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**THE PUTIN SUCCESSION:
WHAT'S AT STAKE AND WHAT TO EXPECT**

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ANDREW KUCHINS: Good morning. Welcome to the Center for Strategic and International Studies for our discussion of the Putin succession. The three of us have all agreed not to call it an election. It's something more like an electoral procedure. Maybe like oral surgery. (Laughter.) We're going to be discussing what's at stake and what to expect. I think there are some certainties and uncertainties, and as you know, at CSIS we've become quite noted for our predictions of late, and so I'm going to go ahead and make a prediction about something I think is fairly certain. That is that Dmitri Medvedev will win the election on March 2nd by a significant portion and will be the next president of the Russian Federation, okay? You heard it here first.

Now, after that, there are a lot of uncertainties, and what's amazing about this electoral procedure is that we really know very little about what will be the division of labor between Mr. Putin and Mr. Medvedev afterwards. In fact, we know virtually nothing. We do know some things about Mr. Medvedev that distinguish him from Mr. Putin. He is young: 42 years old versus 55. Mr. Putin is a baby boomer. Mr. Medvedev is a generation X-er. I think that actually is a significant difference. They had different kinds of upbringings, both in Leningrad, but I would say that Mr. Medvedev's upbringing was a lot more comfortable, almost sort of a Soviet bourgeois upbringing, with the Soviet intelligentsia. Mr. Putin's was rather different. We know that Mr. Medvedev never entered the intelligence services – at least, well, we think we know that, I guess. We think we know that. We can't say we know that definitively, can we? We know that he did work with Mr. Sobchak early on his campaign, at a time when that was somewhat more risky, or was more of a decision, I think, when working with the democratic mayoral candidate in St. Petersburg.

But maybe the biggest difference as I look at the two of them is that actually Mr. Medvedev was a businessman. He spent a fair amount of time in the 1990s as the general counsel for Ilim Pulp, and I think that experience may be more significant than I had thought. That came to me when I was reading the Krasnoyarsk speech that he gave on February 15th, and I must say, it's the most liberal of any Russian leader I've read for an awful long time. But I will curb my enthusiasm – (laughter) – for the moment, and I'm certain that Sarah will bring me right down – (laughter) – and turn to my distinguished panelists. And in deference – well, let me introduce both of them right now, not exactly that Anders and Sarah need any introduction right here.

Anders, as you know, long-time colleague and friend of mine, and he's the recent author of a terrific book, "Russia's Capitalist Revolution," which I definitely recommend that you read, as opposed to Ed Lucas' book, and a senior fellow at the Peterson Institute for International Economics. And also with me of course is my long-time friend and more recently colleague here at CSIS, Sarah Mendelson. Sarah Mendelson, as you may know, has sort of a split professional personality at CSIS. (Laughter.) She is a senior

fellow in the Russia and Eurasia program, but she's also the director of the Initiative on Human Rights and Security here at CSIS, which is occupying a lot of her time.

So now we have a choice. We could go with sort of the sexist ladies-first thing, but I think actually today we're going to go with – let our guest, Anders, lead things off. Anders, it's all yours.

ANDERS ASLUND: Thank you very much, Andy. Always pleasant to be here, particularly when you are chairing. I would like to focus on economic policy today, and I'll focus on three issues. First is the Putin myth in terms of economic performance. Secondly is that I see many causes of instability today in Russia. We should not take stability for granted. And thirdly, I will elaborate on the launch of reforms that are now required in Russia. My argument is that Russia has got a backlog of reform, since Putin hasn't done anything really since 2002. And, therefore, the situation is becoming sort of untenable, in spite of a likely continued high growth rate.

So on the performance. You have two different ways of looking upon Russia. As Putin himself always puts it, he focuses on the 7 percent growth rate, and the numbers I like most is Russia had a GDP of \$200 billion in current dollars in '99, and last year it was \$1.3 trillions, 6.5 times increase in eight years, 27 percent growth each year. This is what business is seeing, this is what's important for business, and indeed also for investors. Everything is just going up.

So how can you complain? Well, the complaint goes like this. The whole region has had a real growth of 7 to 11 percent, from China, via India, to the Baltics. And if you take specifically the 15 former Soviet republics, among these Russia comes on the 12th place in terms of economic growth since 1999. And that also takes care of another argument. Is this all oil? No. Because Russia is lagging behind a lot of countries that don't have oil. This is the successful Yeltsin reforms from the 1990s that started bearing fruit in '99 before Putin came in. Putin arrived at a laid table, and now he has eaten most of it up. So then it's time for him to go. This is how I think that we should look upon it.

But you know, people confuse cause and effect. They think that cause and effect are simultaneous, while normally the cause comes before the effect. And if we are talking about monumental social changes, there might be a decade between them, and this is quite difficult for ordinary people to understand.

And what about oil? The oil price went up in 2004, when Russia had already had high growth for five years. So what the oil – and the growth rate did not increase. What the oil has contributed is authoritarianism and corruption and re-nationalization. And of course it has improved the current account. It has contributed to Russia's massive international reserves, to the budget surplus, but it has not contributed to the growth, the real growth itself. So I think that Russia fits pretty well the picture of an oil –

My second point is that I see mainly causes of instability today in Russia, and I'll take them one after the other. The fundamental thing is, going back Seymour Martin

Lipset, countries that are as rich and educated, and for that matter open as Russia, are normally democratic. Among countries that are richer than Russia in terms of GDP per capita, it's only Singapore and seven oil emirates that are as authoritarian as Russia, using Freedom House measurements. So Russia is an extreme outlier. You can argue that Russia has a post-imperial nostalgia, that it is now in the post-revolutionary stabilization phase, and that it has a strong authoritarian tradition. It's all true, but at some stage you break it, as South Korea and Taiwan have shown. And I think that Russia is very close to breaking it.

Another reason is that the oil course is coming to an end, even if the oil price stays high, because Russia's energy production is no longer increasing significantly, and the current account surplus and the budget surplus by all forecasts will be gone within two years. And then Russia needs to become serious about economic policy again, which is a very good thing.

And concretely, we have two concerns. One is inflation. Russia has an inflation crisis right now. Inflation has almost doubled in a year and it's likely to continue. And to a considerable extent this is a result of Putin himself having abandoned his prior fiscal caution in October and just flooding the market with money when inflation is the biggest problem. This is something that quite surprised me because I thought that Putin had two accomplishments in economic policy, that it was focused on high economic growth and that he was macroeconomically responsible. And here in the last months of his second term he has abandoned that.

And the other is of course corruption. Everything shows that corruption is increasing while it's declining in virtually the whole of the former Soviet Union, according to VRD, the World Bank, and Transparency International. So Russia here is an outlier, but for all we know, Russia is pervasively corrupt to the very top, where we see ample reports about how much certain people have, and we also see that standard kickbacks from major infrastructure projects are one-third to 50 percent. So this is just about the most corrupt regime that we have seen.

