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**PRESS BRIEFING ON G-8 SUMMIT**

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*Transcript by:  
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H. ANDREW SCHWARTZ: Good morning, and thank you for coming today. I know some people have been battling traffic to get in because it's unexpectedly crowded in town – have no idea why – but I know some of you are anxious to get on with this, so we'll just get right to it with Sarah Mendelson, who is our senior fellow in the Russia and Eurasian Program. And with that I'll give to Dr. Mendelson.

SARAH MENDELSON: Thank you, Andrew.

My work is primarily on Russia's internal politics. I've conducted numerous surveys in Russia on a range of issues, including how Russians think about democracy, authoritarianism, Chechnya, health issues, HIV/AIDS. And last month, in fact, we did one of how young men in the North Caucasus – that's the southern region of Russia where there is so much violence, North Ossetia, Dagestan, and Kabardino-Balkaria – how young men think about a variety of issues, including socioeconomic conditions: jihad, Danes. And so that's just by way of background. I also work with Russia's next generation of human rights activists, and that gives me a particular window into what's going on.

I'm sure each of you have different pieces of the story that you're going to want to focus on. I'm going to just hit on a couple of different issues. You're going to one of the most beautiful cities in the world, and it definitely – it will leave you with the impression that Russia is rich and that it is – in many ways it looks like a G-8 country should, and I ask you to remember that you're in a country where the wealth has not trickled down to many parts of the population and that it is, as you often read, a place where the political and social space has increasingly shrunk over the last several years. Sometimes it seems like the Bush administration realized this a year ago, but in fact you really can look back to even before President Putin became president in, say, '99, certainly with the beginning of the second war in Chechnya.

There has been a drip, drip, drip of creeping authoritarianism and it has affected all the major institutions that we care about: media, civil society, political parties, elections, rule of law, nongovernmental organizations. Part of this, I think, is because of what happened in the '90s – and we can talk about that. I was just recalling that 10 years ago today I was in Moscow, and I should say in some ways, celebrating the fact that Boris Yeltsin won. It seemed like a very optimistic time. In fact, I think the way in which Boris Yeltsin came to power in some ways – which was a very manipulative process; we were very focused on the outcome – that that in some ways affected how Russians feel about democracy. They saw that as a wink and a nod from the West. And that has had repercussions.

When the G-8 comes to a town near you and you're in civil society, it means that you organize everything you do around trying to affect the G-8 agenda, and unfortunately you're often doing that long after the G-8 agenda has been set, and it's no different in

Russia. So the last couple of weeks and days, and in the preceding days, will have been a series of meetings. I was in Moscow June 29<sup>th</sup> to participate in one of these pre-civil G-8 meetings where we talked about human rights and security and counterterrorism. We can talk about that. There was a big meeting July 3<sup>rd</sup> and 4<sup>th</sup>, a civil G-8 where President Putin was quite masterful in his ability to inject himself into this. He invited the heads of Human Rights Watch, Amnesty International, Greenpeace to a meeting separately on July 3<sup>rd</sup>, and then he addressed the civil G-8 on July 4<sup>th</sup>.

There was a July 5<sup>th</sup> meeting of only Russian NGOs discussing human rights in Russia. Tomorrow and the next day there will be a meeting that Mr. Kasparov alludes to in today's New York Times op-ed page. It's a meeting that is labeled as "Another Russia," and its organizers are trying to show that there is some kind of opposition to President Putin, and we can discuss that. It's a very contentious meeting, I might add. There are a lot of – all of these meetings, in fact, have generated more commentary by different parts of civil society, and I think that that has been, in some ways, very unproductive. It's sort of the politics of distraction, if you will.

Just one comment on the 123 Agreement. I am not a nuclear energy expert, and we have other panelists who will discuss it, but I wanted to make one comment because there's a thread in the story that was picked up by Peter Baker, and then it hasn't been carried by others, and of course I'm referring to the fact that in poll after poll after poll, 90 percent of the Russian population objected to Russia becoming essentially a repository for spent nuclear waste. And it's not only that there were polls done on this; it's that – people often say that Russian civil society doesn't exist, or they say it's very weak. In fact, in 2000, one of the big moments of post-Soviet Russian civil society was the signature drive of over 2 million. It was an attempt to get a referendum through in the parliament, in the lower house of the parliament in the Duma, that would have forbid Russia becoming a repository of spent nuclear waste.

The Russian public was very, very clear about this, and it was one of the first indications that the Putin administration was not particularly interested in hearing from civil society, and they changed the rules in which a referendum can come to pass. And in fact I don't think there have been any – referendums sort of disappeared.

Now, it's a sticky one for the Bush administration because obviously the Bush administration is interested in increasing cooperation on nuclear energy around the world, but they're also interested in supporting Russian civil society, at least rhetorically. And this is one of the places where you find a lot of competition in various parts of the U.S. government. I will say, though, that the support for Russian civil society coming from the Bush administration has been mainly rhetorical. Budgets – they're in discussion of the FY'08 budget at the moment. I got a frantic call from somebody when I was in Moscow, somebody tracking me down in Moscow to tell me that in these negotiations the first numbers that are being batted around are astonishing. They're going from – there's barely any money that's spent on supporting Russian civil society, right? There's about 18 million in the last budget, and now they're talking about 10 million. So that's sort of going from small to really, really small.

I'm going to end here with just one last thought – or two last thoughts. I've been reading through commentary of colleagues about where U.S.-Russian relations are, and I read one esteemed colleague say this 123 Agreement marked a new era in U.S.-Russian cooperation. I read another esteemed colleague's comment that this is the lowest point in post-Soviet relations, and I could imagine that that would be confusing: Are we up or down; where are we? In fact, I think we're sort of muddling through. I think that there are other worse moments in U.S.-Russian relations. I think that there is a lot of pressure in every summit to have some deliverables and the 123 Agreement is one of those.

