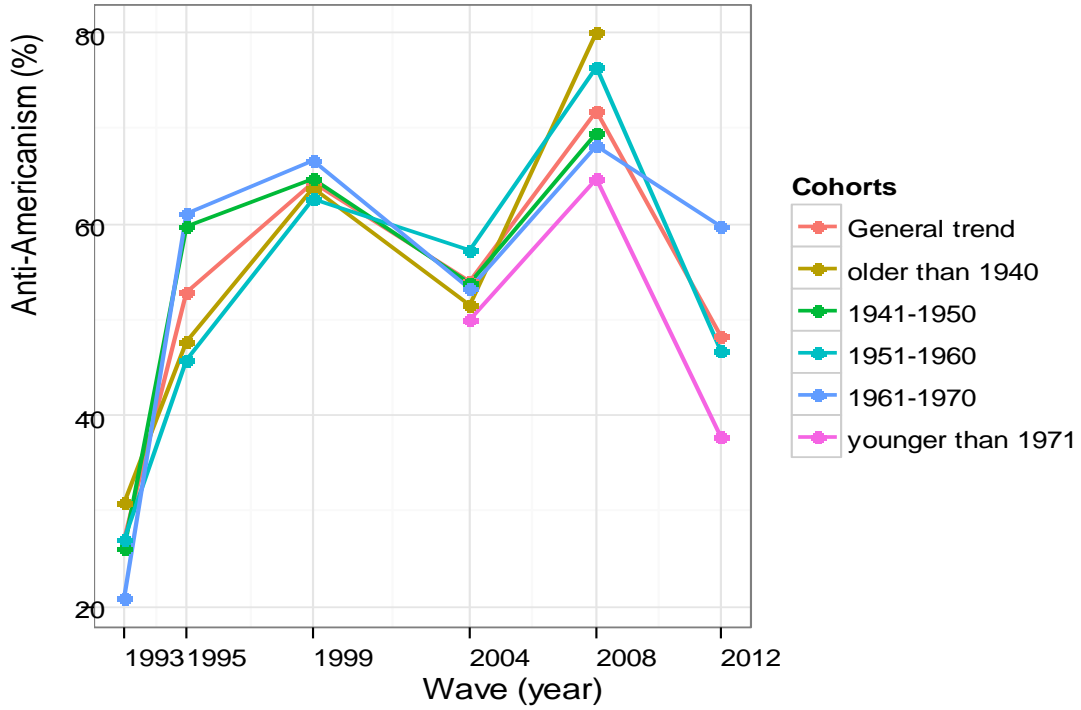


Figure 2. Is the United States a threat? (Elite and public)

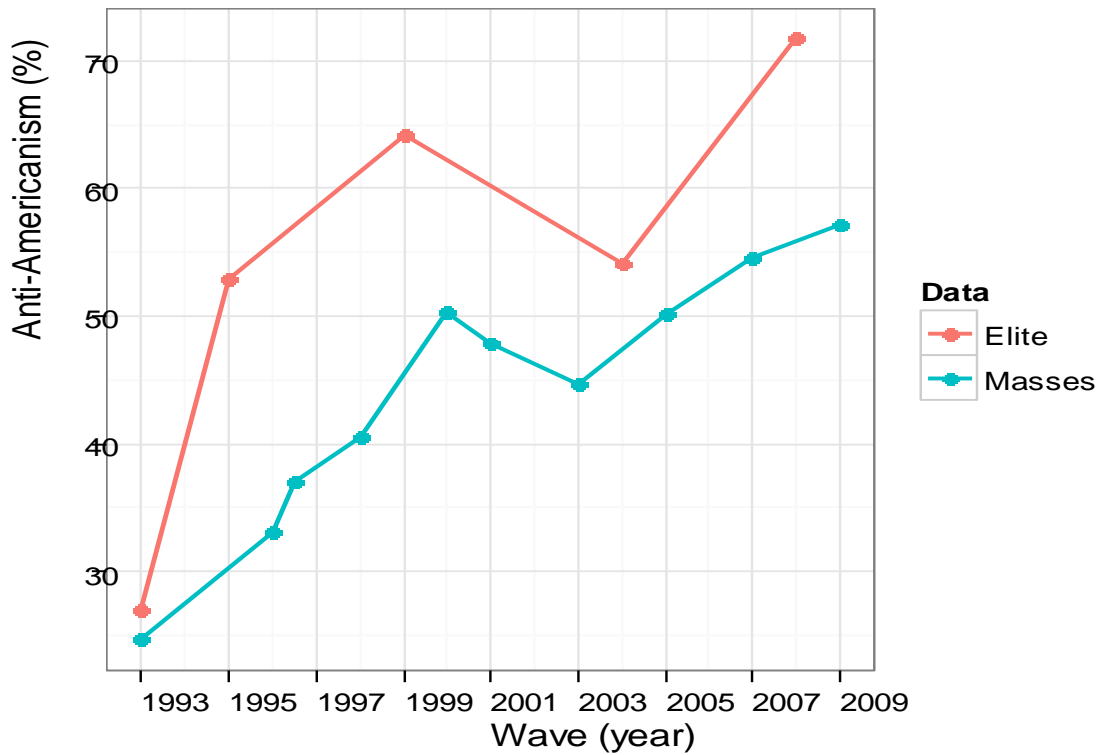


Figure 3. Great power aspirations by year and cohort

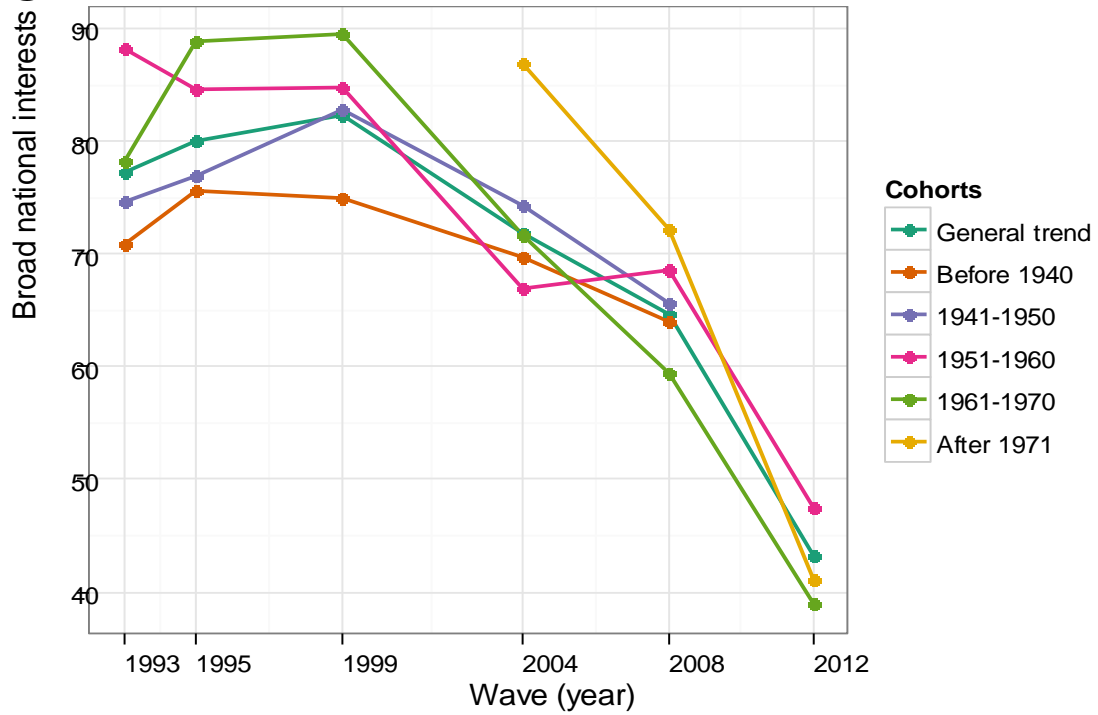


Table 1. Russian national interest

	2004	2008	2012
Within Russia's borders	28% (74)	36% (85)	60% (125)
CIS	51% (136)	28% (66)	15% (31)
Neighboring countries; only Europe or Asia; CIS	10% (27)	10% (23)	14% (29)
Eurasia and beyond, an almost global sphere of interest	10% (28)	26% (62)	11% (24)

Knowledge, Values, or Pragmatism: How to Build Trust in U.S.-Russia Relations

PONARS Eurasia Policy Memo No. 262

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A state's resources, strength, and policies help define the place it occupies in the world, but so do decisions that others in the international system make about it. These can include political decisions, such as inclusion into international organizations or the imposition of sanctions. States make other less obvious decisions, however, even before extending an invitation to join a club or considering sanctions. Such decisions concern how to treat another state, or which opinions to promote about it. Public opinion about other states is often filled with stereotypes and clichés that no democratic decision-maker can ignore. International relations theorists do not reflect much upon this sphere, subordinating image construction to "hard security" issues. If we apply tools of constructivist methodology to U.S.-Russia relations, however, we can evaluate the current situation in different terms and possibly find a way to improve upon it.

Three Axes of Relations to the "Other"

In his seminal work *The Conquest of America* (1984), French-Bulgarian scholar Tsvetan Todorov proposed a scheme for understanding relations between different cultures. According to his scheme, three independent "axes" define one's attitude toward the "other": epistemic, or knowledge-based; axiological, or values-based; and praxeological, or practice-based (a desire to change oneself or the "other"). Todorov stressed the independence of all three variables. An increase in knowledge, for instance, does not necessarily make the other's values more attractive or alter one's wish to change it: "Knowledge does not imply love, nor the converse; and neither of the two implies, nor is implied by, identification with the other" (Todorov, 186).

Let us look at how Todorov's "axes" apply to U.S. views on Russia. On the epistemic axis, several groups in the United States provide expert knowledge on Russia. These are mainly professional Russianists, with subgroups in academia and think tanks, government, and, to a lesser extent, business. Among these groups openly flow a variety of people, opinions, and ideas. There is also Russian state propaganda, including the television network *Russia Today* (RT), newspaper ads, and the output of some Russian diplomats and government-supported "nongovernmental" organizations like the Institute of Democracy and Cooperation. As long as the major expert battles are waged

along this axis – throwing pieces of information about Russia into the American media – any major change in the existing balance of opinions is unlikely.

When we turn to the axiological (values-based) axis, we find a corps of influential moral critics who see Russia as a country that rejects notions like liberty, democracy, and human rights. For now, unfortunately, Russia’s governing elites do not appear to share Western values, despite the fact that the country’s educated population demands liberty and democracy. However, history does not support the idea that common values are a prerequisite to rapprochement.

Finally, there are two major approaches to Russia in the United States on the praxeological axis. The first may be defined as the “democracy-promotion complex” (to borrow from Dimitri Simes). The second approach is to “leave Russia as is” and refrain from interference. Although Russians view the American choice between “interfere” or “not interfere” with great apprehension, neither approach makes the United States an entirely friendly power: “interference” makes the Russian government and “patriots” indignant, while Russian “Westerners” see “non-interference” as a betrayal. (As for changing the United States itself as a result of interaction with Russia, the prospects are minimal; the last time this was countenanced was after the 1957 Sputnik launch).

Possible Ways to Improve Russia’s Image and Bilateral Relations

Presumably, it is possible for Americans to find many “worse” nations on the globe than Russia. However, Russia’s image in the United States is more negative than that of many others. What explains this, and how can one influence the image of another country?

In order to answer these questions, we should add to Todorov’s scheme the notion of an agenda. The image of another country does not comprise a stable set of ideas but evolves out of a process of constant self-identification vis-à-vis that country. The political and social agenda of a society determines the choices its public makes from the broad set of references available to apply to the other country. When Republican presidential candidate Mitt Romney called Russia the main “geopolitical foe” of the United States, this was not about Russia; the attack was a political one that was part of his electioneering discourse with [Democratic] President Barack Obama. But such use of Russia in public rhetoric – especially when it has nothing to do with any particular policies – affirms its unfriendly image.

One tried-and-true way to change attitudes is to strengthen the perception of a “common enemy.” In the past, this has helped bring the United States and Russia together. Great Britain played such a role in the middle of the nineteenth century. A common enemy was also successfully invoked during World War II and, again, after September 11 (and the April 2013 Boston Marathon attack has led to yet another attempt).

Another way, however, is to link Russia’s image to “positive” elements of the domestic American agenda. Historically, there have been times when Americans associated Russia with a positive domestic agenda, such as when the Russian Empire’s abolition of serfdom was used as a model for the emancipation of American slaves, or

when St. Petersburg invited U.S. engineers to carry out Russia's technological modernization.

Realistically, of course, it is difficult to spontaneously align Russia with America's domestic agenda. Most political and social agendas are beyond the control of any political force. Rapid changes usually occur with great national disasters (like Pearl Harbor or September 11th) or in the aftermath of an event that shakes the country (such as the Civil War or, a century later, the civil rights movement). However, it is important to take note when such domestic changes occur, as they can serve as windows of opportunity to improve the image of another state (as was the case briefly in late 2001 when President Vladimir Putin offered Russia's assistance in the U.S. fight against global terrorism).

The second task is to review the spectrum of references available with regard to Russia. It would be helpful, for instance, if Americans were to greater appreciate something Russians themselves consider important, such as Russia's role in World War II, with its human sacrifice and heroism that ensured common victory. Besides providing general information on Russia's successes (or problems), those who feel the improvement of the country's image is their task should concentrate on promoting Russia's own set of references.

Finally, to create a basis for rapprochement, we need to think seriously about a common agenda. This cannot be based on resolving bilateral problems. Mutual compromises in arms reduction and trade disputes may be necessary, but they do not create a basis for mutual trust. Common challenges must be found elsewhere. The most fruitful cooperation between the United States and Russia is occurring in spheres like space research and Afghanistan. In these cases, both countries are interested in success, and their major goals are close, if not identical. In order to improve relations, the United States and Russia should find similar fields of cooperation and/or further develop those already in existence.

What about Russia?

Although this memo has focused on the U.S. side of the dialogue, many consider that Russia is the party most responsible for a qualitative decrease in relations at this time. This fact, however, is just further proof of the validity of the scheme outlined above. The anti-Americanism of the current Russian regime is determined mainly by internal politics and, specifically, the Kremlin's need to portray civil protesters as "foreign agents."

With such a domestic agenda, rapprochement with the United States is not a priority. No new piece of knowledge about the country can fix the situation. U.S. Ambassador Michael McFaul recently launched an attempt to educate Russians through media and the Internet about the United States (the first lecture, published in April 2013, was devoted to American civil society).^{*} Knowledge is better than ignorance, but not because it can help change policy, which it can't. Its importance lies in broadening the

^{*} <http://m-mcfaul.livejournal.com/14454.html>

available spectrum of the “use” of the United States in domestic politics. If anything Russians learn about the United States can be used as an example in the domestic political struggle, it will be used. This is especially true because Russian society is very fond of comparing itself to American society.

The greater ongoing battle in Russia is about values, however. The axiological axis of Todorov’s scheme has become the most important one for Russians. Interestingly, both the Kremlin (with its propaganda machine) and the majority of opposition protesters insist that the core values of Russia and the United States are very close (or even identical). A direct rejection of democracy or liberty is still rare in Russian political rhetoric (even if it comes up more often than before); the issue is whether American democratic and liberal values are authentic or just propaganda. In this sphere, greater efforts may be made to convince the Russian people that in the United States liberty and democracy do exist, even if they are at times imperfect.

What could change the value of all three variables, however, are joint actions that would make the domestic agendas of the two states resonate. The opposite is also true: the absence of policy alignment prevents the changing of attitudes. Thus, the refusal of the United States to accept Russia as an equal partner is one reason for growing anti-American feelings in Russia. Even Vladimir Putin in the early stage of his presidency proposed Russia’s greater integration with the West, but he faced distrust.* The United States missed an opportunity to help build a better image of itself in Russia as a real partner. However, there are still global problems that Russia and the United States can solve together, from climate change and scientific research to counternarcotic operations and nuclear non-proliferation. Building on these foundations is the best way to change the American image in Russia and to create a basis for rapprochement.

* See, for example, the vivid description of Putin’s attempts to have Russia join NATO, described in Steve LeVine, “Putin’s Labyrinth,” *Businessweek*. June 30, 2008 (<http://www.businessweek.com/stories/2008-06-30/putins-labyrinth>).

Assured Destruction vs. Low-Intensity Deterrence

CAN RUSSIA AND THE UNITED STATES ADJUST THEIR NUCLEAR POSTURES?

PONARS Eurasia Policy Memo No. 266

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Just two years after Russia and the United States began implementing the New START Treaty, the two sides are coming under increasing pressure to define their positions on future rounds of strategic arms control. The direction in which the United States and Russia head is of key importance for not only the relationship between the two states but the nuclear future of the entire globe. Holding over 90 percent of global nuclear-weapon stockpiles, Washington and Moscow are destined to be fashion-setters in the global discussion on nuclear weapons: the agreement of non-nuclear-weapon nations not to acquire nuclear arms, as stipulated in the Non-Proliferation Treaty, hinges on the progress of nuclear-weapon states toward nuclear disarmament. Yet the prospects for further disarmament will remain bleak until both the United States and Russia show a readiness to critically review their nuclear postures and adapt them to changes in the strategic environment and public perceptions of nuclear weapons.

In particular, the attainment of Russia's key policy goals vis-à-vis the United States (constraining intervention in Russia's internal affairs or use of force against Russia's allies) no longer requires hedging against the possibility of nuclear use in a crisis. Having internalized this new reality, Moscow and Washington can proceed with further nuclear cuts and exert joint pressure on other nuclear-weapon states that have so far refused to take part in arms control.