Of course corruption is the biggest vote-loser throughout Eastern Europe. By my count, there are only four democratic elections that have been won by the incumbent governments in Eastern Europe since 1989. It's always that the incumbent government is blamed for corruption, and people of course are aware of corruption and it's massively disliked in Russia. And to this comes but – by structure today, Putin's system is a person authoritarian regime. Such a regime normally does not survive a succession. Judging that it's, from Putin's point of view, a mistake to resign, I was convinced that he would stay on for a third term. He is not a person who's much concerned about his personal statements. For example, he said six times in public that he will not confiscate Yukos, after which he did so. A statement by Putin has very little value in terms of truth.

And I think that this is fundamental instability, and indeed we are seeing now a totally confused succession. It's not clear who will do what. It's clear that there will be dual power. We are seeing now a wonderful war among the siloviki clans. So as I

interpret it, one of leaders, Cherkesov, has his top Mafioso comrade arrested in St. Petersburg, while Sechin's top Mafioso Mogilevich is arrested by the opposite side in Moscow. So this is showing us how criminalized this regime is and also how vicious the fights are. Of course Kudrin, just in case, has his deputy, Sergei Storchak, arrested, also a deputy minister of finance, and General Bulbov, one of the heroes of Ruskoy's in the white house in October of 1993, was arrested. He happened to be Cherkesov's deputy.

So what we are seeing is a vicious struggle, and also high-level murders. So in order to study domestic politics today in Russia, I think it's better really to look for the chronicles of arrests and murders than Putin statements.

And now for the succession, since we don't see any principles, there can't be any details clear. You can't run a huge country like Russia in this fashion. And Putin's only legitimation is high economic growth and false claim of stability, and you can't really do that. Coming back to – and his statement about generations, I would say that Putin belongs to the old Brezhnev generation. I mean, the people who were young under Brezhnev, the cynical people who saw that the train passed by in the 1990s, which was very much the KGB people, and now they have taken their revenge. And I think that that has revealed them utterly.

So I think that Putin has done a great service to Russia by making concepts like an honest KGB general an oxymoron. Nobody can ever use such a word again.

So let me then look up on where are we going. I think that Russia has now a huge backlog of reforms that have to be taken and dealt with. And Putin himself, as well as Dmitri Medvedev, have totally turned the economic rhetoric since November. You can say that Putin's low point was his speech in October 2006, when it was all protectionist and state interventionism in every regard. That's when he spoke for discrimination, in favor of the – (in Russian) – which of course is understood or does it mean ethnic Russians, which meant to severe obstacles for immigrants that were introduced last year. Recently we've seen a totally different tone. It's Medvedev who seems to be criticizing Putin, although he of course praises him, talks about Russia's illegalism as the main ill. He puts a top issue to fight corruption, to sanctify private property rights. He wants again to do tax reform, simplify the taxes. As I mentioned, inflation has to be fought.

And then we have a big chapter of social reforms that have simply been postponed all along, which were discussed in '96, '97, and Putin never did anything about it. Health care reform, education reform, pension reform was undertaken, but totally bungled and essentially didn't do anything. And the only thing that we have seen that Putin has done is push big infrastructure projects. But not much seems to be happening. And given that half of this money seems to be going into kickbacks or other forms of wastage, the investment in real terms must be very low.

So I think that into these accounts current account budget surpluses are disappearing. So I think that we, regardless of what will happen now, are coming to a point when there must be a far sobering up. After all, you can't have a world capital

where the traffic from time to time stops for six hours because the police stop the traffic to let through the president, and then it never manages to start again after this accident has happened.

So my sense is that, yes, economic growth will continue, but – and Russia is therefore growing out of its pre-modern authoritarian system that Putin has so successfully imposed on Russia. Of course, that's very skillful, but it's not very likely to last. It's simply too much an anachronism.

So with these words I will say I'm very hopeful for Russia's near future, but I dare not say what the details will work out like. I'd prefer to focus on the tendencies now. Thank you.

MR. KUCHINS: Thanks, Anders, for a terrifically concise and comprehensive presentation. Before I turn the floor over to Sarah, let me just note that I forgot to make note of Sarah's most recent publication, which is entitled "Anti-Americanism and the Putin Generation," and this is an article in the Washington Quarterly, which will I think be on the Internet today, Today or tomorrow. There are copies outside. And it's part of – in this issue of the Washington Quarterly there are three pieces. There is one by myself and Cliff Levy entitled "Putin's Plan." Copies of that are also available outside. And the third piece is by Zbigniew Brzezinski. I think it's quite an interesting complement of pieces and perspectives on Russia and where it's going.

So with that, Sarah, the floor is yours.

SARAH MENDELSON: Thank you very much. It's great to see so many old friends. There was also a piece out there that described what it was like to live and work in Moscow in the early '90s, working on democracy promotion versus today. That piece is online at the American Scholar.

I want to be a little bit brazen and make a few predictions. I want to talk about what I expect to happen and what it means, and I want to talk about why I think the scenario I'm going to discuss is likely to unfold. And then I want to talk about the policy dilemmas that this scenario poses for the West, and what metrics we should be looking for that might prove me wrong, and I would be very happy to be proven wrong.

My expectations for the near future, and I should say there are a lot of you in the room who do nothing but follow Russia all the time, so I'm hoping that in the Q&A we can sort of get into disagreement, agreement, really dial down on this. My expectation is that public political space will continue to shrink steadily inside Russia, and that the presidential transition will amount to the current president becoming prime minister – okay, so that's not terribly controversial – and the new president becoming largely symbolic.

I don't believe that Putin spent the last eight years, and especially the last four years dismantling almost all public political institutions in order to anoint a closet liberal,

as some have labeled Dmitri Medvedev. I think instead that what we're going to see is Russia shifting to a prime ministerial system, and I think there's a good chance that in this Medvedev will be largely symbolic in the way that the president of Germany is the head of state. And I expect that Putin will be the dominant leader for some time to come.

What does this mean for the West, and what does it mean for Russia and Russians? This fall has been and this winter have been an especially sad time for those of us who worked in democracy and human rights and, like some of you in the room, I was part of that young, optimistic army of Americans, along with young, optimistic Russians, who were hoping to develop a democratic Russia.

What is especially bitter for me today is to go back over the numerous talks and reports that I and many others were giving in 2000, 2001, 2002, 2003, and it goes on, about the dangers to democracy and human rights in Russia and the role that Putin played. We were all witness to the demise of whatever democratic hope or dream existed in Russia when Putin was anointed by Yeltsin. And with this orchestrated series of events between the fall of 2007 and March 2008, I think we see a new stage in post-Soviet Russian trajectory where increasingly the world has come to realize in fact this regime is not in any way democratic. And U.S. and European policymakers need to be geared to this new stage rather than continuing to hope or deal with Russia in a place that we thought, we hoped Russia would be when the Soviet Union collapsed.