And I think that the issue that ought to be on the G-8 agenda is not on the G-8 agenda, and that is the sort of false dichotomy that all of us in the G-8 are engaging in in terms of human rights and security and fighting terrorism, and that were that to be on the agenda, it would require us to – it would require the Bush administration to discuss some very sticky domestic concerns, but it would also – it would allow us to be able to begin to talk about the fact that we've lost purchase in being able to talk about disappearances and torture, whether they happen in Russia or Uzbekistan.

So there are a lot of sort of pundit comments saying that the Bush administration should say this, they should go to Petersburg and they should mention human rights problems in Russia, and as somebody who works on human rights every single day, it's counter-intuitive, but frankly, the message coming from the Bush administration on this is disingenuous, and it's a real problem. It's a real problem for Russian human rights activists. We need to figure out how to address what is actually a crisis of sorts in the Euro-Atlantic community before we start criticizing what's going on in Russia.

So I'm going to end there, and now we go to –

MR. SCHWARTZ: We're very fortunate to have our energy chairman, Robert Ebel, here with us, and I'll turn to Bob for comments.

ROBERT EBEL: Good morning. I've been looking first at the Soviet Union and then later Russia and the former republics for over 50 years. I made my first visit to the Soviet Union in 1960 as a member of the first oil delegation that our government sent to that country. And we spent a month traveling around the oilfields, and I can tell you it was like it was back in the 19<sup>th</sup> century.

I'm going to go back in the first of September to see what changes have been made, although I've visited the country and the republics any number of times since then. Making a comparison back to the 1960s is going to be very interesting. I suspect I will be surprised. It's not that the Russians don't know how to look for, find and produce oil and gas; they know how to do that. What they lacked in the early years was the sophisticated technology that our people had been developing. They can buy it now. They can afford it. They can buy the human expertise that they need. They buy it in a way by hiring a Western expert to come in and help them run their company. So I'm

looking forward to the trip. It's going to be a short trip and they're going to show me one of the new oilfields out in Siberia.

Energy security is supposed to be the leading theme of the G-8 summit. Well, what do we mean by energy security? If you're an importing country you mean you're going to have access to the oil or gas when you need it, and hopefully at a price that you can afford. If you're an exporting country, you have the oil or gas to sell, and you want to sell it at a price that's good for your treasury.

Russia has taken advantage of this natural resources. I don't think it's been playing politics with the oil and gas that it sells. If it cuts Ukraine off or another East European country off, it does so because that country owes the Russians money for gas or oil consumed. In January, they cut off the Ukraine, but Ukraine said, well, it's cold in the Ukraine; we need the gas; we'll just take it from the pipeline. And that's how the Europeans ran short of supply.

But it really caught the Europeans by surprise. They thought, gee, you know, maybe we better take another look at our dependence on Russian gas. It's 25 percent; can we live with that or do we have a problem? Maybe we'd better start diversifying our sources of natural gas. And they started looking around, and it's going to take some time to work out sources of supply other than Russia, or secondly from Turkmenistan or Uzbekistan.

So I wonder what's going to happen at the summit that will make the headlines in terms of energy security. My guess is not much – not much. I don't see what they can do. Russia of course, energy is a strategic resource. The Russians don't allow third-party access to their pipelines as the Europeans would like, and they're not going to allow it; they're going to put it into law soon. Oil is the same way.

So Russia is not going to give on any of those issues, so what could we offer to Russia that would make them change their mind? I don't see anything that we could put on the table that would cause them to change their mind to add to the competition for access to the European market.

So why don't I stop there because we'll look forward to your questions?

MR. SCHWARTZ: Thanks so much, Bob.

Now we'll turn to Ambassador Richard McCormack.

RICHARD MCCORMACK: (Off mike) – at the Treasury at the State Department and other parts of our government, and in the last two years I've been here looking at global financial stability issues, and I've been quietly traveling around the world meeting with heads of central banks and others, looking at potential vulnerabilities and problems that were gradually creeping up into our system. And if you want to know some of the conclusions that I've reached, you can pick it up on our website here where I

did a major paper on global economic imbalances with the help of Senator Hagel and some of the key people from the IMF, and most recently my testimony for the Senate Banking Committee on derivatives hedge funds and global instabilities in the financial area. It's out on the table there. So I just – I say that and put it aside.

You know, as the guy who was formerly in the middle of this process and watching it work and trying to make it happen, I can tell you how things work from the inside, and there are two traditions for economic summits, one of which is of course that the host country gets to put up the agenda for the summit and does the first draft of communiqués. The second part of the unwritten tradition of global economic summits is that you don't embarrass the host. If today you embarrass the host in Country X, the next year when the summit takes place in Country Y and some other president wants to look reasonably good, there is reciprocity. So there is a general tendency to avoid trying to embarrass the host.

That doesn't mean to say that there are not some really tough discussions that take place, but they take place in private. Some of them are very, very sharp because powerful interests are at stake, and of course politics are involved, and the discussions get very, very tense. I remember one case in the economic summit; one French representative shouted at me and said, I will never forgive and I will never forget, but that didn't appear in the – (chuckles) – that's when he wanted to print an enormous SDR allocation to get the global economy moving again, which none of the rest of us thought was a very good idea.

But I simply mention that – that was a long time ago – I simply mention that to say that just because you see on the surface harmony and a communiqué and general consensus, don't think that the tough issues are not being addressed and very frankly talked about. There is not a lot of happiness in the G-7 – the rest of the G-7, about what's going on politically in Russia today, and that is made known. There is not a lot of happiness about the ambiguity that Putin has evidenced in dealing with the Iranian problem.

