



**THE UNITED STATES, RUSSIA, AND GERMANY:
NEW ALIGNMENT IN A POST-IRAQ WORLD?**

Karin L. Johnston

The American Institute for Contemporary German Studies
The Johns Hopkins University



AICGS POLICY REPORT #9



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FOREWORD

For the past decade, the United States and Germany have sought to devise more effective strategies to integrate Russia into Euro-Atlantic security structures. As the Cold War receded, both sides confronted a more complex reality, in which “old security” challenges (nuclear weapons, conventional warfare, and nuclear proliferation) co-existed with emerging “new” security issues such as organized crime, the trafficking of drugs and humans, illegal immigration, a disintegrating public health system, and terrorism. These new issues confound conventional security assumptions, approaches and institutions, exposing the need for creative solutions at both the bilateral and multilateral levels.

With the support of the German Marshall Fund of the United States, AICGS’ multiyear project on U.S.-Russian-German relations sought to tackle the emerging conflation of “old” and “new” security issues in the development of relations with Russia. The goal of the project was to get a clear sense of the evolution of relations between Russia, the United States, and Germany since 1991, and where relations might be headed in the future.

Through the course of the project, we observed dramatic shifts in the relationship between the United States, Germany, and Russia—mainly in reaction to external events: September 11, the war in Afghanistan, and the Iraq conflict. The 1990s saw Boris Yeltsin pursue a “divide and conquer” policy—pursuing integration with the West while portraying the United States as a potential enemy. During this time, U.S.-Russia relations were strained while Russian relations with the EU had improved. September 11 and its aftermath shifted these relationships—Russia became one of the United States’ partners in the war on terrorism while the Europeans worried that the revived U.S.-Russian relationship would relegate the EU to the periphery. The Iraq conflict caused a further shift in the relationship—Vladimir Putin’s opposition against the war in Iraq angered the Bush administration, while cooperation with the EU remained on track.

In this *Policy Report*, Karin Johnston examines the evolution of relations between the United States, Germany, and Russia through these

successive stages and explores alternative futures for relations among the three countries in a post-9/11 world. As Johnston makes clear, in the early years following the end of the Cold War, the central question facing German and American policymakers was how to develop and build a new, coordinated security agenda in East-West relations with, rather than against, Russia. This task—and the new agenda confronting the United States, Russia, and Germany—has only gained in importance in light of recent events. Johnston concludes the report with concrete policy recommendations for policymakers on both sides of the Atlantic in order to strengthen and sustain cooperation on the new security agenda.

AICGS would like to thank the German Marshall Fund of the United States for its generous support of the project and this publication. We are also grateful to Study Group pilot Angela Stent for her steady and insightful guidance throughout the project, and to the members of the Study Group—Hannes Adomeit, Toby Gati, Robert Legvold, Mark Medish, Eugene Rumer, Heinz Timmermann, Heinrich Vogel, and Celeste Wallander—for their valuable contributions to the project. Special thanks goes to Karin Johnston for pulling together this comprehensive study of an issue that promises to remain at the top of the AICGS research agenda for a long time to come.

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THE UNITED STATES, RUSSIA AND GERMANY: NEW ALIGNMENT IN A POST-IRAQ WORLD?

Introduction

Since the end of the cold war, the relationships between the United States and Russia, and between Germany and Russia, have undergone a series of shifts and realignments. When the AICGS study group began its deliberations in early September 2001, its point of departure was how the United States and Germany could devise more effective strategies of integrating a still ambivalent Russia into Euro-Atlantic structures and institutions. At the time, U.S.-Russian relations were stagnant, while Russian-German relations were on a more positive trajectory. After his election as president in March 2000, Putin had focused on improving relations with Europe. It was already clear to many observers, however, that in the post-cold war world the Russian-American and Russian-German relationships were defined increasingly by a confluence of “old” security issues—nuclear weapons, conventional wars, nuclear proliferation—and “new” security concerns—organized crime, drug trafficking, public health, and illegal immigration—in ways that highlighted the growing need to find creative solutions on both bilateral and multilateral levels. By virtue of geographic proximity, the German-Russian relationship dealt necessarily more with the “soft” security issues than the U.S.-Russian relationship, which traditionally had focused on “hard” security issues. These differences implied that both the United States and Germany could bring complementary strengths and experience to a policy debate that, many felt, was a needed adjustment to the broader East-West security dialogue.