It's worth quickly recalling the inventory of damage that accompanied the surge to the \$102-a-barrel oil economy that we see. One can think of this inventory in one of two ways. This is either Putin's legacy to date, or if I'm wrong and Medvedev does emerge as a liberal power source, this is what he will inherit and this is what he will need to change, and in some ways it goes to the issues that Anders was talking about of the unreformed, reform agenda.

I want to begin with Chechnya because I think that in many ways Chechnya has had an impact on all public political institutions and it is often overlooked, and this is true of parties and elections and media, and we can go on. In the north Caucasus, it is common for people to say Chechnya has been solved, and what has really happened is that we have an authoritarian leader who has got some connection to Moscow, perhaps to Putin – it's not clear to me at all how he's going to relate to Medvedev. But in other parts of the north Caucasus, we have an escalation of violence and we have charts that can show you how, particularly in the last – in the second presidential term from '04 through '07, '08, you see violence escalating every single day.

Parties, none of the parties that many of us worked with in the Duma are any longer in the Duma, or in fact seem to be in existence. There is no opposition. Elections – there are no competitive elections. And whatever competitive elections existed in Russia no longer exist today. The use of administrative means to pressure voters and the brazenness and impunity with which the Putin administration orchestrated the events leading up to this year's national elections marks really quite a negative stage.

NGOs – we know the enormous administrative pressures that they're under. Probably less discussed is the number of activists who are harassed, beaten, interrogated, sometimes kidnapped, media, of course, TV under national control, investigative journalists killed. The court – the best sort of metric on that is if you look at the European Court of Human Rights is flooded with Russian cases. It is choking the European Court of Human Rights in ways that I think make even the most strongest advocates for human rights wonder whether Russia should be actually in the Council of Europe.

Police abuse – in surveys that we have conducted, Russians find the police are essentially predatory and that they would be better off if the police didn't exist. Forty percent believe that they are at some risk of arbitrary arrest. Army abuse continues to be rampant. We could talk about health and infrastructure.

The February 15th speech by Medvedev I read as not the most liberal speech that I've read by a Russian leader, or a senior figure of the administration, but I read it as a very sad indication of some acknowledgement of they realize where they are, and the problem is they have a pre-modern structure to deal with very modern problems. And there lies the problem.

So from a Western perspective, if Putin stays in this new position and authoritarian drift continues, we have a lot of policy dilemmas in front of us. The political trajectory of Russia has long been and continues to be a U.S. national security concern. Support for the democratic minority in Russia will be a goal, I believe, continue to be a goal of the next administration, whether it is a Republican or Democratic administration. But how and what do we do differently?

We are in many ways in a much worse place than we were in the 1990s. Then we assumed the older generation would soon be replaced by younger, pro-Western, pro-democratic generation. This succession seemed almost natural to us, sort of like gravity or snow in winter. It was not, and today it turns out that iPods, lattes and skateboards and other artifacts of Western consumer culture do not, alas, translate into a desire for independent media, justice, and human rights.

The article that Andy mentioned is based on a nationally representative survey of 16- to 19-year-olds, what we call the Putin generation. We call them the Putin generation because they so clearly embrace the kinds of ideologies that Putin is advancing, and it draws on survey work from spring '05 and spring '07. It suggests that most young people are gravitating enthusiastically to the Putin ideological platform. Specifically, they embrace Soviet nostalgia. They do mourn the loss of empire, specifically majorities; as much as 63 percent of young people today in Russia agree with Putin that the collapse of the Soviet Union was the greatest geopolitical catastrophe of the 20th century. Fifty-four percent think Stalin did more good than bad.

They also embrace the administration's discussion of enemies without, and there we are number one. Anti-Americanism is chief among these and the article goes through

a lot of this anti-American sentiment, but also looks at the degree to which U.S. policies have contributed to anti-American sentiment.

An important organization we believe that contributes to this manufacturing of enemies, and I think we should continue to focus on, is Nashi, in whatever guise or whatever franchises it becomes. We in fact believe it is more than a jobs organization, and that there's something psychological that Nashi both responds to and is drawing people to.

All right, so what do we in the West do about this, and what sort of metric should we be looking for to keep track if Medvedev, the so-called liberal, is changing Russia, or if Putin continues essentially on the same restoration path? And I'm sure that this is not a complete set of metrics but it's one cut at it.

What I see happening are challenges to the international order through some of the actions of the Russian government. The Russian government under Putin has attempted to take advantage of declining U.S. influence and advance a kind of hyper-sovereign model to replace one that I think really emerged from the Helsinki Accord to 1976. Russia has had a greater impact on the international human rights and democracy machinery than vice versa. And Russian authorities have successfully used divide-and-conquer strategies in a number of international organizations, blocking the condemnation of gross human rights violations that occur inside states and challenging the practice of international election monitoring. This has implications for international security.

In the U.N. Security Council, they joined China to prevent, weaken, and ultimately delay international responses to Darfur and Burma. At least one human rights organization claims that Russia, along with the Chinese government, has supplied Sudan with arms and dual use technologies that were diverted to Darfur, despite the arms embargo in place since 2005. These and other actions suggest an urgent need to generate recommendations and political will to repair this weakened international human rights machinery. I think a major way that this has to happen is that the U.S., together with European allies and partners, need to be thinking about how to make this more robust.

But also I think we need to see a U.S. administration opt back into the international legal order and repair damage to U.S. soft power, but also to work with European allies to do this.

In terms of inside Russia, what kinds of metrics should we be looking at? The February 15th speech by Medvedev leads with all this discussion about law, the role of law and how important law is. So I think we want to be focused very specifically on what in fact happens in terms of courts, whether or not the judiciary system in any way becomes more independent from the executive or legislative branch.

Police – in our surveys we see there is a big connection between how negative people believe – their attitudes toward the police and the courts – and the absolute impunity with which law enforcement essentially roam around Russia.

Army – army reform – one thing they don't mention which I think I believe is very important and under-examined is the way in which government authorities have been overseeing and involved in the rewriting of history, specifically, discussions of the Molotov Pact as if it were lawful discussions of katin (ph) that rewrite who the perpetrators were, discussion of the Baltic states, and of Stalin. And I think that, you know, if you're interested in seeing democracy and human rights evolve in any way in Russia, this – it's very hard to think of a human-rights culture evolving as long as people have – young people especially – have and are encouraged to have attitudes about Stalin and this history. Every country has to reconcile or at least have a critical conversation about its past. And when we do in the United States, we have advanced our own democracy. And I think it's true for other countries.

Chechnya I'd like to see – and the north Caucasus – this is a region of Russia that by President Putin's acknowledgement in his February 14th speech is in desperate need of investment. The unemployment rates are much higher in the North Caucasus. There needs to be a lot of investment, but the Kremlin needs to make it possible for people to come in and invest. And, to date, this has not happened.