The Role of Nuclear Weapons in Russian and U.S. Security Policy

When it comes to reducing the risk of accidental nuclear launch or the seizure of nuclear materials by terrorists, Moscow and Washington stand united. Beyond this, however, Russian and American arms control priorities and strategies significantly diverge. The United States is contemplating, albeit with a number of caveats, a reduced role for nuclear weapons in its national security policy. Influential representatives of the U.S. policy community, up to and including President Barack Obama and Secretary of Defense Chuck Hagel, have suggested that even within the limits of the New START

* The views expressed here are solely those of the author and not those of MGIMO or the MacArthur Foundation.

Treaty, the United States' nuclear arsenal is much larger than is needed for national security.

Although Russia committed itself to the goal of nuclear disarmament in an April 2009 joint declaration with the United States and signed up to the New START treaty in April 2010, it has since qualified its enthusiasm for arms control agreements. Russian officials and experts insist that Washington seeks further rounds of arms control not so much out of concern with global nuclear safety, but because the United States seeks to capitalize on its edge in high-precision conventional weapons and missile defenses that can be employed much more flexibly than nuclear weapons during an escalation.

Moscow has declared that it feels vulnerable—both in terms of policy and technology—in the face of U.S. pressure and views missile defense, the possible “weaponization of space,” and high-precision conventional weapons as factors complicating further nuclear cuts. Russia has also officially stated that the next round of talks on reducing strategic nuclear arsenals may need to be multilateral. The final set of factors complicating progress in arms control, from the Russian perspective, includes U.S. and allied interventionism and questioning of the legitimacy of “undemocratic regimes.” Believing that “regime change” events such as the Arab Spring are impossible without direct U.S. involvement, Russian policymakers argue that such scenario could also happen to Russia if Moscow did not have a credible deterrent.

Russian concerns are rooted in the belief that nuclear weapons help to achieve a broader range of interests than the simple guarantee of national survival. Moscow is convinced that the United States can only be deterred from infringing upon Russia's interests under a condition of mutually assured destruction (MAD), which guarantees retaliation even after a massive nuclear strike aimed at disarming one's adversary. MAD is based on the assumption that, at a certain stage in conflict escalation, the use of nuclear weapons becomes plausible. It requires that states retain a “second-strike capability” with nuclear forces anticipated to survive a first strike.

What Nuclear Weapons Can and Cannot Do

In today's world, an attachment to a second-strike capability has become costly, pointless, and risky.

Under conditions short of an existential threat, a state's commitment to make an initial nuclear strike as tensions rise between it and an adversary is not very credible. As was established already during the Cold War, a nuclear attack by one nuclear superpower against the other cannot lead to victory due to the massive and irreparable environmental damage it would cause on a global scale (to say nothing of the economic and social damage). Any nuclear exchange between the United States and Russia would herald the end of the world as we (and indeed the policymakers launching a nuclear attack) know it. Smaller nuclear-weapon states are likely to suffer irreparable and potentially terminal economic and social damage as a result of even a limited nuclear war. This would make it impossible for any side involved to reap the benefits of victory in nuclear war.

In general, no nuclear-weapon state can afford to assume that after a "successful" nuclear attack the world (and its position in it) would be the same except for its adversary's defeat. As a result, no threat of a nuclear strike by the United States or Russia against the other is credible, even after a conflict has escalated to open hostility.

Indeed since 1991, nuclear weapons have not enabled Moscow to prevent any of the interventions that the United States and its allies have undertaken against third states like Serbia or Iraq. Despite Russian objections, the UN-mandated peace enforcement mission in Libya morphed into a regime change operation. Nuclear weapons may not even help dissuade an adversary from indirect hostile actions or a limited proxy assault against a nuclear state (Georgia's August 2008 operation against South Ossetia), when that assault does not threaten the state's survival. At the same time, a high-alert nuclear posture, upon which U.S.-Russian mutually assured destruction hinges, can still result in an accidental launch, either due to a technical glitch or the reckless behavior of trigger-happy politicians.

In the case of the U.S.-Russia relationship, even a direct existential threat would likely not lead to a decision to use nuclear weapons. The relationship has not been put to the test of such a threat for over 20 years. However, given the above reasoning about the irreparable global damage resulting from a nuclear confrontation between the two nuclear superpowers, it is safe to assume that the triggers in Washington and Moscow would not be pulled even in this extreme case.

Nuclear deterrence at an advanced stage in a conflict may only be credible when a nuclear superpower or smaller nuclear-weapon state faces off against a smaller nuclear-weapon state or a non-nuclear-weapon state powerful enough to pose an existential threat. In such cases, one could imagine a nuclear first strike remaining unreciprocated, leaving the defending nuclear state with a chance of survival. This scenario will have to involve issues perceived to be of vital importance to the defending state.

In all other cases, nuclear deterrence during an open conflict is unlikely to work. What can be effective, though, is deterrence at lower levels of conflict escalation, before the start of mutual hostilities. In such a context, the deterrence mechanism is simpler than MAD and yet reliable enough to prevent major powers from undertaking actions that nuclear-weapon states would view as seriously threatening. Low-intensity (or low-escalation) deterrence relies not on the fear of an imminent nuclear strike (that too many people know would be unlikely or useless), but on the influence that public opinion and the prospect of massive destruction produce on a government. If public opinion matters in the state to be deterred, its government will respond to public demands of restraint in relations with the deterring nuclear-weapon state. Even in states with governments that do not have a habit of responding to public opinion, most decision-makers should be appalled by the potential for massive destruction from nuclear retaliation. They should also be wary of the need to back off at a later stage in escalation, given the harm to their domestic standing that will ensue (several juntas fell in the aftermath of a defeat in an international conflict). By making its "red lines" clear and reasonable in its national security doctrine or other official document, a nuclear-weapon state can credibly

demonstrate its commitment to the limited use of nuclear weapons as a means of de-escalating vitally important conflicts.

Low-intensity nuclear deterrence (or “dissuasion”) could be an optimal posture for Russia. More cost-effective and technically viable than a second strike requirement, it adequately addresses all Russia’s existential security concerns, from massive conventional ground assaults to “regime change” operations. A 100-percent viable second-strike capability is an excessive—and therefore redundant—instrument for dissuading the United States, any other nation, or an alliance from infringing on core Russian interests. Moreover, as described above, any hostile action that would not be deterrable at a low level of conflict escalation would anyway not be deterrable at a higher level. Diplomacy, not MAD, is the best guarantee against an existential security issue surging onto the agenda of the nuclear superpowers’ relationship.*

Thus, instead of keeping an overwhelming number of nuclear weapons on hair-trigger alert to dissuade potential opponents from a disarming first strike, Moscow may find it useful to change its nuclear posture to something like “the possession of a sufficient number of nuclear weapons.” This would require a more fundamental review of Russia’s nuclear strategy than reducing the launch readiness of Russia’s nuclear-tipped missiles or retargeting them – measures that Moscow and Washington have already attempted with limited credibility and therefore success.

A conceptual shift in Russia’s nuclear posture could bring a number of tangible benefits. First, if Moscow starts to believe that de-escalation of a conflict between the United States (or any other country or alliance) and Russia could be achieved by invoking the Russian deterrent before the nuclear forces of both countries were placed on high alert, Russia could free itself from worrying about U.S. missile defense capabilities. Significant material, intellectual, and diplomatic resources could then be economized.

Second, should the United States follow Russia in adapting its nuclear posture to new realities, both sides could begin negotiating a new agreement on deeper nuclear cuts because a second-strike requirement would no longer justify a need for overwhelming arsenals. Apart from the main benefit of substantial budgetary savings, this could significantly raise both countries’ arms control and nonproliferation profiles and allow them to more successfully tackle the proliferation challenges they consider important.

Finally, Russia could gain international prestige by forswearing heavy reliance on nuclear weapons in its security policy. In particular, this would add weight to Moscow’s support for a nuclear-weapon-free zone in the Middle East (if, that is, Russia considers this zone an important foreign policy goal).

* In addition, the need for extended deterrence is also not a source of concern for Russia. According to its 2010 Military Doctrine, Russia does not promise a “nuclear umbrella” to its allies if they come under conventional attack.

What it Takes to Switch Postures

In light of the above, Russia could consider making the following steps rather than continuing to rely on a doctrine focused on the preservation of a second-strike credibility.

First, Moscow could assert that it firmly believes that a nuclear war, even one waged unilaterally, cannot be won. Russia could thereby express its certainty that nuclear weapons will never be used against it (or any other state) by another major nuclear-weapon power (first and foremost, the United States) because of the enormous responsibility that would befall a state that launches a nuclear offensive. If nuclear weapons are used against Russia, it would do its best to retaliate but a nuclear attack against Russia (or any other state) would in any case herald the end of the world as we know it and require a complete overhaul of the international security regime.

Second, instead of insisting on nuclear parity (roughly required for MAD), Russia could adopt a more ethical, even moral, posture, forswearing the need to be able to survive a massive first nuclear strike by the United States. Since it is also rational to assume the impossibility of survival after a massive first nuclear strike, planning for such a scenario would be nonsensical.

Third, Moscow should be clear that this does not mean Russia would give in to nuclear blackmail and that it trusts its willingness to use nuclear weapons in retaliation for aggression remains a credible deterrent for any state that might contemplate such. Specifically, Russia could emphasize the role of nuclear weapons in deterring a conventional assault or any other action that could pose a clear existential threat to Russia short of an initial nuclear strike (for example, an attempt to sabotage or destroy Russia's nuclear deterrent by conventional means).

Finally, if nuclear preponderance or parity are removed from the list of Russia's foreign policy goals, Russia could achieve major budgetary savings. For instance, it could scale down the number of its ballistic missiles and revise its force structure toward a greater reliance on submarines and mobile ballistic missiles as the means of deterrence.

The Importance of Reciprocity

It would be naïve to assume that low-intensity deterrence will remain effective regardless of the policies of other nuclear actors. Making a shift in its nuclear strategy, Russia can reserve the right to expect reciprocal moves from other world powers. Washington's response would naturally be the most significant. Certain measures that the United States might choose to undertake in response would alarm Russia and possibly instigate a reversal of its shift in posture. Possible disconcerting measures would include:

- Advanced missile defense projects coupled with official statements that the United States seeks to become invincible to Russian strategic missiles. Direct or indirect signs that point to how the United States intends to use the technology, rather than technical advancement per se, would do the greatest damage;

- Breakthrough upgrades of conventional first-strike technologies and their successful testing, coupled with doctrinal shifts toward more assertive and risk-taking policies and/or commitments;
- Interventionist policy practiced despite Russian objections, even if Russia can hardly compare on most counts to any of the target states, such as Libya or Syria.

If Washington decides to welcome the shift in Russia's nuclear posture, the United States should consider a number of parallel moves of reassurance. Most importantly, the United States would be advised to:

- Continue to reduce the number of its nuclear weapons, demonstrating a commitment to reducing their role in the United States' deterrence posture;
- Welcome an opportunity to work with Russia toward a new comprehensive (if possible, multilateral) nuclear arms control agreement;
- Refrain from statements to the effect that the United States' edge in high-end military technologies can be used for offensive purposes in the absence of direct threats to U.S. interests;
- Display a clear interest in discussing with Russia developments in other countries' nuclear deterrence strategies and their impact on U.S. and Russian deterrence postures.

Conclusion

If implemented, this set of measures by Russia and the United States could help test the foundations of a world in which nuclear deterrence is increasingly de-emphasized. In such a world, consensus would emerge on the inability of nuclear weapons to deter an adversary at high levels of escalation. It already does not make a strategic difference whether a nuclear-weapon state forswears, in its military doctrine, the first-strike option against other nuclear powers. From a strategic viewpoint, most, if not all, such claims are either not credible, pointless, or both. Major nuclear players only need to begin acting on this assumption.

Facing the grave consequences of a "limited" regional nuclear war, second-rate nuclear-weapon states like China, India, and Pakistan would be discouraged from increasing the launch readiness of their nuclear forces. Other smaller nuclear-weapon states as well the aspiring members of the nuclear club might realize that their security can also be guaranteed without ready-to-launch nuclear weapons. Great Britain may find it expedient to resume debates on complete voluntary nuclear disarmament. France would have to reassess the extent to which nuclear weapons enhance its national prestige.

In a way, a new nuclear world would signify the triumph of diplomacy, which would be entrusted with the task of forestalling high levels of conflict escalation. Just like a government that proves incapable of defusing social conflict before it takes the form of mass protest or violence, diplomats who fail to reach the compromises necessary to avoid nuclear saber-rattling must be given no mercy.

The Ruble and the Yuan

ALLIES OR COMPETITORS?

PONARS Eurasia Policy Memo No. 255

Juliet Johnson*
McGill University

The BRICS states—Brazil, Russia, India, China, and South Africa—have increasingly sought to develop and diversify the international monetary system in ways that do not rely on dialogue with the system's traditional powers. They are now using the BRICS forum to reinforce economic cooperation among themselves and to create alternatives and work-arounds to existing international institutions.

Russia's official "Concept of the Russian Federation's Participation in BRICS," released just ahead of the March 2013 BRICS summit in Durban, South Africa, views the bloc as forging "a new model of global relations, which supersedes the old division lines between the East and the West, or between the North and the South." Advancing fundamental reform of the international monetary system through the BRICS represents a central pillar of the concept document.

The BRICS states have two major related initiatives in this regard: to promote a multicurrency-based international monetary system by increasing the use of each other's currencies in place of the U.S. dollar, and to create a BRICS development bank as an alternative to the IMF/World Bank.

These efforts face substantial obstacles, however, chiefly because of the competitive relationship between Russia and China. The yuan has greater potential for internationalization than does the ruble, although Russia is reluctant to acknowledge this fact, given its own international and regional monetary ambitions. The scope of concrete BRICS cooperation in this area thus seems destined to be limited to small and largely symbolic efforts that, on their own, cannot effectively challenge the international status quo.

Which Currencies Will Reign in a Multicurrency World?

The global financial crisis emboldened the BRICS states to take a firm collective stance in favor of diversifying the international monetary system away from reliance on the U.S. dollar. The final statement of the 2012 BRICS summit in New Delhi prominently called

* Portions of this policy memo are drawn from the author's forthcoming paper, "Russia: International Monetary Reform and Currency Internationalization," to be published in the series *The BRICS and Asia, Currency Internationalization and International Monetary Reform* by the Asian Development Bank, The Centre for International Governance Innovation, and the Hong Kong Institute for Monetary Research.

for a broad-based international reserve currency system. In June 2012, a special BRICS working group further agreed to develop a regional crisis fund that would involve currency swap arrangements among BRICS states. At the 2013 Durban summit, the BRICS states inked new agreements to increase the use of their own currencies in mutual trade, among other advances in this realm.

All currencies are not created equal, and by any measure the Chinese yuan alone among BRICS currencies has the long-term potential to stand beside the U.S. dollar and the Euro as a viable world currency.

But for Russian leaders, diversifying the international monetary system means, above all, promoting ruble internationalization. Elite-level discussions of the ruble's potential as a world currency and Moscow's future as an international financial center symbolically underscore the domestic perception of Russia as a central pole and great power in the international system. Ruble internationalization has also become part of the Russian discourse on modernization and financial sector development, especially as a key means of pulling in long-term investment.

Perhaps most importantly, Russian leaders believe that the ruble should become the dominant regional currency in much of the post-Soviet world. This is motivated by political interests as well as economic ones, as Russian leaders intend to maintain preeminence in what they see as their traditional regional backyard, the so-called "near abroad." Working to expand the role of the ruble has become a part of Russia's general economic policy in post-Soviet Eurasia.

Russia's ambitions for ruble internationalization place clear limits on its interest and ability to promote the Chinese yuan as an alternative to the U.S. dollar. Russian political and business leaders have worked together to increase their currency cooperation with China. In late December 2010, Russia's MICEX exchange (now Moscow Exchange, after its merger with RTS) began renminbi* (RMB)-ruble trading following China's launch of RMB-ruble exchange trading the previous month. Russia's Vneshtorgbank (VTB), a major state-owned bank, announced in October 2011 that it would begin accepting deposits in RMB. As a key currency diversification move in December 2010, VTB also became the first non-Asian emerging market company to issue dim sum bonds; another successful issue followed in October 2012. In September 2012, the two countries agreed to use each other's currencies to settle a portion of Russian natural gas imports to China. Russian President Vladimir Putin has also expressed approval for expanding the use of rubles and RMB to service the two countries' bilateral trade more broadly, signing an agreement to that effect with Chinese premier Wen Jiabao in late 2011.

At the same time, Russian government leaders do not want the yuan to challenge the existing or potential international reach of the ruble. This is true both for the Russian Far East and, especially, for Central Asia. The Central Asian situation became a growing concern for Russian leaders after the 2008 financial crisis, when for the first time Chinese trade volumes in Central Asia outstripped those of Russia. Russia has actively used

* The yuan is the primary unit of the renminbi, which is the official currency of China.

regional development initiatives such as the Eurasian Economic Community to promote the ruble in the region as an express challenge to both the U.S. dollar and the Chinese yuan. China's increasing economic influence in Central Asia and on the international scene more broadly presents Russian leaders with a growing dilemma: how to develop an economic partnership with China that does not leave Russia as a junior partner, mere raw materials exporter, or former regional leader.