The terrorist attacks on September 11 shifted the dynamics of the relationships, providing a basis for a much stronger U.S.-Russian rapport. The attacks accelerated a strategic shift already begun by Putin that was based on a sober appraisal of Russia’s weaknesses, on a realistic assessment of changes in the international system, and on the pragmatic acknowledgement that a coalition with the West is the most effective means to strengthen and modernize Russia. With Russian and U.S. interests converging on the issue of fighting terrorism, the Putin government declared that Russia stood side by side with the United States

in the war against terrorism and helped the United States gain access to bases in Central Asia. The post-September 11 U.S.-Russian alliance in the war on terrorism reinforced a traditional security paradigm that accepts more readily the use of force in responding to serious threats. Europeans, too, were aligned with the United States against the rise of global terrorism, but this common goal of reducing the threat of terrorism did not mask the differences on the question of how best to prosecute that war. The Americans and Russians were comfortable with using force to combat terrorists, while the Germans and other Europeans were more skeptical of the utility of using military force to fight a much more elusive, diffuse, and stateless enemy.

In the months after September 11, the U.S.-Russian partnership was buttressed by the signing of a new arms reduction treaty in Moscow on May 24, 2002 and the establishment of a new NATO-Russia Council at the Rome summit on May 28, 2002. Despite disagreements over Russia's relations with North Korea, Iraq, and Iran—countries in the Bush administration's "axis of evil"—Russian-American relations continued on a positive track. Russian-German relations, while still close, were complicated by issues arising from the broader EU-Russian relationship, such as the negotiations over the status of Kaliningrad and whether its Russian citizens, soon to be completely surrounded by EU states, would require visas to travel to other parts of Russia. Given the density and complexity of issues on the European-Russian agenda, it is not surprising that relations between Germany and Russia exhibited more visible strains.

Amidst the growing divisions over Iraq, U.S.-German-Russian relations shifted again. Already during his reelection campaign in summer 2002, Gerhard Schröder had taken a firm position against the use of military force in Iraq under any circumstances, even with a UN resolution supporting such an action. France also declared its opposition to the war, eventually taking the lead (and much of the flak) in opposing the Bush administration. At first Putin tried to keep his options open by not excluding the use of force while arguing that weapons inspectors should be given more time. By early March, however, Russia joined Germany and France in announcing their intention to block the passage of a UN resolution authorizing the use of force against Iraq. Russian-American relations were adversely affected by Russia's opposition to the war and

by growing anti-Americanism in Russia. Putin's refusal to align Russian interests with those of the United States paralleled Germany's own position, which appeared to give Russian-German relations renewed impetus. There was now talk of a Berlin-Moscow-Paris "axis." The question, however, was whether this trilateral arrangement was simply tactical or more permanent.

In May 2003 a final conference of the AICGS study group was convened. The serious divisions that had grown out of the war in Iraq only emphasized the need to reevaluate fundamental questions about the relationships between the United States, Russia, and Germany. Several important questions were raised during the conference proceedings that are the focus of this paper: what is the current state of the U.S.-Russian and German-Russian political relationship? How have the economic relations between the United States, Russia, and Germany evolved, and have they, too been affected by the divisions over Iraq? And will domestic politics, particularly in Russia, affect these relationships? Finally, what can be done to reinvigorate the task of constructing a security agenda that addresses the concerns of the United States, Russia and Germany?

The Political Dimension

The war with Iraq led to serious divisions in American relations with Russia and Germany and underscored the belief that there is a growing divergence on fundamental principles that have guided the postwar strategic consensus: issues of sovereignty; international norms and institutions; failed states; the application of force and the issue of defense versus intervention; and the issue of preemption with regard to proliferating states and non-state actors. In particular, the war emphasized diverging perceptions on the definition and approach to terrorism and its relationship to weapons of mass destruction. For the Bush administration, there is an undisputable link between terrorism and weapons of mass destruction. Russia does not share this assessment, nor do the Germans and most other European states. This proved to be a serious point of contention during the Iraq crisis. Another dispute focused on the role of the UN, particularly on the question of post-war reconstruction. The Bush administration is unconvinced of the efficacy of the UN, while Russia and Germany see the UN as a critical player in the management

of global conflict. This divergence of views will persist, and there is no indication that these disagreements will be resolved any time soon, since what is at the heart of the discussion is the confluence of a shifting array of power in the international system, an expanding palate of old challenges and new threats, and whether existing institutional structures can successfully manage the various manifestations of instability and conflict in the world.

The remark attributed to National Security Advisor Condoleeza Rice—that the United States should punish the French, ignore the Germans, and forgive the Russians—has been widely reported, and while some may dismiss it simply as an offhand remark, it does appear to reflect the impulses of some administration members. Bush officials have made efforts to put the divisive issue of Iraq behind them in their dealings with Russia, while remaining distant to German overtures of reconciliation.