Parties – let's see an end to the harassment of parties and organizations. Let's restore freedom of assembly. I'm not even going to talk about whether or not there should be a restoration of gubernatorial elections, but we will, over the next several years, be looking to see if elections are conducted in a manner that conforms to international standards.

NGOs – let's see a legal environment that makes the non-governmental sector less threatened. I'd like to see an end to the discussion of foreign assistance as if it were synonymous with intelligence agencies.

Media – an end to state control over television and an investigation of the murders of journalists. I don't think this is necessarily pie in the sky. I think if you're actually going to talk about an increasingly liberal Russia, whether it is next year or in 20 years, these are the kinds of things that we're going to have to look at. Also I'd like to see an end to the blacklist of those who are critical of Russia, but pose no national security threat such as Western journalists, activists and donors, to disappear.

Remarkably, Irene Stevenson continues to be on a black list. This is a labor activist who worked to bring fair wages to Russians who then went to work in Kyrgyzstan. And the Russian government is sharing the blacklist with Kyrgyzstan so she was kicked out of Kyrgyzstan. And this week, Russian television showed a film that is part of the Medvedev campaign, allegedly, that paints Irene as part of some kind of Orange Revolution. You know, their fixation with Irene, who is a colleague and a friend, seems to me just one indication of how sort of bizarre this all is.

And, finally, I would say – and we can talk about this in Q&A – we need to work differently. We need to work very differently in how we do engagement with Russian

society, what we used to call democracy assistance. And that requires a lot more of listening and responding to what Russians are interested in and accepting that there may be some things that Russians don't want foreigners – not the Kremlin doesn't want, but that Russians don't want – foreigners to be engaged in, but that they have needs and interests and that they are willing to engage in certain kinds of things. And I'll stop there. Thank you.

MR. KICHIN: Thanks, Sarah, for a really, really thoughtful presentation and analysis. I'll tell you, there's one thing I couldn't agree with you more on, having been harassed and extorted on a virtually daily basis by the Gai (ph). Okay, no more Gai. (Laughter.)

As far as, you know, what will happen between Mr. Putin and Mr. Medvedev, I will admit that I think like both Sarah and Anders, I have been a bit surprised with what seems to be emerging. But I am, you know, if Mr. Putin really did want to remain national leader, then he should have just revised the constitution and remained national leader. That seemed to be the easiest way to do it. And the fact that he didn't do that, you know, suggests that he actually has something else in mind. He may not be sure about what it is, but I think, at this point, it looks to me at least like he's hedging his bets about what role he will actually play in the future and how long he'll play it for. In the piece that Cliff and I wrote, we get into that a bit more and I'll leave it at that.

Let me just say, there was an article today in Yvestit (ph) by our friend Sergei Markov. And it's actually – it gets to this – the title of the article is “Will Medvedev Be More Liberal than Putin?” And it's actually quite a thoughtful article by Markov. And he kind of ends up that we should expect continuity at this point and that we'll – Russia will be managed by this Putin-Medvedev team. There's a lot I agree with in his article, but I'll tell you the last sentence, I cannot agree with, where he says, “This political mission will be fulfilled by the Putin-Medvedev team. And then at some point, one of these will become the national leader and they will be chosen by the Russian people. (Laughter.)

Okay, who actually emerges as the national leader I am pretty confident is not going to be chosen by the Russian people. In fact, I think that will be Mr. Putin's decision ultimately. Now, my task today is to talk a bit about foreign policy and international relations and what to expect with a Medvedev administration. Well, the good news is that we've not heard any anti-Western rhetoric from Mr. Medvedev of the nature that we've heard from Mr. Putin and Mr. Lavrof and several other Russian leaders over the last year or so in particular. The bad news, though, at least from an analytical standpoint, is that Mr. Medvedev has said nothing about international relations and foreign policy, which suggests to me that, at least in the interim – and we might put this in the category of a quasi-prediction – that Mr. Putin will have the lead role in defining and implementing Russian foreign and security policy.

And so it's with that then I would go back to trying to understand how Mr. Putin viewed the world. And I'm going to begin by kind of riffing off of the article that Cliff

and I wrote that's coming out in the Washington Quarterly because, in a way, it was an attempt to try to get at, you know, what is – Mr. Bush got a really hard time for supposedly looking into Mr. Putin's soul, looking into his eyes and seeing his soul. And so it's with some trepidation that Cliff and I actually tried to get inside Mr. Putin's head. He's not exactly the most easy person to read on international relations, but this is the way we come out in kind of trying to put together the way he is looking at the outside world.

I think his first goal was to bring stability within Russian society as he imagines it. And I agree with Anders and Sarah very much that actually what looks stable today has actually a lot of potential instability behind it. I think that was his first priority. But, as demonstrated in the Soviet Union in the 1980s and in Russia in the 1990s, the source of greatest uncertainty lies in the external environment. And from the 1997 Asian financial crisis that catalyzed Russia's default a year later to the support of international terrorist networks for the opposition in the Chechen war to Mr. Putin's perception of the West's role in promoting color revolutions in the former Soviet Union, I think that he would confirm that Russia is dangerously vulnerable to uncontrollable elements in the outside environment.

And his conviction that a nation can make meaningful plans for the future only to the extent that it has control over its own fate bears on his repeated references to – and his very particular definition – of the notion of sovereignty. I would agree very much with Sarah's point about this notion of hyper-sovereignty, which has emerged in the Putin years. And for him and most of the Russian elites, sovereignty means being able to shape one's own destiny independently. It's often defined in negative terms. Let no one else determine Russia's fate except for Russians. And I think that, in his mind, and much of his colleagues', Russia essentially lost its sovereignty in the late 1980s and 1990s under Mr. Gorbachev and Mr. Yeltsin.

And, of course, the greatest weakness of Russia's sovereignty at that time was its financial state. And so its removal was a precondition for dealing with the other weaknesses and recall when Putin assumed the post of prime minister in August of 1999, Russia was effectively bankrupt and effectively a receivership that owed more money to the IMF than it had in foreign currency-exchange reserves. Now, Anders has described it very well and I agree very much with his analysis of what's happened then with the principal role having to do with the – in the last four or five years with the rise in oil prices, but a number of other factors contributing to Russia's economic growth before then and now as well.

But it is this real surge in oil prices that has accelerated Russia's capacity to restore its financial sovereignty. And on January 31, 2005, Russia paid off, 3.5 years in advance, its full debt to the IMF. In the summer of 2006, it paid off the remaining \$23 billion dollars of debt owed to the Paris Club creditors. So anxious to pay it off, they paid it off a year in advance – excuse me, they paid off an extra billion dollars in penalty for paying it in advance. And just to recall how quickly the situation changed, I remember in Washington in 2003 on the eve of the Iraq war, the question was, well, if

Mr. Putin were to support the Bush administration in the Iraq war, what might they get? What might they want?