Indeed, Russia's *Strategy 2020* plan released in March 2012 explicitly cast the ruble and yuan as competitors on the international and regional financial scenes:

The main external risks for Russia are connected with the following factor: the strengthening of new centers of economic power, in particular China . . . in connection with this one can emphasize . . . the course of the internationalization of the yuan, which will gradually transform the yuan into a global settlement currency, and then an investment and reserve currency. In the most realistic scenario, by 2020 the first step will be completed – turning the yuan into a world settlement currency. However, in the case of the more radical scenario in which China turns to emitting a regional (and possibly, a world) reserve currency, this could lead to instability in the international financial system, to limits on the possibility to use the Russian ruble in international settlements, and to “currency wars.”

The strengthening of the position of China in Central Asia could undermine the prospects for further development in the region of Russia's integration projects (competition for the region's energy resources, the weakening of customs control on the southern border of the Customs Union between Kazakhstan and China, the disruption of plans for the further development of the Customs Union).

The new and more active negotiating and interventionist conduct of China as a “wealthy newcomer” in the “club of world leaders,” the strengthening of the G-2 (the U.S. and China) in managing global economic processes, and the growing influence of China in the IMF and WTO is to the detriment of third countries, including Russia.*

Although Russian political leaders would not jeopardize their relationship with China by speaking so bluntly themselves (the *Strategy-2020* report is not a government publication *per se*), Russian leaders' words and actions regarding yuan internationalization reflect these concerns. Russian government overtures to the yuan have been gradual and based on strict reciprocity, as existing arrangements for ruble-

* See “Стратегия-2020: Новая модель роста – новая социальная политика [Strategy 2020: A New Model of Growth – A New Social Policy],” pp 806-807. Available at <http://2020strategy.ru/>

yuan trading and settlement indicate. The Russian government holds no reserves in yuan and has no plans to do so. President Putin has, on several occasions, been somewhat dismissive of the yuan. While promoting the idea of the ruble as a regional currency, he pointed out in August 2011 that “the ruble is quite a stable, reliable, and freely convertible currency, unlike the Chinese yuan.” The only Russian government official who regularly mentioned the yuan as a viable potential international reserve currency without insisting on the parallel or superior status of the ruble was former finance minister Alexei Kudrin, who left the government in September 2011.

The Troubled BRICS Development Bank

These strains have become most evident in recent attempts to create a common BRICS development bank. The 2012 BRICS summit in New Delhi formally proposed the creation of such a development bank, an initiative welcomed by, among others, World Bank president Robert Zoellick. One year later, however, the BRICS states had come no closer to agreeing on any of the most basic parameters for such a bank, including the size, the location, the staffing, the relative contributions, or the voting scheme. The 2013 Durban declaration was reduced to stating nothing more than:

[T]he establishment of a New Development Bank is feasible and viable. We have agreed to establish the New Development Bank. The initial contribution to the BRICS Development Bank should be substantial and sufficient for the Bank to be effective in financing infrastructure.

China has made a strong play for dominance in the new institution, selecting high-profile China Development Bank director Chen Yuan as its point person in creating the new bank and volunteering itself as not only the bank’s leading contributor, but as the host country. Russia has resisted Chinese efforts to exert control over the bank in great part because Russia thinks that China aims to use it to internationalize the yuan, particularly in Russia’s backyard.

Capitalization and voting rights represent the most serious sticking points in the negotiations. Wealthy China proposed a bank with starting capital of at least \$50 billion (some reports have China proposing as much as \$100 billion), offering to invest a majority of the funds given that other members could not contribute enough for the investments to be equal. Russia, wary of potential Chinese dominance, proposed a bank with only \$10 billion in initial capital, with each member contributing an equal \$2 billion. Similar conflicts have arisen over the voting scheme, which China wants proportional to economic size and capital contribution (with China contributing the largest share), while Russia prefers an equal voice and vote for each BRICS member regardless of the size of participation in the bank’s capital. Such fundamental differences in outlook and strategy bode ill for the future of the new development bank.

Russian Rhetoric, Chinese Realities

Russia and the BRICS have long demanded that the outdated IMF quota system be adjusted so that global economic leaders like Russia and China would no longer have less formal influence in the organization than small European countries like Belgium and Switzerland. Given their position, it is ironic that Russian leaders insist on hamstringing BRICS initiatives to reform the international monetary system by pretending that all of its own members are economic equals. China is the 800-pound gorilla of the BRICS; if BRICS states collectively want to challenge existing Western institutions effectively, they must allow China to take the lead. Promoting the yuan as the key alternative currency rather than competing or feigning equality with it would give the BRICS the best opportunity to mount an attack on the U.S. dollar-based international monetary system. Similarly, allowing China to lead and invest billions in a new BRICS development bank would provide the bank's only real chance to rival the Bretton Woods twins. Given these realities, the Russian government faces an increasingly stark choice: to challenge the existing structure of the international monetary system or prevent the monetary rise of China at Russia's expense. All indications so far are that given this choice, Russia prefers to cast its lot with the status quo.

Currency Wars

WHY RUSSIA AND CHINA ARE RAPIDLY ACCUMULATING FOREIGN EXCHANGE RESERVES

PONARS Eurasia Policy Memo No. 256

Vladimir Popov

*United Nations and New Economic School**

The specter of currency wars is again haunting policymakers.* An outburst of competitive devaluations of national currencies happened on a major scale during the Great Depression. In recent decades, there has been a rapid accumulation of reserves by developing countries, especially China. This is reviving the threat of a surge of exchange rate protectionism.

The ratio of foreign exchange reserves (FOREX) to GDP in China and Russia has dramatically increased (**Figures 1a, 1b**), and there are countries (like Botswana, Hong Kong, Malaysia, and Singapore) with even higher ratios of reserves to GDP. In fact, most developing countries have been accumulating reserves rapidly over the last 10 to 20 years, so the global ratio of FOREX-to-GDP and FOREX-to-import has more than doubled (**Figure 2**). But in Russia and China this ratio has increased five or more times in recent decades. Why have so many developing countries, including China and Russia, suddenly begun to build up their reserves?

This memo argues that reserve accumulation is an industrial policy that favors profits, savings, investment, exports, the tradable goods sector, and growth at the expense of wages, non-tradables, consumption, and imports. Sometimes called exchange rate protectionism, it became especially popular after rounds of trade liberalization negotiations within the GATT-WTO system de facto “outlawed” conventional tariff and non-tariff protectionism.

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* Currency Wars: Economic Realities, Institutional Responses, and the G-20 Agenda. Conference at Peterson Institute for International Economics, Washington, DC, April 2, 2013 (http://www.piie.com/events/event_detail.cfm?EventID=272)

Figure 1a.

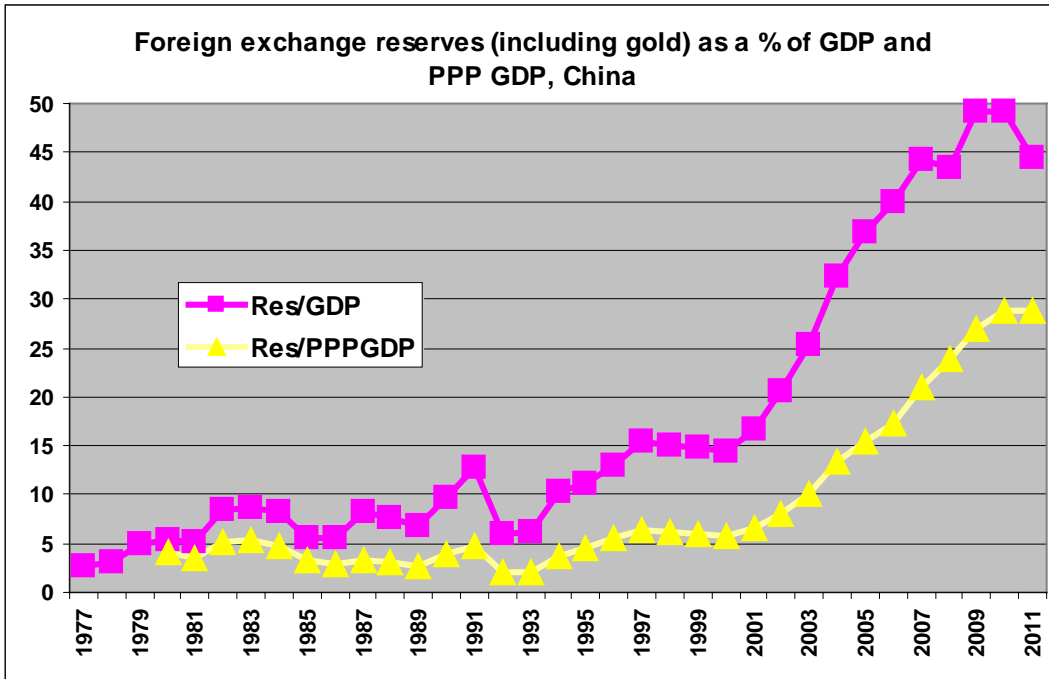
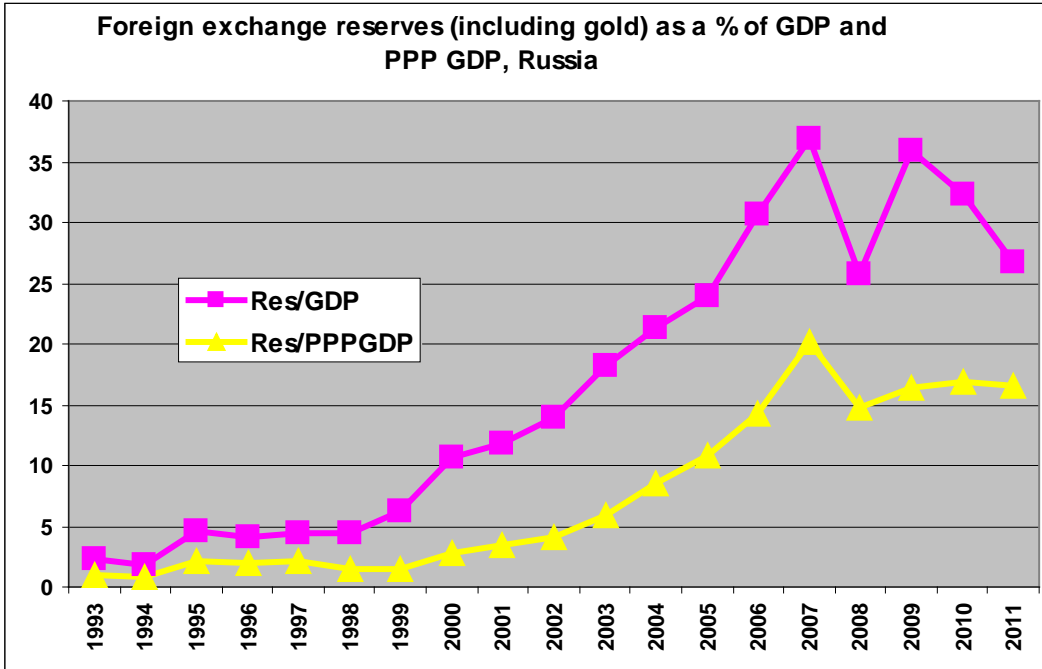
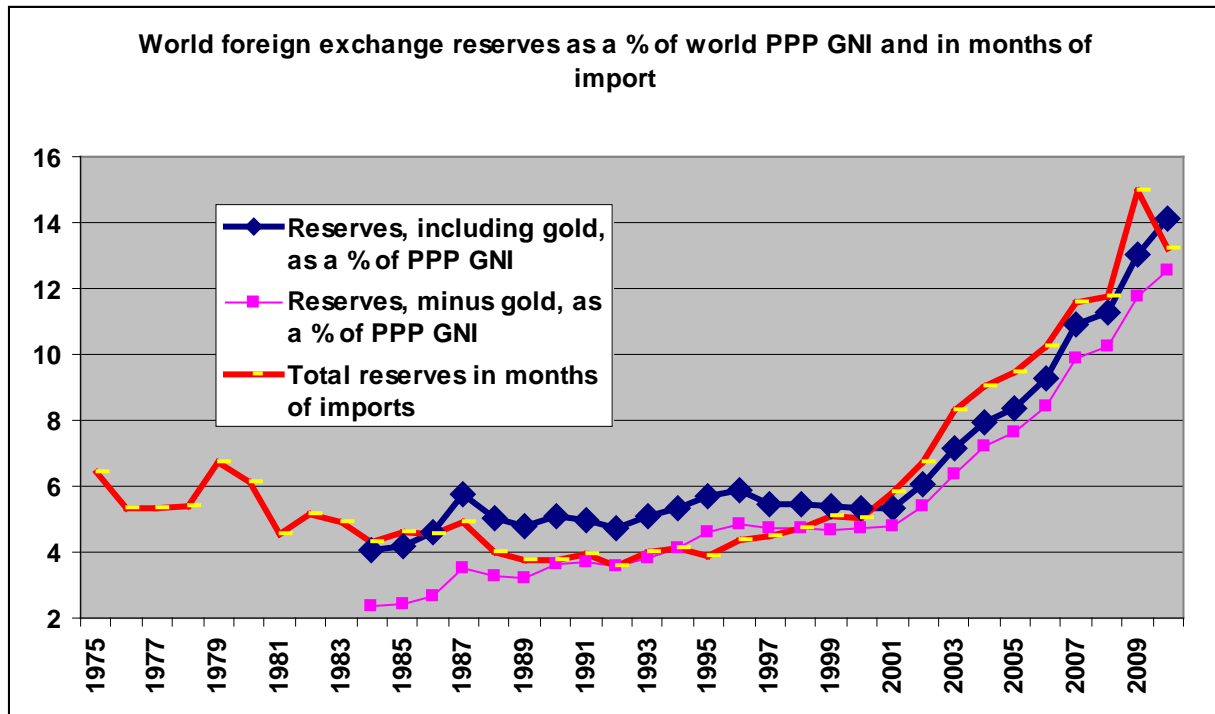


Figure 1b.



Source: World Development Indicators.

Figure 2.



Source: World Development Indicators.

For resource rich countries, this policy is especially important as it helps to avoid “Dutch disease” – an over-appreciation of the exchange rate of the national currency that kills manufacturing and high tech export, and encourages external financing and debt accumulation. That is why Russia—more abundant in resources than China—should have pursued reserve accumulation more vigorously than China, but in reality it has been the other way around.

Critical Views

Many have considered the policy of reserve accumulation to be wrongheaded. An increase in FOREX represents a portion of national savings that is not invested in the national economy (for example, on infrastructure, education, or health care). It is exported out of the country to finance consumption and investment elsewhere. On top of this, FOREX yields low returns because it is invested in reliable instruments, such as U.S. treasury bills and short-term obligations of other Western governments. Investing these savings inside the country would yield higher returns.

In Russia and China, such arguments are common and made mostly by left-leaning critics of the government. The notion is well-captured in the remake of an Ilya Repin painting (**Figure 3**), which shows how the Chinese “left”* views the situation.

* The “left” signify orthodox communists who criticize the mainstream Communist Party line.

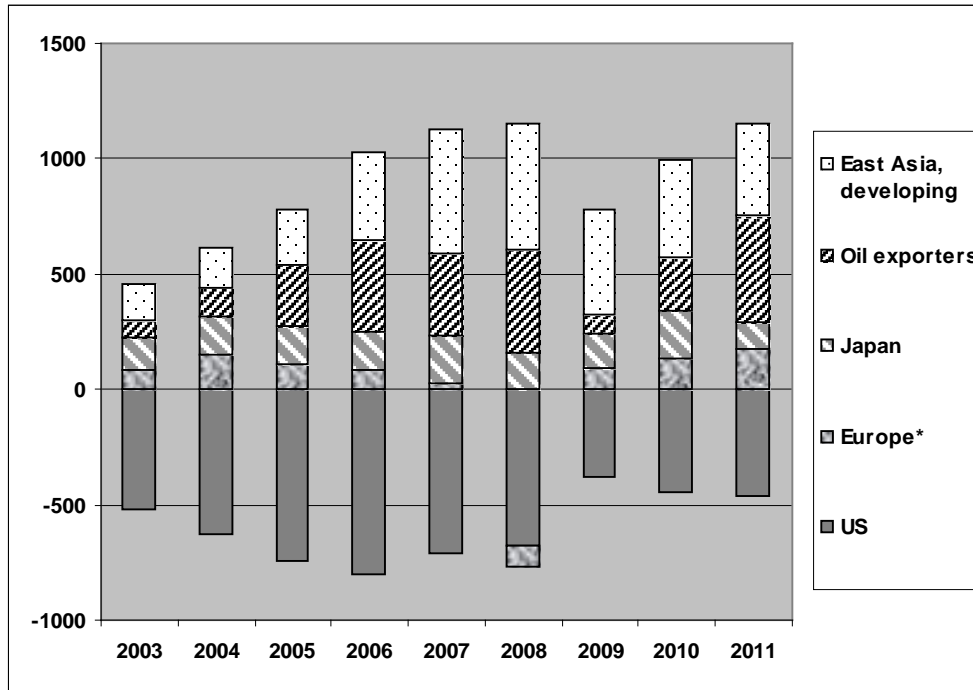
Figure 3. How the Chinese "left" view the accumulation of reserves in a remake (top) of Ilya Repin's "They Did Not Expect Him" (1884-8).



It shows Mao with two fictional heroes of the anti-Japanese war coming to get Chinese gold from former U.S. president George W. Bush. The gold was given to Bush by Jiang Zemin whose portrait is on the wall. (Foreign exchange reserves are actually not mainly in gold but in dollar investments in U.S. treasury bills). The two characters sitting at the table are corrupt former party secretary of Shanghai Chen Liangyu (sentenced to 18 years in prison in 2008) and liberal economist Zhang Weiyang.