So, as I say, these issues do get discussed, but they're discussed quietly behind the scenes but very frankly.

The second part of the summit that I want to emphasize that you will not see if you look at the surface is the extreme importance of the consultative process that occurs. These issues are all very complicated. You will see the summit when the leaders get together and issue a communiqué, but what is going on during the course of this process is the most deepest and detailed consultation and discussion about complicated issues where people are looking to find solutions. We all learn from these processes, every one of them, and when you have a new government coming into power, one of the key means of educating the leaders of that new government is this consultative process that occurs in the G-7, now the G-8.

So that's really important, and, as I say, you won't see that in the communiqué, but it matters a lot.

Now, let's just talk briefly about this particular summit. Sometimes on economic summits, the economic issues get the main billing because consensus is approaching and you can bring things to closure. And sometimes when that is not the case, as is the case this year, the politics tend to get a higher billing. The fact of the matter is this – on the pure economic issues, there are more constraints on some of the key economic issues than normally is the case, and just let me give you a couple of examples.

The most important things that are happening on the global economic situation today potentially of course is the Doha Round, which is dead in the water. Now, that doesn't mean to say it won't get some assistance at this process; it doesn't mean to say that we won't have a Doha Round eventually, but right now it's dead in the water. And it isn't because George Bush wants it that way and it isn't because a lot of other people want it that way, but there simply is no political consensus in the G-7 countries and in the developing countries about making further concessions on trade policy issues in the current political and economic environment.

The U.S., as you well know, has got an \$800 billion current account deficit. You just can't ignore that when you're doing a trade negotiation and expect it to get through Congress in the current environment. And there are other similar concerns that take place elsewhere. In the developing countries, many of them that don't have energy are having to pay higher energy bills, and that doesn't necessarily make them anxious to open up further markets in their countries when their desperate need is to try to increase their exports. So they have a need to increase their exports, we have a need to address our current account problem, and so it has caused a big problem, and thus I – as I say, this issue is not going to go very far at this point.

The second of course is, as I mentioned before, that the trends in Russian democracy, which don't thrill people, and an effort to try to get a solid European view dealing with Russia has not been successful. The Russians have manipulated one European off against another, and thus I don't think there is going to be a united European view on dealing with Russia.

Third, there is increasing concern about both Iran and North Korea, and you know those issues as well as we do here, but there are competing energy interests in Iran – long-term energy interests in Iran between various people anxious for concessions, and therefore there's limits to how far people are willing to push. And more importantly, there is an offer on the table with Iran and we don't know the Iranians' ultimate response to it.

If it's true that they're willing not to have nuclear weapons – if it's true, which is what they tell us, then the issue is what kind of an inspection system can be put in place to make sure that we don't get a big, ugly surprise? And that's the issue on which, behind the scenes, the process has to be – they tell us, as I say, that they don't want

nuclear weapons; they want merely access to nuclear power and nuclear research. As I say, if that's true, then there may be the basis for some resolution of this, and there have been some recent very promising developments inside Iran which involve the resurrection of Foreign Minister Kharrazi to give independent, direct advice to the top guy to compete against the advice that's being given by the current president and his bunch. So there's obviously a lot working inside that system right now, and there's potential for a positive development as well as a failure in this process.

On the North Korean side, again, you know all those issues but it's important when you're thinking about North Korea to remember one thing: why don't we have total and full wholehearted support by China just to squeeze the North Koreans. Part of the answer is both China and Russia are anxious to maintain lines of communication with the North Koreans because it's an extremely important strategic country, and therefore they're not willing to burn their last bridge in dealing with that country. They know that a dictator who's prepared to be as ruthless as that character in North Korea is can remain in power for a hell of a long time, and they'll have to deal with him.

So there's limits to the degree by which they're willing to press these people on a issue which is of course of tremendous concern to us, which is proliferation and – of both nuclear weapons and missile technology.

There are a bunch of other issues obviously that have been raised. I mean, you have seen the foreign minister's statement that have been – that has been issued, which is just a big long laundry list of ongoing issues that the international community deals with. And in this regard it's important to understand that the economic summit process is a moving sidewalk, just like these issues are a moving sidewalk, and you don't – from one year to another – have dramatic changes. Sometimes there's small incremental progress that is made and sometimes these consultations before the G-7 with the foreign minister make small incremental progress. But as I say it's not very dramatic and it's not likely to be.

But, again, just to – the bottom line here that – in this summit we've got three issues that the Russians have talked about: energy security; dealing with infectious diseases, which is a motherhood matter, but it's terribly important; and improving education worldwide, plus all of the other issues that you're aware about. Like Bob, I'm not very – I don't think this is going to be a very dramatic summit, but I am always prepared to be pleasantly surprised because when you get the most powerful leaders of eight-most powerful countries, or eight of the most powerful countries of the world together, you have the potential for unexpected decisions and sometimes these decisions can be positive. Thank you.

MR. SCHWARTZ: Thank you, Ambassador McCormack.

The Center for Strategic International Studies is fortunate to have Stephen Morrison with us today. Steve is our Africa program director, but he is also the director of

our taskforce on HIV/AIDS, which is a multi-year project, co-chaired by Senators Frist and Senator Feingold. Steve?

STEPHEN MORRISON: Thank you, and good morning. Thank you for coming to be together.

Let me call your attention to a couple of pieces that have come out that are relevant to the discussion around what we can expect on the health agenda coming out of St. Petersburg. There is a paper that we issued just recently that was out on the counter here that I co-authored with Jennifer Kates from Kaiser Family Foundation. I will speak a bit about it, but it's talking about the Russian presidency in the G-8 process with respect to HIV/AIDS and what the opportunities are, with special reference to Eurasia, to dealing with China and India in particular. And I'll speak to some of what is in here, but there are plenty of copies outside.