And the talk then was of debt relief, less than three years later: debt all paid off. Now, this restoration of financial sovereignty went hand in hand with Russia's perception of restoring its international political sovereignty. And I don't think it's a coincidence at all that the controversial term "sovereign democracy" entered the Russian political lexicon in 2005, 2006 at the same time its financial dependence on the West was removed. And the Kremlin's newfound sovereignty at the time was boosted also by the downturn in momentum of regional color revolutions beginning in the second half of 2005. And, as we know, we all know how the Kremlin viewed this phenomenon.

Now, having regained its financial independence, Russia now faces the question of how to deal with the changes that took place in the environment during its period of financial weakness that begin in the late 1980s. And I think today's Russia regards many elements of the international system that evolved during that period – during the period of its time of weakness – as, to some extent, illegitimate. I think this is most evident on a range of security issues including Kosovo, the role of NATO, missile defense, the conventional arms forces treaty in Europe and others where the United States and the West, but especially the United States, is viewed as having taken unilateral advantage of Russia during its period of weakness.

And we've heard much more rhetoric from the Russians to try to defy the existing order. And I, again, agree very much with Sarah that on the issues of human rights and norms of governance, Russia is most revisionist there, to some extent revisionist on security issues as well. Now, Putin, of course, alarmed many of us with his sharp criticism of U.S. foreign policy at the February 2007 Verkunde speech a little more than a year ago.

And at the core of his frustration and anger was the view of the U.S. as dangerously intervening in the sovereign affairs of others: quote, "The United States has overstepped its national border. This is visible in the economic, political, cultural and educational policies it imposes on other nations." The speech and subsequent remarks by Putin and other Kremlin leaders throughout 2007 sparked a furor in Western policy circles and endless commentary about the so-called new Cold War. It seems that we have been at an impasse with the Russians.

Now, what I'm going to suggest as a possible way to break through the impasse is to acknowledge Russia's quest for stability and the recognize that its core concern is the risk to stability represented by the global, interdependent global economy. And it's the growing mismatch between economic power and the architecture of international economic relations that has become a very popular theme for Mr. Putin and his colleagues in the past year. It was in the same speech that Mr. Putin noted the comparison of GDP numbers between the BRIC countries versus the U.S. and the EU.

And he said at the end of that point that “there is no reason to doubt that the economic potential of the new centres of global economic growth will inevitably be converted into political influence and will strengthen multipolarity.” For me, that, then and still now, that is the most important point that he made in that speech.

So Russia today finds itself regaining economic strength faster than anybody inside or outside the Kremlin expected and it has very ambitious goals to the year 2020 that have been laid out by Mr. Putin in a similar way that the goals were laid out in his millennium statement eight years ago where they wanted to become the fifth largest economy in the world by 2020. They want to be the fifth largest financial center in the world by they year 2020. And, you know, these are the goals. We can argue about the achievability. That’s certainly debatable.

But it’s in the context of this rapid recovery and the perception of a lack of voice in reforming the international order for the last 20 years that the campaign message from United Russia campaign brochure entitled “Putin’s Plan: Victory of Russia” would be interpreted I think: quote, “This means victory in the competitive battle of leading world powers. The result of this victory will be a dignified place for Russia in the international division of labor and distribution of assets. The victory of Russia is a new architecture of the world in which our country can influence global politics for the benefit of security and the wellbeing of its citizens,” unquote.

So to put it in a nutshell, I think in Mr. Putin’s view, it’s not just Russia’s reversal of fortune that calls for this new architecture. Russia’s resurgence is just a piece, albeit of course from Moscow’s standpoint a very, very significant piece, of a much larger changing global economic balance of power or, to put it in economic terms, a massive wealth-transfer that’s going on right now. And so far, at least in the last decade and especially in the last five years, the principal beneficiaries have been the major oil exporters and large emerging-market economies, categories that Russia fits prominently into both.

Now, the reaction to this reality has been often to describe it in terms of a threat whether it’s Russia using its energy weapon for political purposes or, even more recently, as Michael McConnell said in a Senate hearing earlier this month when he was describing this new threat which is emerging to join other threats like terrorism and proliferation of weapons of mass destruction, McConnell said, “Financial responsibilities – financial power of Russia, China, and OPEC countries and the political use of their market access to exert financial leverage to political ends.” Wow, what a concept, using financial and economic power for political purposes! Who would have ever thought of doing that? (Laughter.) Okay.

I, in my last few minutes, I’m going to talk about actually how I see this as more of an opportunity necessarily than a threat. First point – I would very much agree of course with Anders had said is that the easy growth has been had. The harder tasks are to come. There’s absolutely no question about that in my mind. And if I look to the – you know, we’ve had – the three of us and others participated in our 2017 project last year

and I think we all agreed that the most important driver of Russia's future is the oil price. And in this high oil-price environment, you know, it's not surprising that you find a more assertive and aggressive Russian foreign policy. You find a more centralized, less plural political system. That's what petro states do in high oil-price environments. Russia is not at all unique in that regard. And there's also much less incentive for structural economic reform and that's been extremely well-demonstrated and pointed out by Anders in the last four or five years under Mr. Putin.

So where's the opportunity? Well, I think the Russians have learned that it is the vagaries of the modern global economy that can pose as great of a threat to a nation's existence as do military threats. Let's recall that the Soviet Union survived World War II, but it could not survive a collapse of world oil prices in the 1980s. During Mr. Putin's tenure, the Russians have tried to insulate themselves better, making the economy and society as robust as possible to external shocks as they see it. You can argue about the effectiveness of that, but I think that's the way they see it.

But I think they've also come to realize that a purely defensive approach, an inward approach, is not enough. I mean, Russia is inextricably linked to the international economy. And if growth is to continue, that trend cannot be reversed and, in fact, it's accelerating as Russian companies and capitals seek trade investment opportunities abroad. So, consequently, the Russians will have to play a more active role in promoting global stability. And I think it's this realization that fuels many of Mr. Putin's critical comments about the U.S. role in world affairs.

Now, this is much more due, of course, to what's taken place in security issues. And there's part of the Cold War hangover and there's part of what U.S. policies that have had an impact on this, of course, in the last 15 years. But I think that Mr. Putin believes that the United States is simply not capable of keeping the global system stable by itself. And if a crisis does happen, then, in a unipolar format, as Putin perceives the system, inevitably the result is going to be an attempt by the dominant nation to secure its own interest first, even at the expense of others.

Now, this notion of Putin's plan or what it may or may not endure, it's going to be dependent upon the political role of Mr. Putin in the future himself. But, you know, whatever Russian politician assumes the role of national leader, I think it is the goals of long-term stability and predictability that will endure because I do think that the Russian people want their children to live better and their country to endure as a strong power. And I think that the people in the Kremlin understand that their legitimacy and their credibility derives from the fact that they have been in power while economic growth has happened.