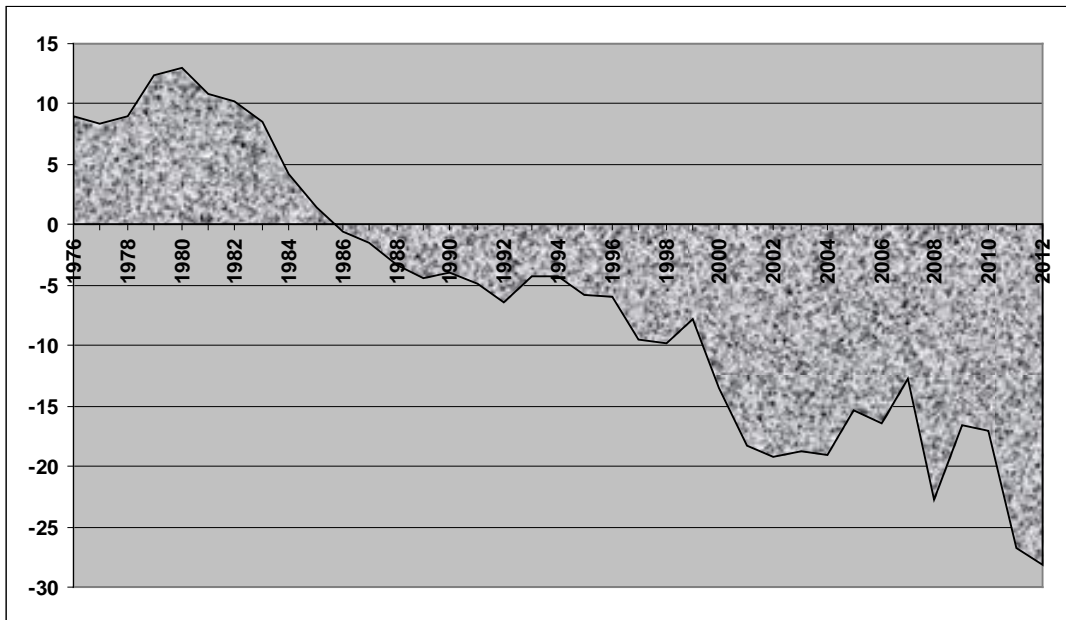
The United States believes that China and Russia (and other states) accumulate reserves in excess of normal needs (ordinarily to service international trade and capital flows) in order to create artificial demand for foreign currency and to underprice their national currencies. They call it exchange rate protectionism, or a disequilibrium exchange rate, an attempt to gain unfair competitive advantage via the manipulation of exchange rates. This issue is also known in the United States as a problem of “global imbalances” – a U.S. trade and current account deficit financed by the accumulation of reserves by China, as well as Russia, other oil-exporting states, and Japan. These reserves are invested into U.S. treasury bills, in this way financing the U.S. current account deficit (an excess of consumption over production, and investment over national savings). Even though the U.S. current account as a percentage of GDP decreased somewhat over 2007-2009, it remains large (**Figure 4**), with U.S. net international indebtedness approaching 30 percent of GDP (**Figure 5**).

Figure 4. Balance of payments on current accounts for some countries and country groups, 2003-2011 (in billion dollars).



*Europe consists of the EU-15, the new EU member states, and Iceland, Norway and Switzerland.
 Source: World Economic Situation and Prospects. United Nations, NY, 2013.

Figure 5. Net international investment position of the United States, % of GDP.



Source: Bureau of Economic Analysis (<http://www.bea.gov/>)

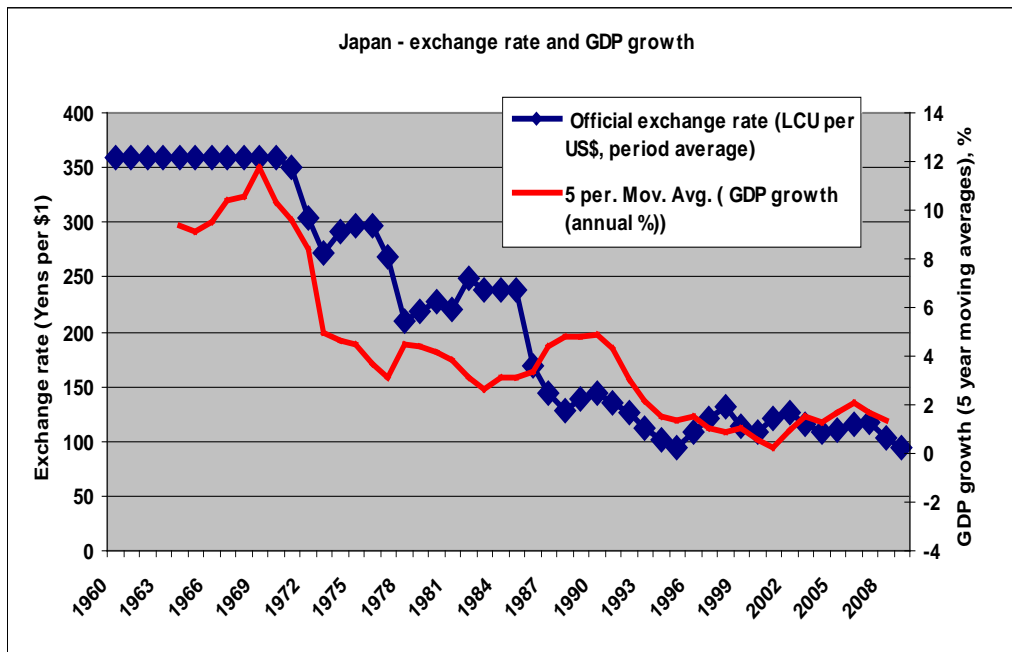
Why do Chinese and Russian central banks continue to accumulate reserves despite criticism at home and in the face of U.S. pressure? In China and Russia, there appears to be a gut feeling that an appreciation of the national currency can stop rapid growth in the same way as the 1985 Plaza Accord led to a revaluation of the yen, which brought an end to rapid Japanese growth. Many believe that the appreciation of the yen was one reason for Japan's stagnation in the 1990s and its weak growth afterwards (Figure 6).

A Non-Conventional Explanation

A non-conventional view of reserve accumulation—as an industrial policy to promote export oriented growth—has been gaining support. This is not a short-term Keynesian effect, but a long term effect operating through export externality (and strengthened by the subsequent inflow of FDI). In developed countries, trade/GDP ratios are already at optimal levels. In developing countries this ratio is below optimal, so a special policy is needed to reap the benefits of externality from export.

Theoretically, all externalities can be properly managed via taxes and subsidies, but these are selective tools of industrial policy; a clean bureaucracy is needed to successfully use these growth-promoting tools. Undervaluation of a currency is equivalent to import duties for all tradables with simultaneous subsidization of exports, but it is a non-selective industrial policy instrument that can be successfully used even in highly corrupt environments.

Figure 6.



Source: World Development Indicators.

A formal model demonstrating how the accumulation of reserves can spur growth, as well as the empirical evidence, is presented in Polterovich and Popov (2004) and in Popov (2005, 2010, 2011). These papers show that an accumulation of reserves leads to a disequilibrium in exchange rates. This, in turn, causes an increase in export/GDP and trade/GDP ratios, which stimulates growth.

There is strong evidence that an accumulation of reserves can spur long-term growth in developing states, if not in wealthy ones. If all states used such policies, all would lose. On top of this, for developed states, this policy would not work. But for developing states it does. With good reason, these states should have sufficient policy space to use this tool to promote catch-up development.

Accumulation of reserves means that a country saves more than it invests, and produces more than it consumes, thereby making savings to finance investment and consumption in other states. This may sound like a drag on development; it is often argued that capital should flow from rich to poor countries because K/L ratios are lower in developing countries and hence returns on capital are higher. However, this may lead to the crowding out of domestic savings by foreign savings, so national debt grows while economic development does not accelerate.

Besides, this is only one effect. Another is dynamic and works in the completely opposite direction: if a country manages to become competitive in world markets (whether via higher productivity, lower wages, or a low exchange rate), it begins to export more than it imports and develops a trade surplus. If this surplus is stored in the form of foreign exchange reserves, the exchange rate gets undervalued and the trade surplus persists. That is why countries that develop faster than others usually have a trade surplus, like the United States in the 1870s-1970s, Japan and Germany after World War II, the East Asian Tigers and Dragons, and of course China more recently. An accumulation of reserves (invested in reliable short-term government securities that yield very low interest rates) implies losses to the national economy, but every policy has costs – there is a price to pay for promoting growth.

Capital Flowing Uphill – External Financing and Growth

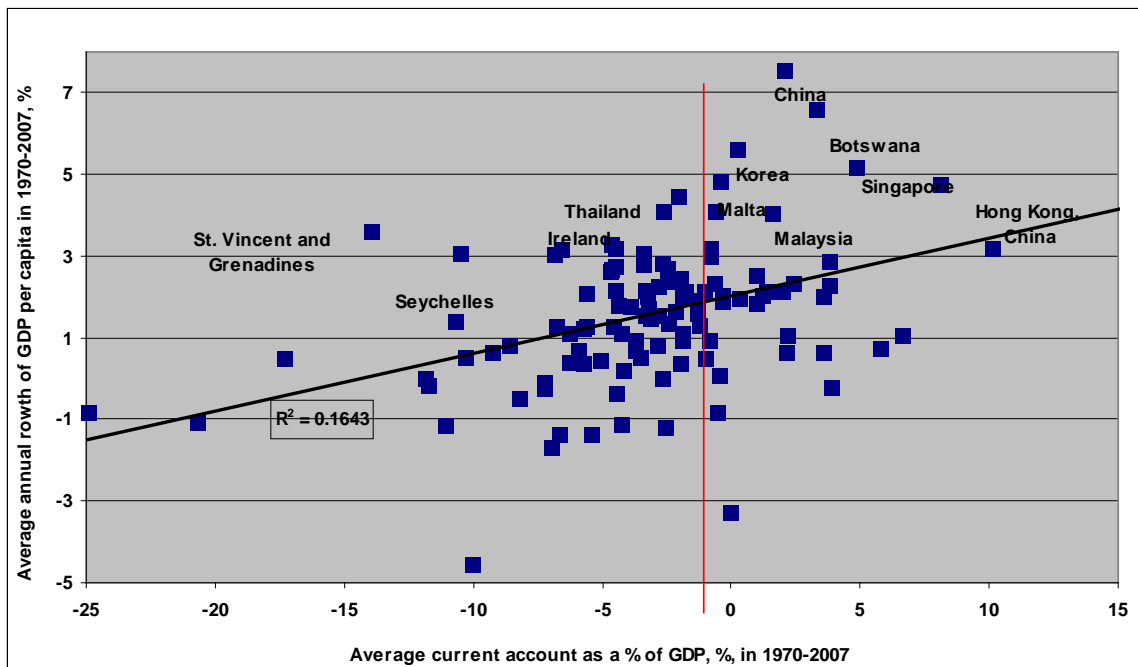
In fact, countries that have managed to achieve high growth rates mostly have been net creditors, not net borrowers; their current accounts have been positive, i.e., they have saved more than they have invested (**Figure 7**). Even controlling for level of development–PPP GDP per capita in the middle of the period (1975), the relationship between current account surplus and growth remains positive and significant.

This is known as the Feldstein-Horioka puzzle – a high correlation between domestic savings and investment, even among states with relatively open capital accounts, contrary to the theory that capital should flow to countries with better investment climates and rates of return on investment. With high domestic savings rates comes high investment rates, which usually (if not always) leads to faster growth. In the words of Paul Krugman (2009), there have been three large waves of capital flows to developing countries since the early 1980s, but none of them resulted in growth miracles:

“The first wave was to Latin American countries that liberalized trade and opened their markets in the wake of the 80s debt crisis. This wave ended in grief, with the Mexican crisis of 1995 and the delayed Argentine crisis of 2002. The second wave was to Southeast Asian economies in the mid 90s, when the Asian economic miracle was all the rage. This wave ended in grief, with the crisis of 1997-8. The third wave was to eastern European economies in the middle years of this decade. This wave is ending in grief as we speak. There have been some spectacular development success stories since 1980. But I am not aware of any mainly driven by external finance. The point is not necessarily that international capital movement is a bad thing, which is a hotly debated topic. Instead, the point is that there’s no striking evidence that capital flows have been a major source of economic success.”*

In light of this, a developing country’s policy choice to rely on external financing is ironic. It is also ironic that while development economists are preoccupied by problems of “capital flowing uphill” (from developing to developed countries), the best growth record is exhibited precisely by those states that are generating this uphill movement of capital, with positive current accounts and large reserve accumulations.

Figure 7. Average Current Account as a percent of GDP and Growth of GDP per Capita, percent, 1970-2007.



Source: World Development Indicators.

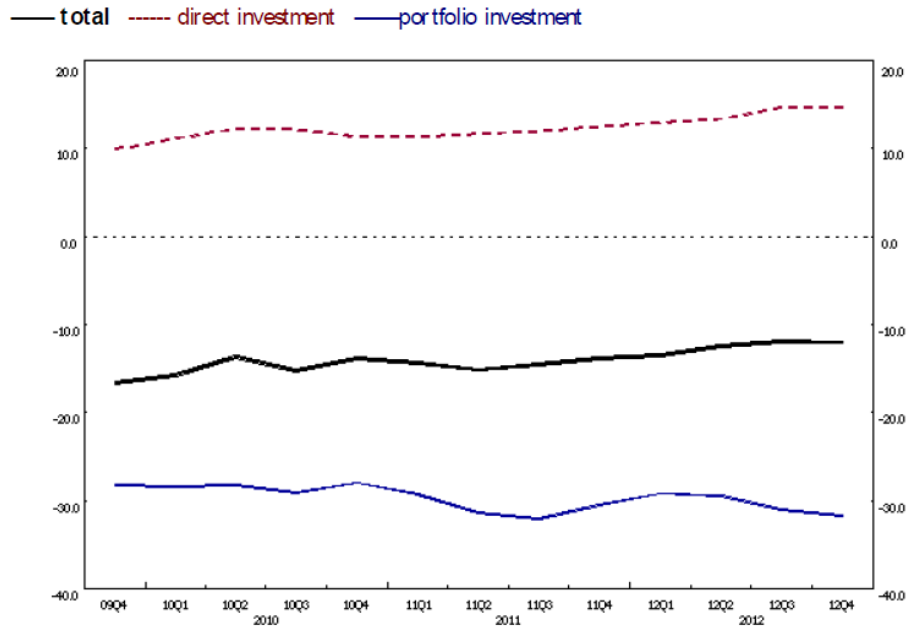
* Paul Krugman, “Finance mythbusting, third world edition,” November 10, 2009, <http://krugman.blogs.nytimes.com/2009/11/09/finance-mythbusting-third-world-edition/>

The Marshall Plan for Western Europe right after World War II may have been the first and last success story of foreign financing contributing substantially to economic revival. However, even in this case, it could be argued that without appropriate domestic (European) institutions and mobilization of domestic savings, (relatively) rapid growth would not have occurred. Foreign financing of Japan after World War II was insignificant, whereas Japanese postwar growth was more impressive than European growth. Economic miracles happened only in countries that relied on mobilization of domestic savings, not in countries that were seeking to bridge the financing gap through borrowing abroad, as development economists suggested.

The argument against the policy of reserve accumulation and undervaluation of the exchange rate for developing countries is the following: if all poor countries were to pursue this policy, developed countries would ultimately accumulate unsustainable levels of debt and the inevitable subsequent adjustment would be painful.

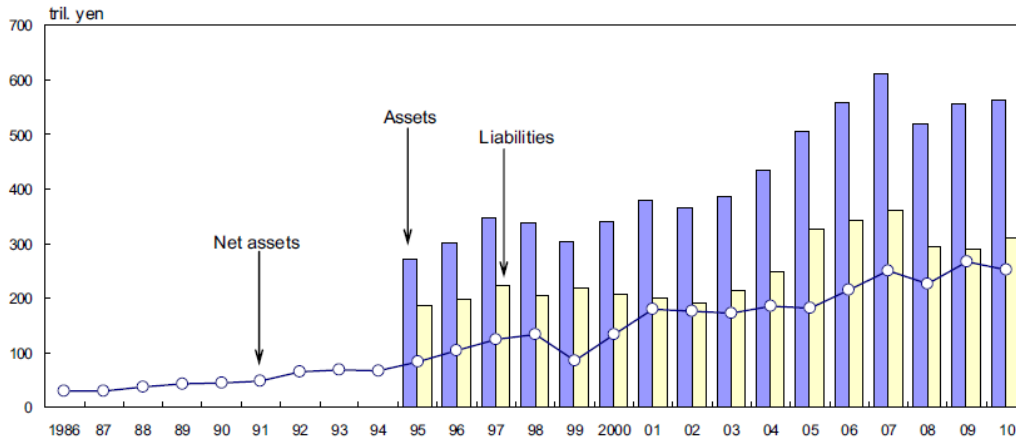
But today, the debt of wealthy states is not that high. The United States has net international indebtedness of about 30 percent of GDP (**Figure 5**), the Euro area has net international liabilities of just over 10 percent of GDP (**Figure 8**), and Japan is a net creditor with net international assets of nearly 50 percent of GDP (**Figure 9**). It is exactly developing countries that are the major international debtors, whereas developed countries (with some well known exceptions, like Spain, Greece and Portugal) are mostly net creditors (Germany, Japan) or modest debtors (United States and UK), so there is still room for the West to go into debt (**Table 1**).

Figure 8. Net Euro Area International Investment Position, as a percent of GDP, Outstanding Amounts at the End of the Period.