Secondly, there is a piece appearing in The Lancet on the 13<sup>th</sup>, this week, also co-authored by myself, Jen Kates, and Erick Leaf (ph) who is a fellow here at CSIS, that talks about the trend lines in funding by major donors with respect to global health, particularly the promotion of health in low- and middle-income countries. I will say a bit about what is in that piece, but that will be published by The Lancet online on the 13<sup>th</sup> and I think the hard copy comes out in time for the summit at the end of the week.

Let me also call your attention, next week on the 20<sup>th</sup> here are CSIS, at 10 a.m., we will have a session that will review what the health outcomes were at the summit, and we will have Celeste Wallander speaking from CSIS. We will have Jen Kates from Kaiser, Lisa Carty, who is based in Moscow, who is with the Bill and Melinda Gates Foundation. And we have invited – all of those people I've just mentioned are confirmed. I will moderate. Josette Shiner, undersecretary from economic affairs, who is playing an integral role in carrying forward the summit, we have asked to lead off the discussion about what the health outcomes were. So please join us. That will be here in B-1 at 10 a.m. on the 20<sup>th</sup>.

Let me say a few things about the process by which the health issues were treated because I think the dynamic is different than some of the other issue areas and more promising in some respects. Then let me just say what I think what we are likely to see as the outcomes and then leave it at that.

The process around the preparation of the agenda for the infectious disease segment or theme was one that was relatively free of controversy and one in which it was possible to achieve a certain amount of consensus, and in which the Russian leadership actually defied some of the earlier expectations that there were going to be some problems in this.

And I think there is a couple of things to emphasize. One is the degree to which this agenda that I'll – that the G-8 is considering on infectious diseases, how closely rooted this was to domestic priorities in Russia. The fact that health was designated in

the lead up by President Putin as one of the four national projects, the fact that HIV/AIDS national policy within Russia was changing rather rapidly beginning last summer and accelerating into the most recent funding announcements in the last several days that overall the domestic health crisis within Russia was seen as a major block on economic growth and on the ability downstream to have reliable conscription levels for the military was not insignificant. The fact that the Russia saw this as a major opportunity to win greater position for itself as centers of excellence scientifically both respect to HIV vaccine development but also as a center of surveillance on avian influenza and pandemic influenza.

And I think there was a decision taken early on by Russia's leadership that they were going to use the preparations as a way of diffusing or disarming the focus on Russia's demographic decline and its inaction for slow action on HIV/AIDS, that it didn't want these issues to be ones which were a center of criticism, and they chose instead to sort of accelerate the evolution of policy and to tie what was contained, what will be contained in the communiqué on infectious disease to this domestic agenda. That was significant.

A second significant factor is that the infectious disease agenda was relatively free of controversies. There are some controversies, but by comparison with energy security, it didn't hit a rocky, a really serious rocky point as the agenda was being developed. Over time there was relatively expensive outreach to constituencies, and there was a certain responsiveness to nudging from the United States and others to take on certain issues and show a greater collaborative spirit in putting the infectious disease agenda together.

This area, this infectious disease area, by comparison, with some of the other themes and the really hard issues like North Korea, Iran, Middle East, or the overall issue of the worthiness of Russia to even host this summit – infectious disease agenda was an area where there was – you could achieve a relatively strong consensus and use that as a positive, as a point of reference.

The NGO sector in Russia, in the health sphere, there was significant outreach to that sector. It was treated somewhat differently from the perspective of – towards the NGO sector operating in democracy promotion or political development area. It was regarded as more apolitical, and in that sense seemed to feel somewhat less vulnerable. That does not mean, however, that there is not a risk of vulnerability downstream and there is a certain nervousness around what will occur downstream in the health field.

It helped enormously that you had a rising level of perceived threat, particularly on avian influenza and human pandemic influenza, and that the data that was coming forward on HIV/AIDS was showing some continued, steady rise of prevalence rates in Eurasia, and that these, these – this was a threat to growth, to economic expansion. It was also linked to drug trafficking and migration routes that are another significant security consideration affecting Eurasia.

The Russians and other members of the G-8 have put a strong preference on building accountability to preexisting pledges, to fulfilling existing pledges, to avoiding grand gestures, and to building on existing capacities, particularly with the U.N. global fund and elsewhere. In some ways, this is refreshing. There have been some overreach, some element of overreach in the G-8, particularly when you look back at Gleneagles, some of the commitments made there in terms of universal – near-universal or as universal-as-possible access to anti-retro virals in low- and middle-income countries by 2010 with no game plan for getting there, no game plan for bridging the huge financing gap in getting there, and no game plan for bridging the human workforce deficits that would be required in order to get there.

So there is a certain amount of realism and a desire for discipline interjected into the G-8 approaches on infectious disease that is not unwelcome. Africa was a huge priority last year. It has fallen as a priority. However, Putin and others have made clear their desire to open space for Africa to figure in this. And I think when you look at the lineup – and I'll get to this in a moment – the moment of disease priorities, in each one of those, Africa figures as a predominant priority.

So saying that Africa, after a five-year run of being a major priority is now going to be eclipsed is a bit of an overstatement. Nonetheless, there is obviously much higher priority being attached here to looking at the Eurasian piece of this.

What can we expect? The expected outcomes are fairly well known, and they track back to the health ministerial, end of April. Not that much has changed. There is going to be a big focus on global surveillance and monitoring, and overcoming gaps and weaknesses in developing countries, and to boost existing efforts, and to win acceptance of the norm of greater transparency and sharing of critical information that is seen as information that if misused might disrupt economic trade.