Now, what is the cause and what is the effect, again, is debatable, but I think that is the principal reason to explain Mr. Putin's high popularity figures. So I think they're going to want to ensure that that economic growth continues.

External events twice have conspired in the last 100 years to thwart Russia's goals: nearly 100 years ago with World War I and a little more than 20 years ago with the collapse in oil prices. And I think that Mr. Putin and his colleagues will continue to seek to minimize the risk of major internal/external shocks disrupting Russia's stable growth path. And that means they'll have to – since the easier gains were done, the focus for the next generation, I think it is as Putin and Medvedev say on promoting economic growth, promoting human capital, rebuilding infrastructure of the country. There are so many tasks that Russia needs to undergo that it makes it very hard for me to imagine that – would make the decision really to ignite something that looks more like a new Cold War.

I think they're – and I'll close on this final note because I really want to leave a full half-hour for discussion here. I'm very much – as it was probably indicated for anybody who was here last week – (chuckles) – I'm not fond of this analogy of the new Cold War for what's going on today. And there are three fundamental reasons for it. You know, one, simply the structure of the international system is different today. It's a multipolar economic world. It's not a bipolar system. You might be able to argue that in the military security issues that it's a unipolar world. But the fact is that military power is – we've found, especially in the last five years – is not exactly very fungible.

Secondly, you know, for the Russians, they've been there; they've done that. They went through this exercise and that was a major contributor to the collapse of the Soviet Union. So to imagine that the Russians would make the decision to try to really rebuild their conventional military capacity, so to be able to project power as they were able to during the Soviet period, to me seems virtually impossible, impossible.

And as far as an important metric to watch there, I think I would watch very closely as to where the military, where military spending is going and how much military spending is. And, frankly, to this point, while military spending is growing, you know, it's not growing as an outsized percentage of Russia's GDP growth whereas the costs of producing the weapons has increased tremendously. So I don't really see any serious political figure in the Russian political elite that frankly wants to rerun that exercise.

Thirdly – and another reason why I don't think they would want to – is that, you know, I think as Andre Pertkovsky (ph) pointed out last week and I very much agree with this, I mean, 2007 has been kind of bizarre. I mean, a lot of the rhetoric and some of the policy actions in both our capitals actually resonate of a new Cold War. But what makes it so surreal and bizarre is that, you know, the fact is that the Russians threat threats to their security posture in the near, mid, and longer term, they don't come from the West. They just don't. That's obvious.

And really, for Europe and especially for the United States, and I would – I would more tend to agree or be more sympathetic with the greater sensitivities of people living in the smaller countries on the periphery of the Russian Federation, also, Russia doesn't really present a threat to them either. So, you know, I think it's maybe important for us not to focus so much on personalities and Putin versus Medvedev. But I think, as Anders was getting to, kind of look at the larger structural constraints and incentives that the

international system presents and that leads me to a somewhat more optimistic conclusion about Russia's future although I guess we can never underestimate the capacity of Russia to make the wrong decision. (Laughter.) Thank you.

(Audio break.)

Q: First, I'd like to thank all three of you for very interesting presentations. Then I'd also like to just ask, if I could, to push any one of you or all three of you in the direction of the more unlikely scenario because I think if Russia history has taught us anything, it's to be prepared for that. And I'm thinking about one particular type of problem that I think that we've seen in Russian and Soviet history. And I think it's a little bit strange, which is to underestimate the power of the guy at the top.

We underestimated Gorbachev. I think also in the early 2000s, we underestimated Putin, his ability to draw on constituencies and gain power for himself. This also could potentially be an optimistic scenario if he is in fact more liberal. But I guess what I would ask for you to do is if you could sort of draw a roadmap based on certain constituencies or factors that could happen about how Medvedev might in fact in two years, three years, four years, actually become the next Putin or become the most powerful political figure in Russia. Thanks.

Q: How would you assess the balance of power now between Russia and the United States? What is our leverage regarding Russia and what is now Russia's leverage with regard to us?

Q: Hank Gaffney. I'm just a little troubled by Sarah's approach and what I would like to hear answered is why would more democracy, more human rights, more NGOs, et cetera, change the scenarios that you have been laying out? There is a big difference between governance and democracy to restrain government. How does it operate in the scenarios you have been laying out?

MS. MENDELSON: What I find specifically upsetting about the February 15th speech is because of the focus on corruption, which they acknowledge as a problem, in the modern era you cannot fight corruption without independent media, investigative journalism, independent courts. So they're identifying a problem, but they have reduced the number of tools that they have in the toolbox to deal with the problem. So that is the fundamental dilemma. It's as if – I have always thought of Putin as a character in a novel, and his tragic flaw is his need to control. And ultimately it brings him down. He wants Russia to be a great power, but his need to control everything makes it such that you can't fight the disease that is threatening you.

Very quickly on balance of power and the unlikely scenario, so that we can hear from my colleagues, I think Russia is punching way above its weight, as I suggested, in both bilateral and international organizations in the Euro-Atlantic community especially. And it's doing that partly because the U.S. and European powers have not succeeded in cooperating or having a unified view on a number of issues. When they do, the Russian

ability to divide and conquer is much less. So for example, on issues having to do with Ukraine in 2004, the U.S., EU was quite strong on that. And I think that there really is a damage to U.S. influence and, you know, I think there are a lot of Democrats and Republicans in this town who have discussed this. CSIS has had an entire Smart Power commission series on this. And I think that it's possible to repair that damage.

But on issues having to do with international law in particular, indefinite detention, disappearance, it has enabled Russia to be able to do all sorts of things, and it has disrupted our ability to talk to the Russians about those things. Unlikely scenarios: number one, Sunday or Monday or whenever, I don't quite know exactly when Medvedev then invites Putin to become the prime minister, that he doesn't and then, like, two days later, he's dead, but, you know. That's not a prediction – (laughter) – I know, I know, I know, I didn't say that. (Chuckles.)

MR. KUCHINS: Strike that from the record.

MS. MENDELSON: Strike that, strike that from the record.

MR. KUCHINS: Trust me, you don't want to go there.

MS. MENDELSON: No, no, no. No, but I think the big, you know, what if – what if Medvedev doesn't, you know, say please be my prime minister? What if Putin is able to through some series of – (unintelligible) – that Medvedev does, Putin becomes this massive, even more powerful figure and somehow dismisses Medvedev. Or what if the, what I assume is going to be the Western response which is going to be to congratulate Mr. Medvedev on his election, I hope they don't use those words, but basically respond to Medvedev as if he were in fact the president and the president meant something, and that Medvedev over time grows into that role? And then there is some kind of tussle between Medvedev and Putin. But I don't know what other scenarios you guys have. Collapse of oil price?

MR. ASLUND: Yeah, thank you, excellent question. I'll give you my two scenarios. First Medvedev is really a tacit liberal.

MS. MENDELSON: Is really a what?