Source: European Central Bank
http://www.banque-france.fr/fileadmin/user_upload/banque_de_france/Eurosystème_et_international/PR-ECB-euro-area-balance-of-payments-february-2013.pdf

Figure 9. Japan's International Assets and Liabilities, Trillion Yen.



Note: Figures for 1995 and after are calculated in accordance with the fifth edition of the *Balance of Payments Manual* issued by the International Monetary Fund (IMF), while those for years through 1994 are based on the fourth edition.

Source: Japan's International Investment Position at Year-End 2010 International Department, Bank of Japan. BOJ Reports and Research papers, August 2011
http://www.boj.or.jp/en/research/brp/ron_2011/data/ron110826a.pdf.

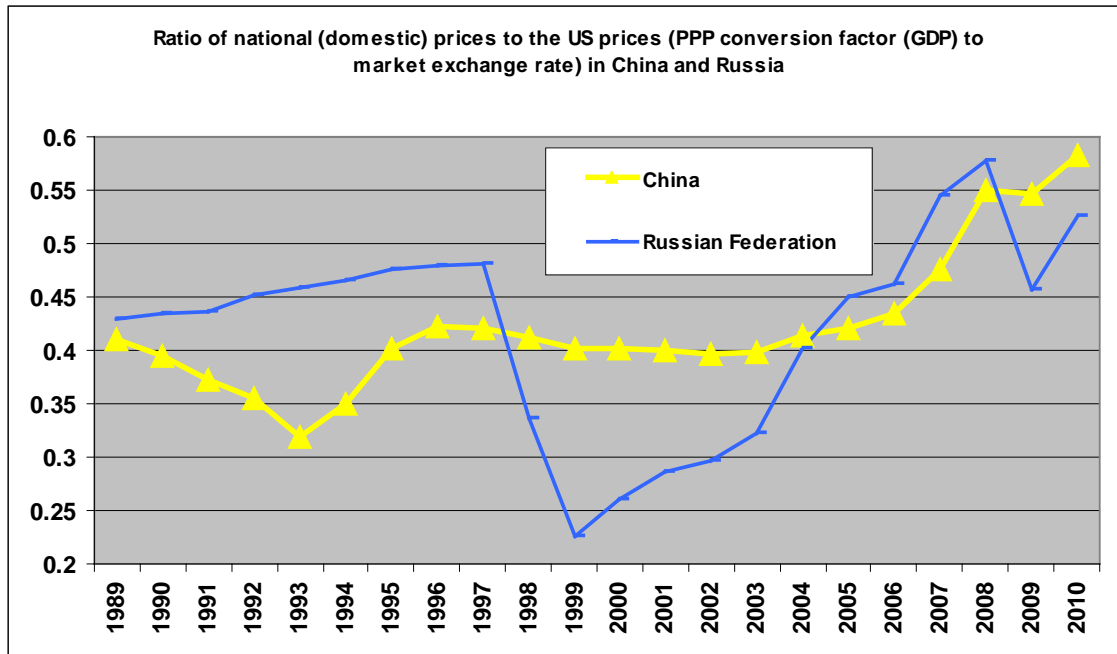
So reserve accumulation works as a development tool. That said, although China and Russia have been accumulating FOREX rapidly over the last 10-20 years, Russia has been less successful in underpricing its exchange rate than China (**Figure 10**). Russia experienced a substantial improvement in its terms of trade due to the increase in global oil and gas prices but suffered from Dutch disease (exchange rate overvaluation). China's increase in productivity was higher than Russia's, so there were more objective reasons to appreciate the yuan than the ruble (the so-called Balassa-Samuelson effect). To keep the exchange rate competitive, Russia should be accumulating FOREX faster than China, but this has not been the case.*

Theoretically, every externality could be taken care of through taxes, but in practice selective policies rarely work. Because protectionism is currently *de facto* outlawed by the World Trade Organization, exchange rate protectionism is the only available tool for promoting catch-up development—in a way it is an instrument of last resort. Reserve accumulation in poor states will not continue forever; it will come to an end once they catch up with the West. Meanwhile, developed states get a chance to consume more than they produce.

This begs the question, why not go into debt to help the global South catch up with the West sooner? Maintaining today's global imbalances would help to overcome the major disproportion of our times: the income gap between developed and developing countries. This gap has been widening for 500 years and only now, in the last 50 years, have there been some signs that this gap is starting to close. The chance to eliminate this gap sooner rather than later would be increased if the West would go into debt, thus allowing developing states to have trade surpluses that would help them develop. Previously, over the sixteenth to the twentieth centuries, it was the West that was developing faster, accumulating surpluses in trade with "the rest" and using these surpluses to buy assets in developing countries while "the rest" were going into debt. Now it is time for "the rest" to accumulate assets and for the West to go into debt.

* In addition to over \$3 trillion in FOREX China keeps about \$1 trillion in sovereign wealth funds (SWF). Russia also has SWF (about \$160 billion at the beginning of 2013), but in Russian statistics, it is included in the total FOREX (\$500 billion).

Figure 10.



Source: World Development Indicators.

Table 1. Net Assets of Major Countries: An International Comparison.

Country/year	Net assets as a percent (%) of nominal GDP
Hong Kong	
2010	308.6
2007	233.6
Japan	
2010	53.5
2009	56.5
2008	44.4
2007	48.5
Switzerland	
2010	136.1
2008	123.2
China	
2009	36.5
2008	34.5
Germany	
2010	42.1
2008	26.2
Russia	
2009	9.1
2007	-9.4
India	
2007	-6.5
France	
2010	-11.5
2007	13.4
United Kingdom	
2010	-13.2
2008	-4.6
Canada	
2010	-16.2
2008	0.8
Italy	
2010	-17.1
2008	-12.9
United States	
2009	-19.4
2007	-17.7
Brazil	
2007	-38.8
Australia	
2010	-58.2
Spain	
2010	-87.1

Note (Table 1.): “International Investment Position” as released by the central banks of Germany, Switzerland, and Italy, as well as the statistical authorities of China, Canada and the United Kingdom. Figures for all other countries are from the International Financial Statistics of the IMF.

Sources (Table 1.): *Japan's International Investment Position at Year-End 2008 International Department, Bank of Japan. BOJ Reports and Research papers, August 2009*

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Shale Fever and the Future of Putin's Russia

PONARS Eurasia Policy Memo No. 271

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Few observers doubt that oil and gas serve as the economic foundation for the political regime built by Vladimir Putin in Russia. The global rush for energy and rising prices on fossil fuels have underpinned Russia's revival on the international arena and padded the popularity of Russia's president domestically. The "fat" 2000s brought a semblance of economic stability, increases in salaries and pensions, and Russia's association with the BRICS—a group of high-growth emerging economies hoping to join the ranks of the world's most influential countries in the twenty-first century.

The Russian economy's dependence on energy resources is well-established. According to various estimates, between 50-80 percent of Russia's federal budget depends on commodities revenues. Although the contribution of oil and gas rents to Russia's GDP is not very high—around 4 percent for gas and 14 percent for oil in 2010—the dependence of the federal budget on oil revenues has been increasing over the last few years. The 2012 budget, for example, needed an oil price of around \$120 a barrel to balance; the 2013 budget needs prices of \$125 or more to break even. Economists at the Higher School of Economics in Moscow have warned that if oil prices hit \$80 per barrel, the government will quickly deplete its reserve funds. To meet Putin's domestic spending campaign promises, estimated to cost \$309 billion (*Financial Times*, June 20, 2012), oil prices need to grow by \$10-15 annually.

Recent global developments in the energy sector appear to threaten the Russian oil and gas dependent economic model. The technological changes associated with shale energy production that have been developing over the last few years have already reconfigured the global energy industry and will likely impact the broader geopolitical landscape as well as domestic politics in states highly dependent on energy trade. Is Putin's luck undermined by what came to be known in the United States as the shale gas revolution and the potential shale oil revolution? This policy memo will first review the impact of these recent developments in the United States and globally and discuss how these changes have already impacted Gazprom, Russia's leading energy company. The first section will also examine the existing estimates for the shale oil revolution. The second section will review the Russian government's reaction to these developments. The last section will assess the longer-term implications of changes in the global energy sector for Russia's economy and politics.

Shale Gas and Oil: Will This Revolution Last?

The technological breakthrough associated with extracting shale gas and oil has revolutionized the United States' energy industry. The revolution started in the gas industry. Driven by shale gas production, gas output in the United States has increased by 20 percent over the past five years and pushed gas prices down from over \$13 to \$1-2 per mMBTU (million metric British thermal units). Since 2009, the United States has become the leading global gas producer, pushing Russia to second place. Cheap gas in the United States has translated into cheap electricity and boosted natural gas intensive industries such as plastics and nitrogen fertilizers (*The Economist*, March 16, 2013), lifting America's GDP growth by half a percentage point per year. Furthermore, shale oil production has been rapidly emerging in the United States as a new unconventional energy resource at a growth rate of around 26 percent in the last few years. PricewaterhouseCoopers (PwC) has estimated that in the long term shale oil could displace around 35-40 percent of waterborne crude oil imports to the United States. Shale oil production has already reduced U.S. domestic oil prices and, according to PwC, is likely to affect global energy markets significantly, lowering oil prices and contributing to higher global GDP.

Shale oil and gas have geopolitical consequences in that they favor large net oil importers and worsen trade balances of major oil exporters such as Russia and the OPEC states, especially when these states themselves do not take advantage of new technological advances. Shale energy has already lent some optimism to countries highly dependent on Russian gas. Ukraine, for example, recently signed a deal with Shell to explore and develop a domestic shale gas field. Although production is scheduled to begin only in five years' time, Ukraine is already using this development to pressure Gazprom to reduce the current price of gas. Although some states in the European Union like Bulgaria and France have developed strong opposition to the process of hydraulic fracturing, due to environmental and public concerns, others have been lifting bans and developing legislation to allow unconventional shale gas extraction. Poland, for example, has been on the front lines of the shale gas industry in Europe. Despite onerous geological conditions and an uncertain regulatory environment, oil and gas majors like Chevron, Eni, and ConocoPhillips remain committed to shale gas exploration in the country. Furthermore, Chevron has started exploration in Lithuania and is planning to explore for shale gas in Ukraine. Germany and Great Britain are launching their own shale gas production ventures.

The U.S.-driven shale gas revolution has already hit Gazprom, Russia's largest energy company frequently seen as Putin's main geopolitical weapon. The first round of news about "Gazprom in crisis" made the headlines in 2009-2010 when Gazprom was accused of being "a bloated and wasteful bureaucratic monster" in major need of reform (Anders Aslund, "Gazprom in Crisis," *European Energy Review*, 2010). The way things have evolved since then have only worsened the outlook of this energy giant. This year Gazprom is being referenced as "Russia's wounded giant" and "the 2012 loser." The company's capitalization has fallen by more than a third, sinking below \$100 billion and making Gazprom one of the least-valued among major energy companies. Its 2012

profits have dropped by 37 percent to \$17.8 billion. As U.S. gas production has skyrocketed, Europe has benefited from the greater availability of liquefied natural gas (LNG) originally meant for U.S. markets. Under increased competitive pressure, Gazprom's exports to European markets have been reduced to a third of what they were in 2008. Existing long-term contracts that priced gas based on the price of oil have been revised to lower prices, with Gazprom handing out refunds to European customers. In another apparent blow to the company's image, Gazprom had to revise major investment plans and shelve its flagship Shtokman field project, even as it went ahead with the costly South Stream project.

The causes of Gazprom's downfall are apparent. They can arguably be reduced to the combination of inefficiency and corruption associated with Russia's state capitalism and which Gazprom embodies and an increase in competition on energy markets resulting from the "shale gas revolution." Many experts have commented on Gazprom's managerial problems. "Gazprom is what one would expect of a state-owned monopoly sitting atop huge wealth—inefficient, politically driven, and corrupt," according to one American diplomat in a 2009 cable published by German magazine *Der Spiegel*. Some experts have estimated that of the nominal profits of \$46 billion posted for 2011, the company lost \$40 billion to corruption and inefficiency (Peterson Institute). Russia-based critics have also highlighted Gazprom's "gross lack of professionalism and incompetence" under the personal control of Vladimir Putin (Nemtsov and Milov, "Putin and Gazprom"). Even Russian government members such as federal antimonopoly service head Igor Artemyev have criticized the company for inefficiency. The recent downward trend is, however, associated with the competitive pressures originating from the shale gas revolution that have worked to expose many of the company's pre-existing problems. Gazprom has utterly missed the new technological developments in the energy industry, denying their occurrence at first and thus failing to develop a strategy to deal with and take advantage of them.

Russia's Reaction: Denial and the Hard Awakening

At first, Gazprom's leadership and the Russian government treated the shale gas revolution as a myth, a "Hollywood stunt," or even a propaganda campaign unleashed by the West to topple Gazprom. Only recently has the Russian government acknowledged that a shale revolution really exists and that Russia, as a major producer of oil and gas, needs to adapt to changing energy market realities. In April 2012, Putin urged Russia's energy companies to "rise to the challenge" of shale. In October of the same year, he requested that Gazprom develop a new export policy responding to new developments in LNG and shale gas markets. Meanwhile, Rosneft, the expansionist state-owned oil and gas company that has recently created a domestic challenge for Gazprom, is considering tapping into unconventional gas reserves, of which Russia is estimated to have 680 trillion cubic meters, according to Gazprom's own research unit. The second rising domestic competitor to Gazprom, independent gas producer Novatek, is placing its bets on LNG production in the Arctic.

There have also been discussions on splitting Gazprom into two separate entities, likely a response to the anti-trust investigation the EU has launched against the company. Splitting Gazprom into one company responsible for production and another responsible for distribution would allow it to conform to the EU's "Third Energy Package" that requires the unbundling of production and transmission of energy. Rosneft CEO Igor Sechin, among others, has voiced this idea, and Novatek also supports it. These two gas producers are interested in getting access to trunk pipelines; a Gazprom split could benefit them.

Because Russia depends more on revenues from oil than from gas, the consequences of a shale oil revolution would be especially dramatic, in both a positive and a negative sense. Russia's scientific community recently made a revealing admission concerning the scale of the problem: the Russian Academy of Science's Institute for Energy Studies wrote that the projected impact from the shale revolution could mean that by 2040 Russia's export of oil might be lower by 50 million tons (*Wall Street Journal*, April 11, 2013). The shale oil boom, however, also holds great potential for Russia. Rosneft's recent activity is promising. The company created a joint venture with Exxon Mobil to drill test wells in Russian shale beds in Siberia. Statoil and Shell are also drilling through joint ventures. So is Lukoil. It thus appears that Russian companies are slowly realizing the potential opportunities associated with shale energy. Despite the continuing rhetoric of leaders of Russian oil and gas companies dismissing the importance of shale production, the actual projects undertaken by companies reveal their change of mind on the issue.

Three Broader Implications

The shale gas boom in the United States has already been a game changer for global gas markets. Growing gas production in the United States has freed up LNG for European markets, resulting in cheaper spot markets for gas and reducing the importance of gas transported through pipelines. That means a lowering geopolitical significance of pipelines. In these new circumstances, the Russian government is decreasingly able to use gas exports as a geopolitical tool. Russia's neighbors, highly dependent on Russian gas, are likely to have new options. These developments do not mean that Gazprom will stop being an important supplier of gas to Europe, but it does mean that Russia will be more pressured to compromise with its customers in Asia. The Asian direction of Russia's gas trade will rise in importance in coming years.

Since oil prices are so important for government revenue, Putin's "luck" and the future of Russia's economy and politics highly depend on what happens to oil prices. The U.S. Energy Information Administration (EIA) has outlined three different scenarios based on low oil prices, high oil prices, and a reference case that estimates prices for 2020 in the range of \$70-155 per barrel (and an even larger spread for 2040). The reference case lists the price per barrel in 2015 at \$96, which would likely place financial pressure on the Russian government (EIA, April 15). Given the loss of "Putin's majority" and the growing discontent among the more educated groups in society, the prospects for Putin's political standing are not very rosy. In the event of the low oil price scenario,

the Russian government would be forced to undertake structural reforms that are likely to be unpopular among the population.

Finally, while the main weakness of Russia's economy is its dependence on the increasingly uncertain price of oil, none of the figures or analyses presented here point to an unavoidable doomsday scenario for Russia or for Putin. Both could reap benefits if they are able to react appropriately to the shale oil surge.

The Energy Factor in Russia's "Asia Pivot"

PONARS Eurasia Policy Memo No. 272

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For a variety of economic and geostrategic reasons, Russia is again attempting to increase its efforts to develop the economy of its Eastern territories and integrate more deeply into the rapidly developing Asian regional economies. As the Obama administration announced its "Asia Pivot" in 2011, Russia's own "Asia Pivot" was marked by its hosting of the APEC Summit in Vladivostok in September 2012. Historically, Russia was a primarily European focused power, until the Cold War confrontation with the United States. Engaging in Asian affairs does not come naturally to Russia's elite, but Vladimir Putin is keenly aware of the shifting global economic balance of power to Asia, and he understands that Russia's integration there is essential for its successful long-term development. It is true that during the latter Soviet period Moscow was more focused on Asia because of the emergence of China as a perceived strategic threat, but this engagement with the region was almost entirely on military-strategic terms. Now, however, the currency of power has shifted to a certain degree from military to economic prowess. And just as energy, mainly oil and gas, has been Russia's principal economic comparative advantage to its West, Russian economic integration in Asia leads with its energy resources.