U.S.-Russian Relations

Russia's unexpected opposition to the United States on the Iraq war angered American policymakers and disrupted the close working relationship that had developed after the terrorist attacks of September 11. Many observers believed Putin would support the U.S. position, partly because of Russia's more traditional view of the use of military force, but mostly because of Russia's stake in the Iraqi oil fields and Iraq's \$8 billion debt to Russia. There remains a good deal of speculation as to why Putin sided with Germany and France against the United States on the second United Nations Security Council resolution in March 2003. It is likely that in addition to the oil and debt issues, several other factors influenced his decision: intense Russian public opposition; appeasing crucial constituencies such as the conservative political/military establishment; concern for domestic repercussions—in Chechnya, and through the radicalization of other Islamic regimes; the need to strengthen the role of the UN, particularly in matters concerning the use of military force; and the desire to counter American power.

Recent events and press commentary from Russia and the United States indicate that both countries have made an effort to patch up their differences. On May 14, 2003 both Russian Foreign Minister Igor Ivanov and U.S. Secretary of State Colin Powell stated their commitment to

strengthening U.S.-Russian cooperation during Powell's visit to Moscow and stressed that the two countries had settled their disagreements over Iraq. During his visit, the Russian Duma voted to ratify a treaty to reduce nuclear weapons stockpiles. The Strategic Offensive Reductions Treaty (SORT) had been signed by Putin and Bush on May 24, 2002 and ratified by the U.S. Senate, but Russian lawmakers had held up ratification in protest over U.S. actions in Iraq. Despite its active opposition to the war, Russia voted to lift UN sanctions against Iraq, but only after it extracted assurances from the United States that the UN will play a more prominent role in the reconstruction of Iraq. Thus, on the eve of the G-8 summit, it appeared that both sides acknowledged that the relationship was too important to remain caught in a cycle of mutual distrust and resentment.

The reconciliation is based on pragmatism and a recognition that the present security environment requires mutual cooperation. In making efforts to put the divisions over Iraq behind them, the Bush administration recognizes the need for Russian cooperation in critical security areas: Iran, North Korea, China, Central Asia, counter-terrorism, nonproliferation and preventing the sale of fissile material. U.S.-Russian cooperation on counter-terrorism produced a tacit bargain. Russia facilitated the entry of American troops in Central Asia and Georgia and forwarded important intelligence information. In return, the U.S. government did not object to Putin's move to legitimize Russian actions in Chechnya as part of the war on terrorism, and it remained silent on Russian actions in Chechnya and did not criticize Russia's democracy deficit and Putin's continued efforts to limit freedom of the press.¹

The alliance is based on a shared understanding of the centrality of the need for security in the face of threats such as terrorism. But this focus on hard security in itself can be a weakness; constructing U.S.-Russian relations to emphasize only strategic questions will serve neither U.S. nor Russian interests in the long run. What is clear in the aftermath of the Iraq war is that the declared Russian-American strategic partnership never really got off the ground, and an effective strategic dialogue to work out the substantial differences over Iraq never took place. That the Americans assumed the Russian government would "come around" to support the U.S. resolution in the UN Security Council revealed a lack of understanding of what was driving Russian behavior. The question now

is how damaging this disagreement has been for U.S.-Russian relations in the longer term.

There is some indication that the Iraq crisis has infused a heavy dose of distrust among American policymakers, particularly in Congress. Some commentators have remarked that while the Bush administration appears prepared patch up its relationship with Putin, Congress has hardened its views against Russia, seeing its opposition as a betrayal of America's trust. Consequently, there appears to be little willingness on Capitol Hill to do anything that might give the appearance of rewarding Putin, such as repealing the 1974 Jackson-Vanik amendment, which placed certain commercial restrictions on trade with the Soviet Union for its refusal to allow free immigration of its citizens. This implies that because the U.S.-Russian relationship has only a strategic "leg" on which it rests, there is a greater likelihood that relations can be more easily derailed if disagreements erupt. However, as long as security concerns and the war on terrorism defines the Bush administration's external political relations, then efforts will be made to maintain a good working rapport between U.S. and Russian officials.