There will be a very heavy focus on fulfilling existing pledges on avian influenza and pandemic influenza, and to work through the WHO and FAO channels that have been put in place here. There is a string of priority infectious disease: HIV/AIDS, TB, Malaria, polio and measles are the ones that will get the greatest emphasis, and again it's going to be let's find the means of supporting the effective interventions that are already underway in terms of development – accelerated development of medicines and vaccines.

On the whole question of advanced market commitments it's not clear to me what happens. There was a flap last week in which the stand-off between the – reportedly, I mean, it was in – it was reported in the Wall Street Journal and the Washington Post, about a resurgent conflicts between ourselves. The administration has been pushing for a pilot in 2006 supported by the G-8 membership around one – selecting one infectious disease versus the airline tax, favored by the French, or in the case of the British the International Financing Facility.

That still remains to be worked through. And I'm not sure – Richard, you may know more about this than I do – as to, sort of, what the outcome is likely to be. My

sense is the administration still hopes to be able to pull forward some commitment to a pilot in 2006 and that issue is not a dead issue.

Lastly, there's going to be a lot of attention to dealing with the humanitarian and health consequences of disasters and that grows out of the Katrina and tsunami experiences. It's really a question of international or global coordination among the different entities that do this. I think this is a welcome piece, particularly if you followed what's happened in Katrina where the health consequences were handled abysmally. And we'll see what comes out of that.

The piece that we developed here, looking at the G-8 and Russian presidency, we tried to put a spotlight on a couple of key areas where it would be possible to move forward with Russian leadership and to engage Eurasian, Chinese, Indian and other leaders around a G-8 agenda. We are talking about the creation of a – some kind of G-8-plus health leadership forum. We are talking about putting a focus on sustainability of financing.

How are you going to mobilize the resources to meet these requirements? Until you get China and India making resource commitments at a much higher level from their own internal resources, you're not going to be able to cover those. How are you going to put much higher energy into prevention on HIV/AIDS? In the case of Russia, India, and China, you are dealing with concentrated epidemics, injection drug use concentrated there and concentrated in commercial sex workers – a high stigma, and this is going to require a much higher level of effort.

We also talk about workforce deficit, scientific cooperation, and a few other related areas having to do with procurement of essential medicines, and regulatory mechanisms. Thank you very much.

MR. SCHWARTZ: I want to thank my colleagues for those opening remarks. And I want to throw it open to you all to answer questions. If you could identify yourself and your news organization, and hit the microphone, it will be helpful for the transcript. Thanks very much.

Julie?

Q: I'm Julie – (off mike) – and I wonder if Sarah – (off mike).

MS. MENDELSON: Well, generally the relationship – before I actually start with that I want to make note that just before I was coming down here I saw that Shamil Basayev – the Russian government is reporting Shamil Basayev was killed. Shamil Basayev is the terrorist who claims responsibility for the hostage-taking in Beslan, North Ossetia, where over 300 people were killed, most of them children.

If it's true that Basayev has been killed, that's a major move for the Russian government in dealing with terrorists in the North Caucasus. There have been many

reports in the past that he's been killed so it's hard to say. But it sounds as if the head of the FSB announced it and President Putin was planning to give him a medal so there must be some kind of verification going on.

In terms of the relationship, you know, by and large there's a personal chemistry between them and much has been made of this. And sometimes I think that the U.S.-Russian relationship in general has been – at the presidential level – it's been about chemistry and not much else. What's frustrating about it is that given there is a good feeling generally you would think that they would be able to get more done together; you would think they would really roll up their sleeves and say, look, you know, quite honestly we've both had this experience where we're trying to contain extremism but our strategies and our policies have sometimes led to the opposite unintended consequence. But there isn't that kind of openness that you might want to see.

There is, over the last couple years, I mean – I think we can joke about President Bush's comment about looking into his soul. I'm told by administration officials that, you know, he realizes that, number one, that wasn't the best comment; number two, that there has been an increasing shrinking of political space in Russia and that's worrisome –

Q: (Cross talk) – I'm sorry, can you explain that? (Off mike) – shrinking and political thing? (Off mike.)

MS. MENDELSON: Pick an institution, elections for example. After Beslan the response by the Russian government was to cancel direct elections to governors in the regions.

Take media, there is no national independent television station. Yes there's internet, yes there's access to newspapers, but the circulation of those newspapers is quite small. So you won't find a national television station that is critical of – or independent in its ability to report and investigate. It's very difficult to talk about fighting corruption or the rule of law unless you have an independent media.

Courts, parliament, political parties – all of these institutions have been affected by essentially diktats from the Kremlin. And the most recent – the NGO law that went into effect in April, when Steven mentioned a sort of nervousness in terms of the health sector, there is extreme nervousness in every other sector of the NGO world in Russia and beyond of what is going to happen after you all leave, after wheels up, after the G-8.

What happens in the later half of 2006 and in 2007 as we go into the parliamentary and national election season? The worry is that this will be death by either a 1000 paper cuts, right, because it's a law that restricts the ability of NGOs to operate in ways that places a very heavy burden on reporting to authorities. So just to comply with the law becomes very burdensome.

So to go back to the issue of whether or not – how they deal with this at a presidential level the Bush administration – they zigzag a bit. They'll sort of – they'll

bring it up and then they'll come out and they'll have a public speech and they'll be a lot of bad feeling between them, and President Bush doesn't like that. Everybody wants to have a good meeting, right. So there's huge pressure to have this good meeting. They don't want to talk about the internal problems.

In the last couple weeks the Kremlin officials have been out doing lots of press briefings saying you bring up that, we're going to bring up Guantanamo, we're going to bring up Abu Ghraib, we're going to bring up a whole series of issues. So my bet would be that there – they will tread very gingerly on this issue.