The Geopolitical Importance of Development: Necessity and Controversy

It remains critical that Russia develop the hydrocarbon resources of Eastern Siberia and the Far East for three primary reasons: 1) the decline of production from oil and gas deposits in Western Siberia; 2) the necessity of developing the economically backwards Far East; and 3) Russia's deep concerns over Chinese encroachment in the Far East. The most pressing is the decline of the large oil and gas deposits concentrated in Western Siberia that have historically served as the backbone of the Russian oil and gas sectors. These deposits largely fell into decline in 2007; since that time, Russia has barely overcome that shortfall through the development of new assets. Such deposits accounted for 77 percent of oil production in 2009, even as they have been depleted by approximately 60 percent (similarly, the major exploited gas deposits in Western Siberia have already been depleted by 65-75 percent). With these large deposits "at the phase of actively declining production," the focus of the oil and gas sectors is set to shift toward

* This memo is based on research for a co-authored study by the author with Shoichi Itoh.

medium- to small-scale deposits and “hard-to-recover” reserves, all of which will require immense private sector, public sector, and foreign investment. The Russian development plan for the Eastern regions is predicated on the idea that these fields can quickly be brought on line to make up for these production shortfalls and create a stable oil and gas sector that is once again capable of expansion.

Absent the contribution of new fields in Eastern Siberia and the Far East, the decline of Western Siberian oil and gas would have a dramatic negative effect on both Russia's geopolitical position and its public finances. Oil alone provides over half of Russia's export revenue, and oil and gas profits account for over 40 percent of the federal budget. Unlike many of the other major global oil and gas exporters, Russia also suffers from a dearth of spare capacity, meaning that without significant modernization and the development of the Eastern regions it will be unable to maintain current levels of oil and gas exports.* In fact, the Russian energy strategy calls for the expansion of oil and gas exports overall. This is in part driven by a desire to diversify Russia's export portfolio away from traditional export markets in Europe, where energy demand is expected to decline over the coming years, toward the growing markets of Northeast Asia. Russia also views this diversification as a way to increase its leverage vis-à-vis its consumers in Europe who have recently sought to reduce their dependence on Russia.

Russia's push to develop the hydrocarbon resources in its Eastern regions is also deeply tied to its concerns about the relative economic backwardness of its eastern flank. Russia has deep concerns regarding the balance of its relationship with China that, in recent decades, has been characterized by a widening gap both economically and in terms of population. This divide is on stark display along the Sino-Russian border, where the population of China's northeastern territories is roughly ten times that of Eastern Russia, despite those territories accounting for approximately 60 percent of Russia's overall territory. The gap in economic dynamism is even more glaring, with the Eastern regions of Russia contributing only 5.6 percent of the country's total GDP.† Energy, an industry dominated by state-directed enterprises and an area in which the Far East boasts numerous natural advantages, has been the obvious choice to drive the development of the Far Eastern economy and its attendant infrastructure, so as to, in part, assuage fears about domination of the Eastern regions by its massive neighbor. However, the expansion of Sino-Russian energy relations has demanded the expansion of Chinese foreign investment in these regions. Paradoxically, this investment has stoked fears about economic domination and “silent expansion” by the Chinese in the Russian Far East, even as it has contributed to the end goal of economic development.

It is important to note that Russian concern over economic domination of the Far Eastern regions by the Chinese has significantly hampered the development of the region's hydrocarbon resources. It is widely accepted that Russia does not possess the

* Thane Gustafson, “Russian Oil Industry at a Crossroads as Infrastructure Ages,” *The New York Times*, December 4, 2012, http://www.nytimes.com/2012/12/05/business/global/russian-oil-industry-at-a-crossroads-as-infrastructure-ages.html?_r=0.

† Rens Lee, “The Far East Between Russia, China, And America – Analysis,” *Eurasia Review*, July 31, 2012, <http://www.eurasiareview.com/31072012-the-far-east-between-russia-china-and-america-analysis/>.

investment capital to unilaterally develop these regions. However, fear about foreign investment, especially from China (Russia's most natural partner in this regard), along with an economic environment that is largely hostile to such investment has kept foreign investment in onshore development to a slow trickle. Many figures in the Russian government fear that with too much investment from China the Far East will become a "resource appendage" of China rather than an economically dynamic region of Russia. Some analysts have proposed that Russia pursue a foreign investment strategy based on a consortium of foreign partners, including states in Northeast Asia and the United States. Such a strategy would diversify the immense risk involved in hydrocarbon development in Russia among the investing countries while assuaging Russian concern over the economic sovereignty of Eastern Siberia and the Far East. However, the fact remains that the *Energy Strategy to 2030* calls for foreign investment well below the levels that would be necessary to sustain a major foreign investment consortium, making it unlikely that such a strategy will be pursued in the short term.

Concerns over the development trajectory of these regions have caused the government to pursue a somewhat centralized development strategy. However, considerable controversy has developed over how exactly the economic development of these regions should be managed. Two distinct approaches to this management structure have been proposed. The first consists of the development of a state corporation to direct the development of the Far East. This strategy was first presented to Putin by Sergei Shoigu, then minister of emergency situations (now minister of defense), in January 2012. He argued that a state-run corporation could best establish the type of economic environment that would allow for the sustainable and rapid development of these regions. A version of the bill to create this corporation leaked in April 2012. According to reports, the corporation would be allowed to bypass regional and local governments to give permits for mining natural resources. The corporation would be directly accountable to the president, while other state agencies would not be able to interfere with its decisions. To facilitate the ventures, the body would get 500 billion rubles (\$17 billion) worth of stakes in energy, resource, and infrastructure companies. The corporation would also receive unprecedented oversight in the decisions of major state monopolies like Gazprom and Transneft.

Controversy quickly developed over the issue of a state corporation in the Far East. Former minister of finance Alexei Kudrin was quick to criticize the proposal, stating that it would increase graft, enable the state to grant special preferences to certain investors, and consequently crowd out and deter other private investors.* Additionally Minister of Finance Anton Siluanov, Kudrin's successor, publicly opposed the plan, arguing that a state corporation was unnecessary and that it would hinder the development efforts of the regional governments.†

* "Kudrin Slams Russia's Far East Mega Plan," RIA Novosti, April 24, 2012, <http://en.rian.ru/business/20120424/173012144.html>.

† "Минфин жестко раскритиковал идею создания корпорации развития Сибири и ДВ," Взгляд, May 2, 2012, <http://vz.ru/news/2012/5/2/576988.html>.

Subsequently, a separate proposal for the development of a ministry for the development of the Russian Far East was proposed and, ultimately, adopted. President Putin created this ministry in May 2012, appointing Viktor Ishaev, formerly the long-time governor of Khabarovsk, as its head. Its mandate was broadly defined to include the implementation of all state programs and federal targeted programs for the Russian East, including long-term projects such as those included within the *Energy Strategy to 2030*. Many officials within the regions have opposed the operations of this ministry, as they believe it impedes the development projects underway on the regional level while not significantly adding to the economic development of the Far East. Last spring, President Putin himself accused the ministry of not fulfilling its purpose and failing to effectively direct the economic development of the region. He was especially critical of the fact that the ministry had not fully developed a fully-fledged policy program and that it has exhibited considerable fiscal waste. Importantly, Putin's dissatisfaction with the ministry has led his government to reconsider the development of a state corporation for the development of these regions. At present, it remains to be seen what type of structure the Russian government will employ to guide the development of the Far Eastern regions or how efficiently it will be able to utilize the massive, and essential, hydrocarbon resources of Eastern Siberia and the Far East.

Diversification of Partners to Hedge China as Strategic Principle?

Despite the continuous public and official pronouncements of the historically unprecedented harmony in Sino-Russian relations (which may be true given that for centuries this has been a highly conflictual relationship), perhaps Vladimir Putin's greatest foreign policy challenge in the years ahead will be managing relations with his rapidly rising neighbor to the East. And just as Russia is wary of Chinese encroachment on its most valuable sovereign domain, hydrocarbon supplies, it is acutely concerned about becoming overleveraged to China more broadly in Asian regional relations if not global inter-relations. Consequently we are seeing increasing signs now of efforts by Moscow to diversify its portfolio of Asian partners, so to speak, especially with Japan, South Korea, and, most recently, Vietnam.

In June 2012, Minister of Foreign Affairs Sergey Lavrov stated that Russian and Chinese relations had reached unprecedented high levels.* This was shortly before the Shanghai Cooperation Organization (SCO) summit in Beijing at which China and Russia signed ten important agreements on security, economics, and energy.† Russia and China have formed a close political partnership in recent years that reflects shared understandings vis-à-vis the United States and the West (opposition to perceived Western "domination" in local affairs) and alignments on contentious issues such as Iran sanctions, Syria, and NATO expansion. They have dramatically expanded cooperation in trade (China is now Russia's largest partner‡) and have pledged to increase trade from \$83 billion in 2011 to \$200 billion in 2020. In addition, the Russian Far East has

* http://news.xinhuanet.com/english/china/2012-06/03/c_131628116.htm.

† http://zeenews.india.com/news/world/china-and-russia-sign-10-crucial-agreements_780126.html.

‡ <http://www.eurasiareview.com/31072012-the-far-east-between-russia-china-and-america-analysis/>

fewer than 6.5 million people today. By comparison, China's northeast and Inner Mongolia have seen steady human population growth and had 139.9 million people as of 2008. Sergei Karaganov, of the Council on Foreign and Defense Policy in Moscow, expresses fears that Russia's "semi-dependency" on China could add "a great deal of international weight" to the PRC, which should concern other countries of the Asia-Pacific community." What Russians call the "China threat" simply reflects Russia's own paranoia against a backdrop of economic backwardness and depopulation of its eastern regions.* In Beijing politics, Russia is now being talked about as "China's strategic rear."† The commitment to secure China's "strategic rear" is motivated by obvious national security considerations, but also by pragmatic recognition that this allows China to concentrate on economic modernization.

Moreover, over the last five or six years, China has had an increasing footprint in Russia's historic sphere of influence, Central Asia. In 2009, the presidents of China, Kazakhstan, Uzbekistan, and Turkmenistan celebrated the inauguration of the Central Asian-China pipeline, which runs approximately 2000 kilometers through the four countries and has a planned total capacity of 40 billion cubic meters. This marked the first major diversion (Turkmenistan began exporting gas to Iran in 1998) of former Soviet republic gas resources outside of the Soviet legacy Gazprom pipeline network.

Conclusion

The APEC summit in September in Vladivostok was the global stage for Russia's assertive turn to the Far East, and its ambitious development in Russia itself. In an interview, Vladimir Putin stated that "two-thirds of Russian territory is located in Asia, and yet the bulk of our foreign trade—more than 50 percent—comes from Europe, whereas Asia only accounts for 24 percent,"‡ and predicted huge growth. According to Minister of Far East Development Victor Ishayev, \$1.1 trillion rubles (\$35 billion) was invested in the Russian Far East in 2010, an unprecedented amount.§ However, President Putin was very critical of Ishayev, called for more concrete results and even proposed incentives for businesses such as a zero-rate federal profit tax for the first 10 years for start-ups for investments of 500 million rubles (\$16.5 million) or more. During the APEC summit, Russia did not make any political or financial demands of its Asian partners. Moscow raised technical questions and APEC countries raised questions such as the movement of cargoes across Russian territory for Asian countries to enjoy promised benefits, including the unification of transport code, automation of logistical systems, and so on. Russia promised to cut the time taken to clear foreign containers from 12 days to four to five days by 2018.

* Shoichi Itoh, *Russia Looks East: Energy Markets and Geopolitics in Northeast Asia*, Center for Strategic and International Studies, July 2011, p. 40.

† <http://valdaiclub.com/asia/52300.html>.

‡ <http://www.nytimes.com/2012/09/07/world/europe/at-asia-pacific-meeting-putin-focuses-on-the-far-east.html>.

§ http://rbth.ru/articles/2012/12/04/putin_unsatisfied_with_the_ministry_of_far_east_development_20803.html.

Russia is primarily interested in its restoration as a great power. Although Moscow has not abandoned its fixation on the United States as its principal global foe with its encroachment on areas of Russian "privileged interests," the rapid rise of China and its dramatically increasing economic influence and power in Central Asia and elsewhere among Russia's neighbors has been the impetus for some recalibration of Russian foreign policy, serving as a stimulus for improved ties with Washington, for example. Also significantly, Russia is starting to look at Asia for its own importance and possible contributions to Russian development rather than as a thinly credible threat to the West that if Russian interests are not more respected it will align with China, a refrain heard often during the Yeltsin and earlier Putin presidencies.

Instead, Russia is shifting its strategy towards a complex policy of global accommodation. In line with its goal of modernization, Russia has pushed for regional economic integration with an eye toward joint investment projects. Specifically, it has highlighted energy, agriculture, infrastructure, and advanced technology as areas in which joint investment and technical cooperation should take place. The successful realization of Russia's new Asia Strategy requires Russia to maintain a close relationship with China; this is more accurately described as an "axis of necessity" rather than an "axis of convenience," as Bobo Lo termed it. The two powers share common multi-polar visions for the security architecture in the Asia-Pacific, predicated on the principles of non-interference, equality, respect for international law, cooperation in development, and opposition to Cold War-era policies. Together they have championed multilateralism as the legal foundation for this architecture and advocated for a system that would prioritize collective leadership.

But Russia is well aware of the need to extend and improve ties with a wide variety of Asian neighbors, including the United States, as it continues to deepen its ties with China. The most logical development from this in the Asian energy sphere would thus be a more accepting Russian posture to increasing Chinese investment and equity stakes in the development of its East Asian resources while at the same time increasing the involvement of other major Asian partners.

Russia: New Player in the South China Sea?

PONARS Eurasia Policy Memo No. 260

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Long accustomed to a seat on the sidelines of East Asian affairs, Russia now finds itself sought after as an energy and military partner, particularly by Vietnam, but increasingly by a wider range of states in Southeast Asia. Russia's growing relations with Southeast Asian states, especially in energy and defense, and the development of an alternative northern shipping route to the Malacca Straits are changing perceptions of Russia's potential role in the region, as Southeast Asian states seek to balance a rising China.

Indeed, it is not the Sino-Russian strategic partnership that will make Russia more of a player in East Asia, as Russian policymakers originally thought nearly two decades ago, but rather Russia's role in counterbalancing Chinese power in the region, via defense and energy ties with Southeast Asian states. Although Russia finds support in China for its global positions, on a regional level Russian leaders have sought to enhance their country's independence of action through an increasingly varied Southeast Asian diplomacy, including traditional allies like Vietnam, but also unexpected partners such as the Philippines.

This memo addresses Russian relations with China and Southeast Asian states in the context of disputes over boundaries and energy resources in the South China Sea. It examines how Russia balances its regional energy interests with its desire to play a role in Asia-Pacific regional institutions, its strategic partnership with China, and relations with Southeast Asian states. It also assesses China's reaction to Russian offshore energy relations with Vietnam and outlines the growing role of Southeast Asia in Russia's increasing effort to counterbalance China and open an alternative shipping route to the Malacca Straits in the north.

Russia and Southeast Asia

Russia has long proclaimed an interest in becoming an Asia-Pacific power. In practice, Russia's Asia policy has focused more attention on its bilateral relationships, especially its strategic partnership with China and its longstanding ties to India, than on Asian multilateralism.

In Southeast Asia, Russia's political dialogue with members of the Association for Southeast Asian Nations (ASEAN) has largely outpaced substantive cooperation,

* I would like to thank Gregory Shtraks for his research assistance.

although shared norms and bilateral relations in certain areas have created a foundation for broader Russian engagement with Southeast Asia. Conceptually, President Vladimir Putin's emphasis on "sovereign democracy," a model of managed and centralized political development rooted in Russian traditions, resonates with former Malaysian Prime Minister Mahathir Mohamad's position on "Asian values" and ASEAN norms of non-interference. (In light of their convergence of views, during a 2002 visit to Moscow, Mahathir proposed to Putin that Malaysia could be Russia's "gateway to Asia.")

Malaysia proved to be a key supporter of Russia's inclusion in the East Asian Summit, although skepticism in Singapore and Indonesia, among others, about Russian cooperation with ASEAN delayed Moscow's entry. Russian Foreign Minister Sergei Lavrov, writing in the Moscow-based *International Affairs*, admitted that bilateral ties lag behind political dialogue with ASEAN, but he saw new dynamism in areas of previous cooperation such as energy, as well as engagement in new cooperative efforts, such as terrorism and disaster relief.

However, it is more through Russia's bilateral engagements, especially with Vietnam, than its efforts to gain entry into East Asian regional institutions that Russia is achieving greater relevance to Southeast Asian security as a whole. In particular, Russia's bilateral ties with Malaysia, Indonesia, and Vietnam have been developing over the past two decades in weapons sales, aviation, and energy. More recently Russia has tried to expand military cooperation with the Philippines.

Military Cooperation

Historically, Russia's strongest bilateral relationship in Southeast Asia has been with Vietnam. Although military ties between the two countries declined in the early 1990s as Moscow repaired its relations with Beijing, in recent years Russia's military relationship with Vietnam has deepened. Vietnam and Indonesia are major purchasers of Russian weapons, while Malaysia, Burma, and Thailand have more limited military cooperation with Russia. In 2010, Vietnam accounted for 6 percent of all Russian arms sales. Vietnam's purchases have been the most wide-ranging, including fighter aircraft, frigates, diesel submarines, anti-ship missiles, and anti-aircraft missiles. Indonesia began purchasing fighter jets and helicopters from Russia after the United States imposed an arms embargo due to Indonesian human rights violations in East Timor, but it has continued its purchases since the embargo was lifted. Malaysia has bought some Russian fighter aircraft and missile systems in the past decade. In recent years, Burma has also bought some aircraft and helicopters from Russia, while Thailand has purchased helicopters and portable defense systems.