MR. ASLUND: A tacit liberal. I arrived in Moscow in late November 1984 for a three-year posting at the Swedish embassy. And two weeks after my arrival, Gorbachev made this outstanding speech on the 10th of December where you had revolution, perestroika, democratization, glasnost, everything. And I was totally excited. And virtually everybody said that this is nothing. You shouldn't pay attention to speeches. Speeches don't mean anything. This is the first thing you had to learn and I never accepted that point. And I'm happy that I never did. Medvedev's speech is not that strong, but the Krasnoyarsk speech has a flair of Gorbachev's speech. And I don't think it's important really what is in his soul. I think it's important what, as Andy said, what forces he faces and who would line up behind him.

He is not a Silovik. The Siloviki are naturally his enemies. The Siloviki have all reasons to feel betrayed. So the dynamic then would be that two important groups that are still powerful but have lost out will join Medvedev, the Yeltsin oligarchs, notably Roman Abramovich, but also a lot of others. And on the other side, Kudrin and Chubais have been very vocally critical of Russia's foreign policy recently because it has big economic costs. And they will simply take it and run it. So the natural thing would be that Putin does not become prime minister, but that somebody like Kudrin becomes prime minister instead. And Putin realizes that he has really been outwitted himself, played too many different games, not informed anybody about anything. So that there is not much he can do, and he had better withdraw and say I had planned this all the time that shows what a great democrat I am or why I never revealed it.

And the Siloviki are killing one another off through a – (unintelligible) – and a war, which would be very much like the bankers war of '97. Clearly we are seeing something like this. The Sechin faction has no doubt very seriously weakened. I couldn't understand how it could be overcome and their program was a third term for Putin. For reasons we don't know, Putin clearly decided against them, while obviously he was toying with that option.

My second alternative is that the Siloviki realize that this is the last fight so that they all come together and we have Cherkosov and Sechin shaking hands and sitting down and undertake a new – (unintelligible) – so that we get a coup in – as we saw in '91 or '93. Indeed many of the people were involved within this coups, in '91, '93, and many were on the Korzhakov-Soskovets-Barsukov side in '96. Russia has a rich recent tradition of failed coups. So we could only hope that this one would fail also. And when would it take place? The obvious date, it would draw the parallel with the Union Treaty signature on the 20th of August '91. The coup had been two days before. So the 29th of February, tomorrow, would be the natural day. (Laughter.) I'm not predicting. I'm just drawing out the parallel if you want to have a scenario. So these are my two scenarios. And I think that the coup is pretty unlikely as it is – none of it's logical – but the first alternative I don't see as unlikely at all.

Stanley Kober's point, I think that U.S.-Russia balance of power, I would argue that is a free ride to attack the U.S. because President Bush has established a long tradition of only give compliments to President Putin, however sharply he is being attacked. I mean, take his vote from July; Bush, after the Kennebunkport meeting, is first to invite a person who attacks the U.S. for being Nazi in effectively two speeches. I quote, "but one thing I have found about Vladimir Putin is that he is consistent, transparent, honest." Neither of these is true. And finally, "I know he is always telling me the truth." I mean, why not attack the U.S.? There is no cost involved.

And with regard to trade, Russia has 5 percent of its foreign trade with the U.S., and it's not very sensitive trade, while it has 57 percent of its foreign trade with the European Union. So with the European Union, Russia is talking seriously. And take another example, the confiscation of Yukos meant that American investors lost probably

as much as \$12 billion. The U.S. has not publicly criticized this. The U.S. has new Bilateral Investment Treaty that is valid. Virtually all European countries have three treaties that they can sue the Russian government accordingly. The U.S. government has simply not bothered to push for ratification of the Bilateral Investment Treaty of '92, which the Senate ratified in '93.

And Colin Powell in October 2004 as secretary of State even made a statement condoning Putin's confiscation of Yukos but not mentioning it specifically. So it's a free utility. Why not beat up on the U.S.? It doesn't cost anything. Thank you.

MS. MENDELSON: Can I just riff on his – okay, here's a – I want to go back to the coup scenario.

MR. KUCHINS: Emphasis, this is a hypothetical scenario.

MS. MENDELSON: This is in the spirit of we're thinking through possibilities. This is all on the record? (Laughter.) All right, so this is what happens.

MR. KUCHINS: Yes, it is.

MS. MENDELSON: In the next 48 hours that there is some event that happens, but Putin actually knows that it is in the works, lets it go on, stops it, and then says, we need to put in emergency rule and, you know, this whole March 2nd thing is not happening.

(Audio break.)

Small, small – (laughter) – I mean, I don't actually – that is not –

MR. KUCHINS: I was just kidding.

MS. MENDELSON: Yeah.

MR. KUCHINS: Quickly –

MS. MENDELSON: – 0.1. (Chuckles.)

MR. KUCHINS: I would give it a 0.001. Great question, Alex, and it gives me an opportunity to give another free advertisement for our 2017 report since it is, you know, beyond the oil price I think, one of the most important, sort of, distinctive factors of the Russian political system, as you very rightly noted, is this high degree of centralization and personalization of power, which tends to persist. And certainly what is happening today is not exceptional in that regard, which does make the system potentially more unstable. I have always been skeptical about this Putin as prime minister scenario.

MS. MENDELSON: I've got money riding on it.

MR. KUCHINS: Well, with our bet is that it becomes national leader. That is a different bet. Again, what I said before is that if he wanted to remain national leader, the easiest way to do that, most risk-averse way to do that, was simply to remain national leader, remain president. That would have been easy to do. I'm not sure he knows what he wants to do, as I said before. I agree with you that we should be aware about underestimating Mr. Medvedev. We did all underestimate the independence ultimately of Mr. Putin as a political leader. We also underestimated his political skills. And, you know, but at the end of the day, I think we just have to say as the Russians say – (in Russian) – “time will tell” on that question.

Stanley, on the leverage question, you know, it is quite striking that, you know, the first answer is what is Russia's leverage? Well, it's money and energy. But, you know, to how much does that really affect the United States and the U.S.-Russian relationship? And I would agree with Anders in not that much. You know, the Russians are fond of making the argument that, you know, the combined GDP of Russia, China, and India is greater than that of the EU or the United States. But the fact is that Russia only has about 3 percent of global GDP. So it's the smallest of the contributors.

Now, the fact that it potentially is the third largest holder of U.S. debt is a very remarkable phenomenon, again, one that nobody would have predicted. But I don't think that the Russians really see it in their interest to crash the U.S. dollar.

MS. MENDELSON: We're doing that all by ourselves.

MR. KUCHINS: Yeah, we're doing a hell of a good job on that on ourselves. Hank, I just make one point about the anti-Americanism. And my view on that is that, I mean, anti-Americanism in Russia, like anywhere, I think it's much more dependent upon the behavior of the United States than it is on what the existing regime does to promote anti-Americanism. And the fact is that anti-Americanism is growing all over the world; Russia is not unique in that regard. Now, there are unique features of Russia's anti-Americanism that I think we know about. But, you know, I would beware about jumping to the conclusion that if a more democratic Russia will necessarily be a more pro-American Russia. I think that will depend a lot on what U.S. policies are that are of interest to the Russians.