The way in which they might handle it is they're going – President Bush is scheduled to meet on July 14<sup>th</sup> with some NGO leaders, including some of the – I mean, my sense is they're the young leaders. This is not, quiet honestly, what a lot of people wanted. What they wanted was a broad coalition meeting them. They didn't want it to be just President Bush, but for a variety of reason the Kremlin essentially nixed that.

The Germans were going to host a reception for – the Germans were asked to host a reception by Russian civil society leaders for all the G-8 and civil society leaders, and the Russian government responded that it would be seen as an unfriendly act so the Germans pulled back. And the idea is it would start a new tradition where the next G-8 country would host the civil society leaders of the G-8, the present G-8, so next year in Germany is would have been Japan hosting German civil society leaders and so on. So unfortunately that's not going to happen.

MR. MCCORMACK: (Cross talk) – one brief comment to – in response to that question also. I mean, you speak about the relationship between Putin and Bush and as Sarah accurately says, we're not very happy about what's going on democratically in that system right now.

The Russians have got their own beef and their own beef is there – from a strategic point of view they see NATO coming closer and closer to what they regard as their traditional space. And you can imagine how the United States would react if the Cold War had ended badly and we suddenly had the Warsaw Pact discussion with the Mexican Government in this continent on our border, and they have an analogous situation there as they perceive it. And so while this isn't talked about an awful lot in public behind the scenes within their national security types, they're not happy about that. And they have their own ways of causing unpleasantness for us in some areas as a consequence of that.

Thank you.

MR. SCHWARTZ: Tom

Q: Tom – (inaudible), Associated Press. For anyone who can answer it, was Cheney's Lithuania speech a mistake, or was that as far as Bush wanted to go and then

pull back? And also, does the United States have any leverage over Putin or does Putin have all of the cards this time?

MS. MENDELSON: I think it was a mistake. I think that Cheney was the wrong messenger with the wrong message and the wrong place and with the wrong itinerary. To then go to Kazakhstan and essentially embrace the president. And I think – you know, you don't have to be a deep reader of the press or spend a lot of time in Russia to imagine how this was essentially made fun of.

The leverage is in some ways minimal. But as a Russian colleague of mine likes to remind me, Mr. Putin is not Mr. Lukashenko, the head of Belarus. The Russian government officials want to have access to the West. They are very interested in joining every single club they can get membership in. People want to be able to visit their children in British boarding schools and their bank accounts in the West.

So, you know, the degree which I think a lot of times officials will – Bush administration officials will say things like, look, we're not going to – we are not going to spend a nuclear weapons treaty on something like human rights. And I think that that is missing some of the equation. But the leverage is minimum; we just have to be able to recognize it and use it when we can.

MR. SCHWARTZ: (Inaudible.)

Q: You suggested that there was not much that was going to be accomplished. And obviously the Russians, when they put that on the agenda, probably knew that. So what was their motive? What were they attempting to achieve? What was the message or what is the message that they hope to send by this focus on an unachievable objective?

MR. EBEL: If I recall correctly, the theme was adopted prior to January. January's event put an added emphasis on energy security, but declined from the European point of view, and then became a political issue, not just a trade issue. And I think it has gotten overblown. I have gone to Europe several times, to Berlin, Paris, Brussels, telling the Europeans watch your dependence on Russian gas. It's getting to a point where it's going to be a problem for you some day, and that some day was last January.

Whether they can do anything about it, I doubt it. There is a pipeline going to be built called Nabucco, which will, if it's built, it will offer a way for Russian gas, Iranian gas, Central Asian gas to make its way into Europe, giving the European customer a choice. But that is a long way off. What do you do in the interim? Can you build a pipeline across the Caspian Sea? Russia isn't going to let you do that. I can't see that at all. So you just have to live with this dependency, hope that Ukraine behaves itself so that it doesn't steal much gas out of the pipeline during the winter, as they are prone to do. You just have to live with that.

We haven't talked about – touched on any number of subjects that might come up. Russia will be using the G-8 summit to push the IPO coming up soon. They want to make a good showing on that. I think they are stacking the deck so that the showing will be good. But it is very important for them. They have got a big gas field in the Barents Sea, Shtokman, where they have been pushing off and pushing off the decision. Who are they going to invite in? How much of it depends on what happens at the summit? I don't know. I am not inside their minds, but they have been postponing for a reason and I think it is let's see what happens at the summit before we make a final decision.

MR. SCHWARTZ: Tom?

Q: Tom Doggett with Reuters.

Just to follow up again on energy, Bob, is the U.S. and the Europeans, particularly Britain, I guess, more interested in getting the Russian support for taking a hard line against Iran. Is that going to limit their ability to push the Russians hard for any kinds of reforms? And if they don't, since this is energy security – it's the theme and Russia is hosting is – isn't this just a missed opportunity. I mean, after this year, when can you push the Russians on anything on energy?

MR. EBEL: Yeah, we've been pushing Russia vis-à-vis Iran for some time and haven't been successful. Now we are pushing them vis-à-vis North Korea. They are not going to give on those issues. They have got a nuclear power plant to finish in Iran and they are going to do it and they are going to build another one. So they are not going to give on that. And Russia and China aren't going to give on North Korea either for the reasons that Sarah mentioned. It is a very important country and they are going to try to maintain good relations with it. So it's like pushing that boat uphill; you better be careful; it's going to roll down and crush you.

Q: So just to follow up, so then if Russia is not going to give on Iran and maybe North Korea as well, why isn't the U.S. and the Europeans going to push Russia harder on energy reforms and more investment opportunity? What is holding them back?