Russia has sought to expand its military cooperation with Vietnam, as well as with Burma and the Philippines. In 2012, Russia bid (so far unsuccessfully) to sell Yak-130 aircraft to the Philippines. In January 2012, three Russian warships visited Manila at the same time as two U.S. destroyers. It was the first visit by the Russian Pacific Fleet to the Philippines in 96 years.

In March 2013, Russian Minister of Defense Sergei Shoigu visited Burma and Vietnam. Anticipating the future lifting of international sanctions on arms trade with

Burma, Shoigu saw good prospects for defense cooperation. With future Russian naval access to the Syrian port of Tartus in doubt, the Russian navy has been seeking additional ports of call in Vietnam (as well as the Seychelles and Cuba). In 1979, the Soviet Union and Vietnam signed a 25-year agreement allowing the Soviet Navy to use the port at Cam Ranh Bay, but after Vietnam demanded \$300 million in rent in 1998, Russia withdrew from the arrangement. Vietnam is now proposing that the Russian Navy use Cam Ranh Bay for maintenance purposes, and an agreement is likely to be signed by the end of the year. Russia is also helping Vietnam develop a submarine fleet. Finally, three ships from the Russian Pacific fleet paid a visit to the port of Ho Chi Minh in April 2013, the second time the Russian Navy has visited Vietnam since 2001.

Aviation and Space Technology

Russian civilian aircraft companies view Southeast Asia as their most promising market. In July 2010, Sukhoi Civilian Aircraft signed a \$1 billion dollar 5-year contract with Indonesia's Kartika Airlines for the delivery of 30 SSJ100 aircraft. Thailand's Orient Thai Airlines and Laotian Phongsavanh Airlines also expressed interest in purchasing the planes. However, Kartika has since ceased operations and a test flight of the SSJ100 crashed in 2012. No further contracts for SSJ100s have been signed. In the interim, the Sukhoi company signed a \$380 million contract with another Indonesian company, Sky Aviation, for maintenance and training for the SSJ100s the company has on order.

Space technology has emerged as an area of cooperation between Malaysia and Russia. In September 2000, Russia helped Malaysia launch a miniature remote sensing satellite, which helped provide data on the haze then afflicting Southeast Asia due to forest fires in Indonesia. In 2007, a Malaysian military surgeon was selected for a mission on the International Space Station.

Regional Energy Cooperation

Energy is an area of growing cooperation between Southeast Asian states and Russia. Although several Southeast Asian states are producers of natural gas (Vietnam, Burma, Malaysia, and Indonesia), the region as a whole is dependent on oil imports which account for 40-60 percent of its energy mix. Even Indonesia, which was an OPEC member until 2008, is now a net oil importer. At the first meeting between economic ministers from ASEAN and Russia in August 2010, an ASEAN-Russia Energy Cooperation Work Program was adopted for 2010-15. Its wide-ranging agenda includes the development of alternative and renewable energy resources, energy infrastructure, peaceful use of nuclear energy, and gas exploration.

Now that the East Siberia Pacific Ocean (ESPO) pipeline has begun pumping oil to Kozmino on Russia's Pacific coast, Russia is shipping approximately 7 percent of ESPO oil to Singapore, Malaysia, Indonesia, and South Korea, with 35 percent destined for the United States, 30 percent for Japan, and 25-28 percent for China. Consequently, Russia's share of the Asian oil market, now 3.8 percent, is slated to expand to 5.5 percent. Gunvor, a Russian firm and the world's fourth largest commodity trading

company, is seeking to invest in an oil terminal in Indonesia that could supply the region with ESPO oil.

Russia's Energy Relations with Vietnam

According to Vietnamese President Truon Tan Sang, "cooperation in the sphere of oil represents the clearest achievement in bilateral relations." Vietsovetpetro, the Russian-Vietnamese joint oil venture between Zarubezhneft and PetroVietnam, was established in the Soviet Union in 1981 and now produces half of Vietnam's oil. In 2010, the venture was extended to 2030, with PetroVietnam increasing its stake from 50 to 51 percent. Lukoil and TNK-BP are also seeking to cooperate with PetroVietnam on offshore projects.

More interesting is the new joint venture between Gazprom and PetroVietnam (49 percent Gazprom and 51 percent PetroVietnam) to develop two offshore oil and gas blocks in the South China Sea. According to a senior Chinese scholar I interviewed in 2012, Gazprom originally sought to develop with PetroVietnam a bloc that China considers within the "9-dashed line" it uses to define its maritime boundary in the South China Sea. The Russian company abandoned this project after the Chinese government asked it to withdraw. Even though Gazprom and PetroVietnam are proceeding with offshore oil and gas cooperation outside the "9-dashed line," an April 2012 *Global Times* editorial reprinted on the official Chinese government website complained that Russia was "sending mixed signals" and "meddling" in the South China Sea, which was tarnishing Russia's reputation in China. The editorial noted that "Gazprom's agreement with the Vietnam company could simply be profit-oriented. However, as both companies are controlled by their respective governments, the action could be seen as a reflection of the attitude of top-level leadership."

Meanwhile, Vietnam has had a leg up on China in upstream investment in Russia. As a part of a December 2009 Strategic Partnership Agreement, Gazprom invited PetroVietnam to participate in the development of a "federal gas deposit" in the Yamal-Nenets region and several other oil and gas projects in Russia. According to Prime Minister Dmitry Medvedev, the decision on the Yamal-Nenets deposit was "exclusive" and resulted from the "special relationship" Russia has with Vietnam. During Chinese President Xi Jinping's March 2013 visit to Moscow, CNPC finally signed an agreement with Rosneft to participate in a Barents Sea project. PetroVietnam was already in discussions with Zarubezhneft over a project in the same region.

Russia and Vietnam have been deepening their relations in other spheres as well. Vietnam is considering joining the Eurasian Customs Union, which now includes Russia, Belarus, and Kazakhstan. In 2015 Kyrgyzstan will become a member of the organization, which Russia has been promoting to extend its economic influence in post-Soviet Eurasia.

From Malacca to the Arctic?

What does the opening of a new northern shipping route through the Arctic have to do with Southeast Asia? Concerns over the security of energy supplies shipped through the

Malacca Strait, the narrow shipping corridor through which most of the world's oil passes, and freedom of navigation are at the root of the conflict in Southeast Asia over the South China Sea.

With climate change making a northern shipping route more practical, Southeast Asian states believe that Russia may be able to lessen their reliance on shipping through the Malacca Straits by opening up a northern shipping route and providing new sources of oil supplies, thereby lessening energy security fears at a time of heightened tension in the South China Sea area. Since the record low extent of summer sea ice in 2007, scientists foresee the possibility of ice-free shipping in the Arctic Ocean by the summer of 2015. Indeed, in its "Foundations of the Russian Federation's State Policy to 2020 and Beyond," Russia has made the development of a Northern shipping route a priority, which potentially could reduce shipping pressures in the South China Sea and Straits of Malacca.

New Arctic routes via Canada (Northwest Passage) or via Russia (Northeast Passage) would cut shipping times from Asia to Europe in half, compared to passage through the Suez or Panama Canals or the Malacca Straits. According to the *Barents Observer*, 46 ships sailed the Northern routes in 2012, compared to 34 in 2011 and 4 in 2010, and there was a 53 percent increase in total cargo transported in 2012 over the previous year. Energy products made up the largest group of cargo (including over 894,000 tons of diesel fuel, gas condensate, jet fuel, LNG, and other petroleum products out of a total of around 1,260,000 tons of cargo). China and Japan are among countries to have received energy supplies from this route so far. Nonetheless, seasonal variability in ice melting and a lack of ports on the Arctic routes will limit their utility in the short term, especially for container traffic.

The China Factor

China's growing economic and military power in Asia has led to renewed interest in a greater Russian role in the region. As Stephen Blank has argued, this trend represents more than an effort to counterbalance China; it reflects the efforts of states in the Asia-Pacific region to diversify their bilateral and multilateral ties and form a new equilibrium in which China would be one of many key players. With the U.S. rebalancing policy leading to greater U.S. engagement with the region, Russia, like ASEAN, has sought to chart a course in Asia that reduces the likelihood of U.S.-China conflict. Similarly, regarding Japan, Russia has tried to encourage negotiation between Beijing and Tokyo in a bid to reduce tensions over the disputed Diaoyu/Senkaku islands. From Russia's perspective, China's assertiveness in Asia has broader negative consequences in terms of precipitating an enhanced U.S. military presence in the region.

Russia has refrained from taking sides in the South China Sea territorial disputes as well. To the contrary, a Russian diplomat in the Philippines noted that, if asked, his country was prepared to help resolve tensions in the South China Sea, but that Russia had no intention of interfering between its friends, China and the Philippines. According to Al Labita, a journalist in Manila, Russia has sought to contrast its low-key role in the region with that of the United States. Despite efforts by Russian experts like Dmitri

Trenin to portray Russian arms sales to Vietnam and other Asian states as business decisions, some Chinese observers remain wary of the political consequences of these deals. Li Jian, a researcher at the Chinese Naval Research Institute, argued in a November 29, 2012 article in *Global Times* that the defense ties developing between Russia and Vietnam are likely to complicate the South China Sea issue, particularly for China. While critical of Russian actions to gain room for maneuver, which were likened to attempts by the Soviet Union to acquire a sphere of influence in Asia, he left open the possibility that additional external participants in the South China Sea issue might ultimately provide more diplomatic options for China.

Conclusion

As China and the United States have sought a more active role in Southeast Asia, states in the region have begun to see the value of Russian participation. It remains to be seen whether Russia will take advantage of the new regional climate to engage more substantively with regional institutions. Given the priority of the Sino-Russian partnership, Russian policymakers have thus far treaded cautiously, sometimes at the cost of making inroads into Southeast Asia. According to Artyom Lukin and Sergei Sevastyanov, scholars at Far Eastern Federal University in Vladivostok, one possible interpretation of President Putin's failure to attend the East Asian Summit in Cambodia in November 2012 was a desire to avoid taking sides on controversial regional issues.

Nonetheless, Kavi Chongkittavorn, an editor of the Thai newspaper *The Nation*, commented last year that while Russia's security initiatives in East Asia have been "dismal," Putin's third term in office "will impact on the Asia-Pacific region, in particular, ASEAN, more than ever before." This is because of Russia's interest in redistributing power in the region, unlike the United States and China, who seek to extend their own influence.

At a time of anxiety in Southeast Asia over China's greater assertiveness in the region and the U.S. "rebalancing" in response, Russia can bring a lot to the table in any bilateral agreement: weapons, oil and gas, and an Arctic shipping route that will in time provide an alternative to the Malacca Straits. Instead of being content with playing a marginal role in Asian multilateral institutions, Russian policymakers are now trying to develop their own alternatives, for example by inviting Vietnam to join the Eurasian Customs Union. After several decades of talk about Russia's role in Asia, if Russian leaders are ready at last to engage their neighbors in a consistent way in the areas noted above, they will find that Russia's interest in a redistribution of power in the Asia-Pacific region resonates with other regional powers such as Australia and Japan. Accordingly, Russia will have the potential to create new bridges between Eurasia and the Asia-Pacific region.

Not Everything Is Wrong with Russia's Syria Strategy

PONARS Eurasia Policy Memo No. 248

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Russia's position on Syria's civil war has been criticized so devastatingly in the Western media and proven wrong by so many political analyses so convincingly that it might appear useless and impolitic to re-open the issue. Yet Russia's allegedly self-defeating position has turned out to be remarkably defensible. By adopting a contrarian stance, Russia has managed to score more than a few points in the complex diplomatic maneuvering around this protracted humanitarian disaster. It may, therefore, be useful to re-examine the combination of interests and ambitions that shapes the Russian course in order to gain some foresight on its change following the probable collapse of the al-Assad regime. This is without any intention to wax lyrical about President Vladimir Putin's wisdom in charting this course—but with the aim of assessing the impact of this discord on the presently indeterminate fate of Russian-U.S. relations.

Russia's Initial Response

The explosion of turmoil across the wider Middle East since 2011 took the Russian leadership as much by surprise as it did policy-makers in Washington, Paris, or Rome. Moscow's immediate concerns were less about the survivability of allied regimes or security risks in the immediate neighborhood than about the re-emergence of the "specter of revolution." The Kremlin had hoped that Georgia's defeat in the August 2008 war and the failure of the "orange" coalition in the January 2010 elections in Ukraine would eliminate the threat of "color revolutions." With the Arab Spring, however, this threat now manifested itself with a new power that could lead it to resonate in the post-Soviet space. Moscow's determination to take the lead in countering a fresh wave of revolutions was reinforced by intense fears of state collapse rooted in Russia's painful experience in the Chechen wars.

This ideological stance was buttressed by the lesson Russia learned in the violent conflict in Libya, when the United States and NATO freely abused the mandate it received from UN Security Council Resolution 1973 and orchestrated the change of Muammar Gaddafi's regime. Putin placed the blame for that blunder squarely on then-

* This Policy Memo is an initial contribution by the author to the project "Russia's tough line in the Syrian crisis: rationale and implications," sponsored by the Norwegian Foreign Ministry.

President Dmitry Medvedev's feeble shoulders, but he also saw the opportunity to take a firm stance against the West's interpretation of "humanitarian intervention."

From the early days of the uprising in Syria, Moscow argued that the violent conflict should be treated not as a brutal repression against innocent civilians but as a civil war, which could only be brought to an end through internationally supervised negotiations. This position was not without merit. It was, however, a dual gamble. It depended on the capacity of Bashar al-Assad's regime to withstand the revolutionary tide and keep fighting against the opposition in the absence of external military intervention. It also depended on the reluctance of the United States and NATO to intervene forcefully without proper UN authorization (which was out of the question). As of late April 2013, both gambles can be called a success.

Losses and Gains in the Wider Middle East

It is often argued that by backing the losing horse Russia has lost a great deal of international prestige and influence in the Middle East. However, Moscow has reason to calculate the balance of losses and gains differently. Taking a firm counter-revolutionary and counter-interventionist stance, Russia has made no friends among states that experienced revolutions, including Egypt, but their governments are so unstable that building permanent ties with them makes little sense. Russia's relations with the Gulf monarchies have also gone sour, as Foreign Minister Sergei Lavrov discovered visiting Saudi Arabia in November 2012, but they were never cordial to begin with and the petro-kings cannot pretend that the Arab Spring hasn't compromised their legitimacy. Most worrisome for Moscow is the deep disagreement it has with Turkey, a major sponsor of the anti-Assad forces; nonetheless, Putin has managed to exploit what personal chemistry he has with Turkish Prime Minister Recep Tayyip Erdogan to isolate the two countries' differences on Syria from their blossoming economic partnership.

What adds credibility to the Russian leadership's course, at least in their own eyes, is the supposition that only violent chaos and state failure can follow the collapse of the al-Assad regime. Every month of the civil war makes this more plausible. As the internecine fighting escalates, the rebel groups and factions inevitably grow more radicalized, which is a major worry for Israel, among others. The government of Benjamin Netanyahu was far from enthusiastic at the outset of the Arab Spring, and he must take into account the prospect of an Islamic state emerging in Syria. For Moscow, a decisive defeat of al-Assad, who to all intents and purposes has been written off as a useful ally, would not signify the failure of its gamble, but an opportunity to demonstrate that its risk assessment has been right all along.

One particular twist in the Syrian conflict concerns Russia's varied but indeterminate energy interests in the Middle East, from Cyprus offshore gas projects to joint oil ventures in Iraq to nuclear power plants in Turkey. Russia's sharp disagreement with Qatar over Syria has effectively paralyzed the Gas Exporting Countries Forum, but this loose proto-organization has anyway never had much of a chance to fulfill the promise of becoming the "gas OPEC." Russia is as confused as the Gulf states by the revolutionary changes in the global energy market, and tensions over Syria prevent any

coordination of plans among major producers. An assessment of the risks emanating from Syria leads policy-makers in Moscow to the troubling conclusion that only a spread of turmoil, including a confrontation centered on the Iranian nuclear program, could rescue Russia's petro-economy from sinking into protracted recession.

Real and Imaginary Interplays with Domestic Instability

The revolutionary dynamics in the Middle East have generated remarkably weak resonance in post-Soviet Eurasia, even in Muslim Central Asia. Putin's posture as a counter-revolutionary champion has thus not impressed the seasoned dictators of the region all that much. They are, nonetheless, broadly in agreement on the need to counter Western propensity to foment revolutions and launch interventions in support of rebels in distress. They are content to delegate to Russia responsibility for checking such tendencies.

Putin seeks to convert this hesitant consensus into a driver for implementing his vision of a "Eurasian union," but his leadership has weakened the erosion of political stability in Russia. The degradation of power structures has nothing to do with the turbulent processes in the Middle East and a lot to do with super-corruption, but it has become a major determining factor of foreign policy objectives. From this distorted perspective, a firm stance against external intervention in Syria not only becomes part of the struggle for the rights of dictators to treat their subjects as they see fit but an element of Putin's course in overcoming the crisis of his regime by suppressing the opposition. The scope of repression against street protesters and virtual "saboteurs" has so far been limited and selective, but Putin's conviction that these "agents" have Western sponsorship underpins his readiness to disregard disappointment in the United States and the EU with Russia's curtailing of democratic freedoms.