Okay, next three questions. And we'll try to be more concise.

Q: (Coughs.) I beg your pardon. My name is John Finnerty. Thank you for an interesting presentation. I think the question is for Sarah though. What Andy said, I think is very important here. Sarah, you have laid out a good bill of particulars on very unfortunate things that have happened in Russia under Mr. Putin. I think you have just scratched the surface. But I think we'd probably have to admit that maybe in this town since the fall of the Soviet Union, there has been a little bit of hypocrisy of triumphalism that – yeah, and Washington of all places – and I wondered if –

MR. : (Off mike.)

Q: Yeah, well. And I just wondered if you, Sarah, were, say, writing a policy paper or a speech for the new president, whoever it is, to what extent or would it make any sense to, sort of, say to the Russia people, in a manner, of course, appropriate to the world's greatest superpower that maybe we made a few mistakes. Maybe, you know, it would have been nice if Congress could have gotten rid of Jackson-Vanik. Or do you think that it is past that? The elites would just pocket it and use it for their own purposes or that the Russian people might say, well, maybe they have got a point there. Thank you.

Q: Thank you. I'm Scott Miller with Proctor and Gamble. I want to thank the panel for a fascinating presentation. I have a question about Russia's likely relationship to existing international institutions and what your forecast is. Clearly they were made a member of the U.N. Security Council, but there is apparently a WTO accession process. I think we're in year 12 of the 30-process for that. There is a roadmap outlined for Russia's membership of the OECD. And really, it's a question of the degree to which you think this is serious and of interest from a Russian perspective to Russia.

Q: Michael (Soley?). Thank you for a very interesting set of presentations. Maybe you'd like to talk a bit about China in a couple of respects. One is that you mentioned Russia's role vis-à-vis international institutions and global stability. China seems to have moved ahead in that regard. Is Russia going to go down the same track in terms of military power? From the point of view of Russia, it's not just the United States that has to think about China, and there are many other ways in which China will impact on Russian policy.

MR. KUCHINS: Sarah, right?

MS. MENDELSON: Yes. John, yes, of course, hypocrisy. I mean, I have written a lot about it. In some ways the Human Rights and Security Initiative came out of what was an elephant in the corner, that it didn't make sense only to work on human rights issues relating to Russia, that in the Euro-Atlantic community there were other issues. And in the Smart Power series, I lay out what happened in the 1990s, and it calls on for the next administration, the next president, within the first 100 days, essentially, to make a speech that talks about the importance of listening to and engaging Russians. I mean, I think the point is though that both the Clinton administration and the Bush administration have personalized politics with the president and that we need to be thinking about Russians beyond the Kremlin. And there is a very good way to do that, and that is survey data, that there is a way to know how people think about things, and use that data, and to change the way we engage.

I would also do something bold prior to the election. I would welcome OSCE, international monitoring to this election. We should be very proud of what is going on here. I would be – I think we are essentially going to be monitored by the international press. But fine, you know, this idea that Russia is offended because the OSCE wants to

come in. We should welcome the OSCE. And I think it would be good for the OSCE and ODIR (ph).

Just to say on the institutions before passing it over and China – I think we need a systematic review of what the Russian government has done inside the OSCE, the Council of Europe, and the special EU-Russia relationship. I think the time has come to analyze that because, I think, for new institutions that Russia does want to join – they basically, my sense is they want to join everything. But there is a way in which when they join, they affect the norms and rules of the organizations in ways that are not necessarily good. And it turns out that a lot of these organizations are essentially set up with the assumption and the structure that everybody is compliant with the norms and rules. And they are not set up for – a government is not compliant. And that is happening with the European Court of Human Rights.

On the China – I think this Russia-China connection on how they view sovereignty is extremely important. And it is bizarre because it comes at the very moment when the EU is experiencing the most elastic conception of sovereignty that we have seen in modern history. And the issue is whether or not this modern conception of sovereignty can bear the weight of what Russia and China are trying to in some ways do. And the other thing that is totally bizarre is that on their border, Russia is to Estonia and Georgia very much pushing up against sovereignty. I mean, they are, sort of, trying – the rules are different for Russia in some ways than I think that they apply to countries on their border.

MR. ASLUND: Yeah, on international organizations – you know, Scott, Putin promised when he came in to get Russia into the WTO in 2003. Now he ends his second term and he has failed. He has done very little to promote discourse during his second term while he did a lot during the first. I think this is one of his main failures. And Alexei Kudrin now is pushing with all hands to try to get this done clearly to – (unintelligible) – and Russia will have a big (blue bank ?) when Ukraine, probably by April or so becomes a full-fledged member and raises its many trade disputes with Russia in a working group for WTO. But all the good forces in Russia are strongly committed. Essentially the opposition is – (unintelligible) – lobby as always everywhere, and the secret police, and you can say that the agriculture is doing so well commercially and also they don't need to be very protectionist.

And the secret police, at least for the time being, seem to be somewhat weak. And, of course, OECD is very good because it implies a lot of support for rule of law. And now when Poland has abandoned its hostility to the idea, I think that everybody is in favor of it. And the OECD is so tactical so that it doesn't become too political. It's left to the – (unintelligible) – forces in Russia, so I think that both are quite hopeful.

And a little bit on the bilateral role here of the U.S.: U.S. has frightful shortfall of economic agreements with Russia. And I will say one, as I already mentioned, no Bilateral Investment Treaty, which means that American companies invest in Russia through subsidiaries in other countries. They don't want to go through the U.S. because

then they have no legal support. And John talked of Jackson-Vanik. I think it's totally useless. It's a sort of too heavy an arm ever to use. And it looks so obsolete that it's not useful. I would prefer just to let it go. My view is very much – we engage, we integrate, and then there is another matter when it comes to the political organizations – what Sarah has just said.

Russia has behaved as a good citizen in the international economic organizations, not so in the democracy organizations. So I think we should draw a sharp line between them and fully support Russia's increased engagement in the economic organizations. Thank you.

MR. KUCHINS: Ladies and gentlemen, it is the witching hour. And we, like Mussolini, like to keep the trains running on time here at CSIS. (Laughter.) So let me take this opportunity, first of all, to thank Anders and Sarah for their terrific presentations and comments and all of you for coming here and sharing your thoughts. Excuse me? Excuse me?

MS. : (Off mike.)

MR. KUCHINS: And we also want to thank our colleagues Amy, Jessie (sp), Anya, your interns, Claire for their help in setting up this event. So we'll see what happens on March 2nd, and we'll continue this conversation later. Thanks very much.

(Applause.)

(END)