MR. EBEL: I think they realize that they – even though they talk about diversifying their sources of imports, there is very little opportunity to do that. And so what they want to see is Russia granting third-party access to the natural gas pipelines. That is third-party access inside Russia, and Russia said, no, natural gas is the strategic resource and that is not going to happen. And they might as well recognize that. That's going to be in law and it's just not going to happen. So they are going to have to think of other ways.

But security of supply is important, but it's not the end of the problem. Prices are another problem as well. Russia buys natural gas from Central Asia, uses it inside Russia and exports their domestic production to Europe, where they get top dollar for it. How about the Central Asians? They get, what, half or less than half of Russia cells their gas for. So it is a – Russia is sitting in a good spot. They are trying to minimize the number

of pipelines built that will move oil and gas outside Russia. But it's – they are having some success, but not as much as they would like.

MR. SCHWARZ: In the back?

Q: I have a question. Do you have any observations at all on the deployment of nuclear agreement – a plan that they have written between the United States and Russia?

MR. EBEL: Other than the real problems like ahead. You know, you're going to get this general agreement, but how long is it going to take to get both sides to work out – where they can sign on the dotted line. I am not holding my breath by any means. You know, it came somewhat as a surprise to me, but the impact of the surprise begins to abate – (chuckles) – when you start looking at how difficult is it going to get the ultimately agreement signed?

Q: Do you think Congress is going to block that?

MR. EBEL: It's going to be a terribly hard sell, you know. Other than to ship our used nuclear fuel to Russia and Russia gathers it all then and then suppose it then – what is it going to do with it? So you are going to reprocess it and give it back to us? Suppose it doesn't it give it back.

Where do we get most of our uranium from? We have a program that ends in 2012 where Russia sends us nuclear fuel from out of nuclear bombs. We have probably done away with 8,000, 9,000 nuclear bombs – our goal of moving toward our goal. I can't remember what it was – 12,000 – 25 – I don't know. What happens when that comes to an end because Russia has a lot more than what this program takes into account.

So the nuclear issue, whether it's nuclear power or nuclear weapons, is always going to be on the – probably near the top of the list for the foreseeable future.

Q: (Inaudible) – ABC News.

Regarding India's recent missile test and Bush's sort of public declaration of alliance with them on the nuclear civilian program, how will that impact the North Korean's talks? Will there be any acrimony there because of the North Korean missile tests in response to Russia and China specifically?

MR. EBEL: I don't see much possibility of an impact. North Korea seems oblivious to impacts, even the one that was made by the recent nuclear weapon that didn't make it across the waters. Life goes on for them.

Q: Christoph von Marschall. I'm the U.S. correspondent of the German daily Der Tagesspiegel.

I would like to know a little bit of your assessment why it became so silent about the idea of boycotting G-8. There was a phase between November, December, and let's say, February, March, there was a very vivid discussion as far as I followed that in the newspaper, even in Congress. Was it never serious or what was it that happened between February and now that everybody is so silent about that, everybody in the sense that we need we Russia – can't have any achievements in the war on terror, can't do anything in the U.N. without or against Russia? Again, it threw me a little bit.

MS. MENDELSON: Well, to understand the degree to which there was actually a coordinated campaign on this, I think that there wasn't. I think that there were some people inside the Bush administration who began to float the idea. I mean, several years ago, there was some discussion about it from people outside the administration, but the closer you got and the more – the degree to which the Bush administration itself was involved in undermining torture norms and laws, for example, it began to not have legs; it didn't make sense.

So the Bush administration is going to stay away from the G-8 because Russia is not democratic but then there is a tremendous amount of unhappiness, as you all know, among European populations over U.S. foreign policy. So it became a bit unattainable. And I think there is no real consensus between the Americans and the Europeans on the issue of democracy and human rights abuses inside Russia.

I have looked at this most closely in terms of gross human rights violations in Chechnya. I have a paper called "Anatomy of Ambivalence." That gives you a sense of – (chuckles) – you know, there is just not a willingness to address this terribly seriously on the part of either fundamental European institutions, like the Council of Europe, or specific governments. So therefore it never really – it never really took off.

But it is an interesting story: Where inside the Bush administration or outside the Bush administration, but with the close alliance, was this idea coming from? I have the idea that it is somehow related to the vice president's office and some non-governmental allies of the vice president, but it didn't go very – it didn't go very far.

MR. SCHWARTZ: Findlay (sp)?

Q: Just to kind of follow up, what does this say about Bush's focus in his inaugural speech on democracy? I mean, does it now stand revealed as an empty promise and won't this underscore that?

MS. MENDELSON: I think the consequences are potentially very damaging. The speech, as well as the national security strategy – when you read it, I mean, from a democracy and human rights perspective, there is a lot to be very pleased about. But when you look at the disconnect of rhetoric and policy, and policy on a lot of different levels; not just the way in which the administration has fairly systematically derogated on international law, but budget choices – I mean, this issue of – it's in the weeds for some

people, but the degree to which you have democracy promotion rhetoric and you have budgets that are not really supporting democracy and human rights.

I mean, in Russia, it is really quite astonishing that the threats to democracy and human rights have gone up, the capacity of local organizations, deeply indigenous organizations has gone up, and the budgets have gone down. And I might add the rhetoric from the Kremlin has gone – you know, there has been a campaign by the Kremlin over the last year-and-a-half to essentially cast dispersions on foreign assistance. And this is from the word – the mouth of the president, from his senior advisors, saying things like foreign assistance is essentially a fifth column.

Fortunately in our surveys, even in the North Caucasus of young males, it doesn't seem to be having much traction. In fact, we found in the survey of males 16 to 39 years old, they are essentially indifferent or positive to foreign assistance on health, education, if you wanted to come in and build a hospital. The kicker is whoever gets there first. They don't discriminate between Muslims states, Muslim charities, Western governments, Western NGOs, or the U.N. They are slightly more in favor of the U.N.