In the meantime, despite the particular connection between the Kremlin and Chechnya (as emphasized by Fiona Hill*), Moscow pays scant political attention to the mutation of low-intensity civil war in the North Caucasus, which serves as a key reference point for analysis of the Syrian calamity. Russian authorities are still aiming to pacify Dagestan and other troubled republics through counter-terrorist operations, but networks of resistance are re-inventing themselves as channels of newly-energized political Islam, rather than as "al-Qaeda franchises." The uprising in Syria looks very different in Makhachkala and Nalchik than in Moscow.

Is There any Space for Cooperation?

Assessing the impact of the Syrian crisis on Russia's relations with the West may be more complicated than merely gauging the depth of their irreconcilable disagreements. No progress on the Syrian problem was registered during a visit of Lavrov and Defense Minister Sergei Shoigu to London in March 2013, but their "strategic dialogue" with the British government marked an improvement of relations that had been tense since the late 2000s. Similarly, U.S. Secretary of State John Kerry found no common ground on

* See: <http://www.foreignaffairs.com/articles/139079/fiona-hill/the-real-reason-putin-supports-assad>

Syria in a meeting with Lavrov in late February 2013, but both parties found the exchange useful in overcoming bilateral complications. Moscow has every reason to assume that its "principled" position on Syria has secured it a central place in the international arena and has made its Western partners, irritated as they may be, more attentive to Russia's opinion.

The key question in evaluating the controversy is whether Russian objections have in fact prevented a U.S.-led international "humanitarian intervention" aimed at protecting lives and human rights--or been used as a convenient excuse for not intervening in the impossibly complex civil war. Moscow is increasingly inclined to subscribe to the second view, which fits into its geopolitical picture of an introverted EU preoccupied with its financial crisis, a weakened NATO damaged by defeat in Afghanistan, and a hesitant United States unable to afford the costs of another "boots on the ground" engagement. There is a dose of wishful thinking in such assessments, but the bottom line is that Washington and Brussels are unable to form a coherent response to the Syrian challenge (except for drawing a "red line" on the use of chemical weapons), while harboring a grudge against Russia for its stubbornness. They are ready to "agree to disagree" as long as the war runs its course, blaming Moscow in the meantime for the hopeless mess, while the Kremlin will condemn the West's mindless support for revolutions, which tend to bring only chaos and state failure. In this case, the heavily recycled expectation that Russia will soften its attitude and become a part of the solution in Syria has little if any justification.

In Moscow there is little concern about being isolated thanks to its alleged support for the al-Assad regime. At the same time, there is plenty of confidence that Russia's global indispensability has been reconfirmed in a way that makes it imperative for the West to approach Russia with greater respect. The pronounced desire of the Barack Obama administration to generate a new momentum in arms control and political engagement with the Kremlin (which we can perhaps define as "Reset 2.0") is seen as proof positive for this proposition. It remains to be seen whether the removal of the stumbling block over European missile defense will suffice to ensure proper momentum, and Putin's initial response is far from encouraging. As far as Syria is concerned, no rapprochement is in the cards as Russia is intent to demonstrate that the U.S. course can only lead to disaster. Moscow cannot expect to benefit from such a disaster, but it calculates that the loss of its last client state would not necessarily be a major setback for Russia's interests, and it would be more than compensated for by the damage that a badly mishandled "regime change" would do to U.S. interests.

Conclusions

By drawing a firm negative line on international intervention in the Syrian civil war, Russia believes it has raised its profile and advanced to the position of an "indispensable power," while actually doing very little, other than staging some naval exercises in the Eastern Mediterranean (such a "show of flag" is already beyond the shrinking capacity of most European navies). The Kremlin may—and quite possibly does—underestimate the resentment toward Russia that exists in Western capitals. However, it has reason to

believe that it has earned the respect of China, which is firmly set against Western interventionism while preferring Russia to make the case and take the blame (to a certain degree, the same goes for other emerging powers, including Brazil and India). Moscow is confident in its ability to scorn the Arab League's anti-Assad position, but it is seriously concerned about tensions with Turkey, knowing that this valued partnership is most affected by the protracted crisis. New efforts at damage limitation may thus follow in the months to come.

Russia is keen to demonstrate that the seemingly unified Western policy in the Syrian crisis is merely a combination of the misguided embrace of "democratic" revolutions, hypocritical concern about human rights in the absence of any readiness to assume responsibility to protect, and disappearing U.S. leadership. This is satisfactory as long as the delayed but pre-determined collapse of the al-Assad regime really does leave Syria as a failed state, out of which Islamist radicalism could spread toward every potential fault line, including the North Caucasus, which remains an acute security threat to Russia. Here lies the deepest flaw in Russia's position: any satisfaction it might find in proving that its disapproval of revolutions was justified would be spoiled by the dire need to face the consequences. Posturing aside, a festering war zone in the geopolitical place of Syria is extremely dangerous, and there is an obvious parallel in the U.S. and Russian interests to prevent such an outcome, which optimistically leaves space for cooperation past the current acrimonious cross-checking.

The Pitfalls of Competing Mediation

WHAT TAJIKISTAN TEACHES US ABOUT SYRIA

PONARS Eurasia Policy Memo No. 250

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U.S. Secretary of State John Kerry's spate of recent meetings with Russian officials are intended to chip away at the icy character of U.S.-Russian relations and bring Washington and Moscow closer together on Syria. The most recent meeting in Paris between Kerry and Russian Foreign Minister Sergei Lavrov, in which Lavrov again indicated that Moscow would encourage the Syrian government to attend peace talks, was at the very least an improvement from last December when Lavrov declared that—when it comes to Bashar al-Assad—Russia is not a postman. Moscow's signals are of little interest to pro-intervention policymakers in Washington, and pundits and journalists note that, thanks to Moscow's military aid, government forces in Syria have formidable air defenses that are likely to knock American planes out of the sky. And so the international community continues to lay much of the blame on Russia for blocking mediation attempts and encouraging the Assad regime to fight on.

The treatment of Russia as a mediation spoiler is in stark contrast to its quietly celebrated role in ending the civil war in Tajikistan in the 1990s. The accord was the result of a three-year effort by the United Nations Mission of Observers in Tajikistan (UNMOT), neighboring states, and—perhaps most notably—an intensive collaborative Track II effort by Russia and the United States. Together, these players hosted eight rounds of peace talks, restored multiple failed ceasefires, mediated on behalf of various factions, drafted vital sections of the peace agreement, and formed a Contact Group to monitor and troubleshoot implementation.

While Tajikistan became a textbook case for how to mediate, it was also tossed to the side and forgotten. But recalling the Tajik episode is more than a nostalgic look back at a time when U.S.-Russian relations were more amicable. It is also a good look at how the mediation modalities of the international community have de-evolved. Whereas the compact and limber Tajik mediation initiative was designed to stop a civil war, mediation efforts in Syria have become a vote for or against a regime. But more worryingly, the greatest harm to mediation in Syria may have come from the disunited and competitive approach of the states in the anti-Assad camp.

* *The views here are solely the author's and not those of the Hollings Center for International Dialogue.*

The Forgotten Case of Tajikistan

Soon after becoming independent in 1991, Tajikistan collapsed into a devastating civil war. Government forces, warlords, and fragments of opposition—Islamist and otherwise—battled one another across its territory in a prolonged conflict that killed tens of thousands, displaced half a million, and stranded 80 percent of the population in grinding poverty. As the civil war intensified in 1994, a host of players laid the groundwork for mediation. The UN sent in special representatives, an OSCE center was set up in June, and a small CIS peacekeeping contingent was installed in September. Meanwhile, a UN observer mission (UNMOT) was authorized by the UN Security Council and tasked with the goal of monitoring the conflict and ceasefire agreements between local commanders.

Parallel to these efforts, the Inter-Tajik Dialogue, led by an American and Russian team of expert mediators, organized a series of meetings with the opposition and government representatives. The dialogue would ultimately hold 35 negotiations, many of these in Moscow, and its most essential outcome was cajoling Tajikistan’s highly fragmented opposition to meet and establish a negotiating platform. By 1994, in a meeting in Tehran, anti-government elites had coalesced into the United Tajik Opposition, an umbrella group that included the large Islamic Renaissance Party.

Despite the evolution of the negotiations and the signing of a ceasefire in October 1994, the civil war continued. The violence was occasionally directed at CIS peacekeepers, Russian troops, and UN observers. In January 1995, a Russian platoon on the Tajik-Afghan border was ambushed by opposition fighters. Nine Russians were killed and their bodies mutilated. UNMOT observers were also targets of violence, and a UN cable reported that “UNMOT military observers were stopped by government soldiers, physically harassed, their lives threatened and equipment stolen.”

The conflict came to an end formally in June 1997 when government and opposition factions signed a peace accord in Moscow. The implementation of the accord was overseen by a Contact Group in which Russia, Iran, UNMOT, and the OSCE played particularly active parts. Despite their divergent modalities and strategic interests, members of the Contact Group shared two overriding concerns: a desire to prevent a resumption of the civil war and limited budgets. Russia did its part by offering the continued services of a small peacekeeping mission and military units to guard Tajikistan’s border with Afghanistan. The peacekeeping units protected key installations around the capital, while the border units prevented extremists from crossing over the border to derail the peace agreement.

The Tajik mediation was a low-cost and efficient way to intervene in a civil war. It also offers a number of lessons, two of which remain hugely relevant for the Syrian crisis. First, mediators did not compete with one another. Iran, Russia, the United Nations, and the United States worked together informally but regularly. They kept each other’s representatives informed, avoided duplicating efforts, and worked to end the conflict for the sake of regional stability, which they prized more than staking out ideological positions in their foreign policy.

Second, high-level mediation was paralleled by local efforts. The mediating parties did not take it for granted that agreements reached across Tajik elites in Moscow or elsewhere would necessarily trickle down to warring commanders. They insisted that opposition and government representatives rein in clients on the ground, and they backed this up with observer teams—operating with light security and few assurances to their security—to monitor progress towards ceasefires. Mediating powers stayed the course and kept their observers and peacekeepers on the ground even when attacked and threatened, demonstrating their resolve to the warring parties to see the ceasefire through. Today, Tajikistan is authoritarian, corrupt, and poor, but it is also stable enough to allay fears of a return to conflict.

Stumbling in Syria

Many policymakers and pundits would likely note that Tajikistan and Syria are not comparable and that there is much more at stake in Syria. After all, Syria is taking place during the wholesale regional upheaval of the Arab Spring, U.S.-Russia relations are too shattered to find a middle ground over Syria, and the role of extremist militias makes most any intervention very risky. Syria, in short, is too messy to intervene in a productive way. Yet the Tajikistan mediation followed major regional upheavals as well. It came on the heel of the collapse of the Soviet Union and took place as the Taliban raced into Kabul and rolled up neighboring Afghanistan. Moreover, U.S.-Russian mediation attempts took place despite fractious disagreement and deteriorating relations over opposing stands over the conflicts in former Yugoslavia. And the peaceful resolution of the Tajik civil war makes it easy to forget that in its first years, it was an extremely messy conflict with its own share of extremist militias. In that respect, Syria's political and battlefield dynamics in 2013 are not unlike Tajikistan's in the 1990s.

The failure to find an international solution in Syria lies more with the aspiring mediators than the warring factions. In grappling with the civil war in Syria, would-be mediators sabotaged one another via competing mediation modalities and missed the opportunity to deploy a sustained presence on the ground to negotiate and monitor ceasefires.

When mentioning competition or disagreement over Syria, most readers will naturally gravitate to the disagreements between the "Assad must go" side (United States, Turkey, and most Arab states) and the "Assad should stay" camp (attributed to Iran and perhaps incorrectly to Russia).^{*} Instead, I argue that the more destructive competition has taken place within the "Assad should go" camp. This goes beyond the fractured inter-agency debates in the United States over whether and how to intervene. For the past two years, the United States, Turkey, Egypt, Qatar, France, Great Britain, and others have engaged in acts of competitive diplomacy and rival summitry. For example, Turkey initially hosted the opposition and then supported the UN Annan Plan,

^{*}As Ekaterina Stepanova has argued, Russia does not have a stake in Assad staying as much as it has a stake in the form and substance of a transition to a post-Assad government. See "[The Syria Crisis and the Making of Russia's Foreign Policy](#)," PONARS Eurasia Policy Memo No. 199 (June 2012) and "[The Syrian Civil War: Transition Without Intervention?](#)" PONARS Eurasia Policy Memo No. 228 (September 2012).

while France undertook the Friends of Syria initiative to pressure Assad. In November 2012, large swaths of the Syrian opposition and the Free Syrian Army joined the Syrian National Coalition in Cairo, but the group remains fragmented, with tenuous connections to warring parties on the ground, Syrian civil society, and political groups who have remained in the country.

The principle motive for the competition is that a number of countries are eager to assert themselves and build greater political capital in a transformed Middle East. Turkey wishes to attain a role as the chief regional power while also regaining its prized position as a mediator, a position it lost when relations with Israel deteriorated and its role in brokering Israel-Palestinian peace dissipated. This will be increasingly difficult after the large anti-government protests in Turkey, which hugely complicate Prime Minister Recep Tayyip Erdoğan's domestic and foreign policy. Egypt's embattled government desires to restore the mediating architecture the country owned before the revolution and sees aspiring powers like Qatar as annoyances. As one Egyptian journalist told this author, "Qatar is a fake power and we are not expecting anything consistent from it in the future." Qatar has roared forward using its oil money to bankroll oppositions and militias across the Middle East, from Libya to Syria. A Syrian member of the opposition remarked, "Qatar has been distributing weapons like candy, even the Saudis are alarmed."

As a result of this competition, the various pieces of the opposition inside and outside Syria have been able to cultivate links and ties to their preferred go-to states for aid and influence. An opportunity was thus lost earlier in the conflict to draw the opposition to a less fractious and more unified platform. Despite its name, the recently incarnated Syrian National Coalition is tenuously coalesced, speaks with multiple voices, and gives the Assad government little reason to engage in meaningful negotiations. Its fractious and unproductive May meeting in Istanbul made it clear that, if anything, the opposition is become more divided over time.

If the international community was lackluster in bringing the Syrian opposition together, its role on the ground in Syria has been abysmal. As the Tajik case shows, third-party missions are key during civil wars. They cajole warring parties to observe ceasefires and generate a pool of generally objective information about the situation on the ground that the international community can use to troubleshoot intervention. But in Syria, observer and monitoring missions were abortive, sending signals to combatants that the international community did not have the stomach for a messy local footprint. Consider the Arab League, which sent a small team of observers into Syria early on in the conflict. Unable to guarantee their security, the League kept the observers mostly indoors and then yanked them from the country.

Kofi Annan's subsequent UN mediation mission (launched in February 2012) did not fare much better. A mediator close to the Annan mission noted that the mission was under great pressure to show progress. Unable to broker and observe ceasefires, the mission shifted to more discrete tasks, such as negotiating a temporary halt to a siege of one urban area so that students could take university exams. This pared-down approach

left little chance of brokering or backing up ceasefires. The mission ended in August 2012, and UN envoy Lakhdar Brahimi's recuperative effort has a tough road ahead.

It is as tempting as it is incorrect to bash Russia for the violent stalemate in Syria. The diplomacy of states in the pro-opposition camp has failed to do two things that are essential to good mediation in civil wars: helping the fractured opposition coalesce into a *de facto* and not just *de jure* umbrella and reinforcing this with a local presence to monitor ceasefires among warring commanders.

Unsurprisingly, international policymakers are loath to admit that the Syrian opposition remains disunited and unrooted from its Syrian origins. Behind closed doors they are much more forthcoming. A U.S. government official working closely on Syria recently confided, "the opposition has nothing going on and it lacks a connection to political and civil society groups in Syria."

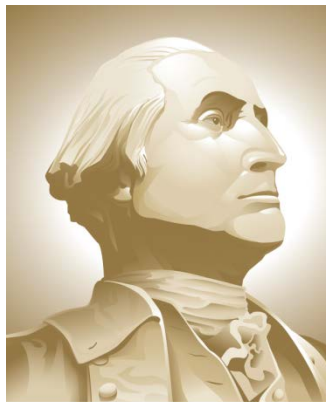
The Road Ahead

A rising chorus of voices now sings of Syria as an emerging Somalia on the Mediterranean. Such loaded predictions about a permanently collapsed state are colorful but exaggerated. The Syrian conflict is becoming a stalemate, with pro- and anti-government forces entrenched mostly in geographically discrete and defensible parts of the country. With Qusayr falling into the hands of Assad forces, Damascus has secured a land bridge to the pro-regime strongholds along the coast deepening the stalemate reality. This stalemate may provide the international community a much-needed opportunity to reset its mediation strategy. But this requires making unlikely changes.

First, this means ending competition within the pro-opposition camp of mediating powers. Pro-opposition powers must set clear and coordinated terms for their engagement with the opposition. This does not mean deciding whether or not to supply weapons; rather, it refers to terms of reference and obligations to other pro-opposition states, such as informing them about any contacts and engagement with opposition groups inside and outside Syria. This would go a long way toward ensuring that the international community acts more productively to unite the opposition and cajole government incumbents to the negotiating table. This would also lay the foundation for a better and stronger Contact Group for Syria, similar to the one created to address the Tajik conflict. But with the preparations for peace talks later this summer, policymakers remains all too focused on the shenanigans of Russia and Iran rather than on how to bridge differences across the states rooting for the opposition.

Second, a fruitful step would involve creating a new observer team modeled after the UNMOT mission in Tajikistan. This team would have to be prepared for the difficulties of brokering and observing ceasefires even in the face of threats and violence to the observers. But in recent years, the favored practice has been to send in high-level special envoys who parachute in and out of conflicts when security situations get difficult

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