But I think it should be a wakeup call. There are a lot of needs in Russia and there is openness on the part of the population to engaging in certain issues, certainly health, certainly education, even human rights work; we found that they were open to foreign assistance for environmental and human rights work, and that should be – that should embolden not only the Bush administration but European governments and private donors as well.

MR. MCCORMACK: I wonder if I could just add to that a little bit. I mean, it's very clear that the administration and every American would like to see democracy and human rights all over the world, but the fact of the matter is we have to deal with governments as they exist on a whole range of issues, and regardless of our preferences, the fact that we prefer system X rather than system Y doesn't necessarily make it happen.

And you therefore either have the ability to deal with people like President Mubarak in Egypt and other places where you have ambivalent situations, and that requires a minimal degree of comedy so that other issues can be addressed, and that limits the ability of this administration to place all of its cards on one particular game. This doesn't say they don't care and they don't care deeply; they do, but they also have other responsibilities that they have to move forward with.

MS. MENDELSON: Just to get a little conversation going among the panelists, I actually think there is a more fundamental issue, which is that within – I think we can see in a variety of contexts that certain kinds of human rights abuses contain security threats; not every human rights abuse, but certain human rights abuses, certainly when they are committed by uniform service members, whether it's in Chechnya, the North Caucasus, or in Iraq, and there is an unwillingness to embrace – yes, I think, you know, the Bush administration would like democratic governance seen around the world, but there is an

unwillingness to understand this – the effect that non-compliance with human rights and rule of law, that that in itself is actually a security – becomes a security issue.

And until administrations, not only the Bush administration but I think European and certainly the Russian government, begin to understand and shift their understanding of what are security threats and understanding that human rights is not some luxury item; that it is really much more fundamental, we are going to have this disconnect between rhetoric and stated policy.

MR. MCCORMACK: And just to further that discussion – (laughter) – you will recall that not long ago we got the heat hole from a country in Central Asia where we had base rights because they didn't appreciate the aggressive color revolutions that we were encouraging in that particular country. And those are the kind of very difficult choices that have to be made, which as I say, which greatly complicates all of these issues. We are interested, for example, in getting Saudi Arabia to drill more oil and to spend a lot of money doing that. Their willingness to do that has something to do with our – the level of our rhetoric on internal political issues, and on and on, and on and on.

But as I say, it doesn't mean to say that the U.S. government doesn't have preferences, and strong preferences. It just is that one has responsibilities to the American people on a whole broad range of issues that can't be just totally ignored.

MR. MENDELSON: We won't keep this volley going, but one could mention Andijan, and that that had something to do with our getting kicked out of Uzbekistan, and how the U.S. government and the Europeans, from whence actually did come together in a response to what the Uzbek government did to civilians.

MR. SCHWARTZ: Okay, we have time for –

MR. EBEL: Okay – Dick raised the question of Saudi Arabia expanding supply. Saudi Arabia said we will expand our supply if we are certain that there is going to be a market for it. We require security of demand just as you require security of supply. And all exporting countries picked up on this argument.

So what do they do? They wait until our demand reaches the point where we are screaming because prices are high. They say, well, we will go out now and expand our supply. They can't do that over night; there is not much spare producing capacity worldwide, maybe a million-and-a-half; at most, 2 million barrels a day. We consume well over 9 million barrels of gasoline every day.

You are individual consumers of gasoline. When you pull into your favorite filling station, do you care where the oil came from that made that gasoline? I don't think so. You care about two things: that you can buy as much as you want and what do you have to pay for it?

MR. SCHWARTZ: Tom?

Q: Dr. Mendelson, I know this is about G-8, but Bush is going to Germany on the way. What are the prospects for improved relations with Germany with Merkel and what is this – what is it – how does this affect the G-8 dynamics as Bush goes from Germany to Russia?

MS. MENDELSON: Well, I think – I mean, let's recall that Germany is going to host the next G-8, and my question is to what degree is the Bush administration speaking with the Merkel administration about what issues are going to be on the next G-8 agenda.

I think there was some nervousness – you know, Schroeder was quite good friends with – still is quite good friends with President Putin, right. When Merkel came in, initially there was some sense that Merkel was going to push back much harder on Putin. There may be some nervousness about the degree to which that is going to happen, and perhaps the Bush administration wants to get on a message with the Germans as they go into the meeting. I would be curious what the German correspondent thinks. But I think that they are – my guess is there are also lots of bilateral issues that they are going to be dealing with. It's not only – it's not only about the G-8; it's not only about Russia.

Q: Do you think she will push back against Bush?

MS. MENDELSON: I don't. I think that – my own disappointing experience or exposure to this was when my Russian colleagues wrote a letter to the German government requesting that they host this reception, and the idea was really quite explicit to be able to provide some environment where Russian civil society could meet with all of the G-8 leaders so that they wouldn't be labeled as friends of – poodles of the Americans, if you will. And the Germans walked away from that idea faster than you can say the word "reception."

And of course it was enabled by the fact that the Russian government began to talk about it as an unfriendly act. We're talking about a cocktail party. I mean, how is a cocktail party an unfriendly act? There was really little to be lost from hosting it, and what a great new tradition that the Germans could have been hosting and beginning, and I – who knows whether it trickled up. Who knows whether it was, you know, folks in Moscow making the decision inside the German Embassy, but there were several attempts to get it delivered in Berlin with unhappy or – not necessarily unhappy – with no consequence.

MR. SCHWARTZ: Thank you all for coming today. Thank you all coming today; we really appreciate it. And please let us know if we can help you as you are walking about the G-8 as the week comes – keeps going on. Thanks very much.

(END)