From the Russian perspective, preserving good relations with the United States is a key component of its foreign policy. It helps maintain the image of Russia's former great power status, opens the door for American investment and trade, and avoids isolating Russia from processes and decisions in which it has a real stake. The goals of economic growth and a higher standard of living cannot be pursued in isolation, and to be successful, Russia needs both the United States and Europe. Putin appears to have accepted the asymmetrical relationship with the United States and sought ways of pursuing Russia's interests while trying to exert what influence it has on U.S. policy behavior.² One such tactic is to use international institutions such as the UN, and the threat of its Security Council veto, to attempt in some way to influence the U.S. position on an issue. Its seat in the UN Security Council ensures that Russia has a determining vote on all international security issues and the use of force, and it is the reason why the Russian government responded as it did to U.S. intentions in Iraq.

In the long term, then, there is no real alternative to maintaining good relations with the United States. A stable relationship with the United

States supports Putin's other foreign policy goals of developing the integrity of the Russian state, preserving the role of Russia as a great power, and ensuring Russian membership in key international institutions. But Putin is under no illusions about Russia's ability to counter U.S. power. Putin's shift in foreign policy priorities towards partnership with the West is accompanied by a realistic assessment—and acceptance—of a junior partnership with the United States.

Russian-German Relations

Germany is Russia's major interlocutor in Europe and its most vocal proponent in the EU. Russia's close ties with Germany build on the earlier relationship between Boris Yeltsin and Helmut Kohl in the 1990s, when Germany became Russia's primary donor and lender. Relations between Vladimir Putin and Gerhard Schröder are very close, and German-Russian relations are the best they have been in some time.

This is not to say that the German-Russian relationship is unproblematic. While bilateral relations are good, there is greater scope for disagreement because Russia's relationship with Germany is not isolated from Russia's relations with the EU. These relations are multidimensional, spanning such diverse issues as trade, environmental protection, energy cooperation, and migration. Thus Germany's relations with Russia are constrained by this context. For one, relations with Russia increasingly will be carried out under the EU umbrella, in a multilateral rather than a straight bilateral framework. This will also be true, increasingly, in foreign and security matters, both within the NATO and the EU. Additionally, the disagreements over Iraq have not changed the fact that the United States remains Germany's most important partner. For the German government, there can be no long-term reliance on a German-French-Russian axis.

Interestingly, there had been an earlier attempt to establish such a triangular relationship. Laid out in a speech Yeltsin gave to the Council of Europe in Strasbourg in October 1997, an agreement was made to establish regular German-Russian-French summits. In 1998 the first—and last—of these summits took place, with few tangible results. Five years later, any prospects for renewal of this triangular relationship appears just as dim.

Finally, while there are opportunities for mutual cooperation on a wide range of issues, Russia's relations with Germany and with the EU will be constrained by its actions in Chechnya, which remains a major stumbling block. The German government, while cautious, has been critical of Putin's ruthless policy, and German public opinion is equally critical (the media has given a significant percentage of coverage of the issue). This criticism has not been welcomed by the Russian government, which resents the moralizing tones and interference in what it considers a terrorist challenge to Russia's territorial integrity. With no real resolution in sight, Chechnya will remain an ongoing irritant in Russian-German relations.

The Economic Dimension

Iraq

There was no immediate impact of the war in Iraq on the Russian economy. Russian oil companies, who already had factored in anticipated changes in the oil market, actually benefited from the higher oil prices triggered by the war. However, there are two issues with significant economic implications for Russia that are tightly linked to future outcomes in Iraq. Given that Saddam Hussein's government had signed lucrative oil contracts with Russia—some estimates are as high as \$40 billion—the government is anxious that these oil contracts be honored.³ On this, much will depend on decisions the United States makes in Iraq, and it may be a real test case for U.S.-Russian relations. Additionally, the Putin government wants to retrieve at least some of the \$8 billion in debt owed to Russia. The Bush administration has called for creditors like Russia to relieve the new Iraqi regime of much of its debt obligations, but Moscow understandably is reluctant to do so.

U.S.-Russian Economic Relations

Current bilateral relations gradually are becoming more normalized, the earlier American style of "economic activism" in Russia having largely disappeared. An important goal for Putin is to open the Russian market to western investment and trade, but there are impediments on the American as well as the Russian side. Putin wants the Bush administration to pressure Congress to repeal the Jackson-Vanik amendment, though

Congress is in no mood to comply with this wish. Secondly, trade disputes have been complicated by mutual antagonisms and protectionist pressures on both sides (steel and U.S. poultry exports have produced sharp disagreements). More importantly, unless Russia follows through with very painful structural reforms, there will be only limited prospects for foreign investment. Modernization in all relevant dimensions – production, infrastructure, and the public sector—requires more capital than is available. Serious steps must be made by the Putin government to restructure the banking sector, increase deregulation efforts, improve corporate governance, and establish sound business practices and infrastructures.⁴

Failure to manage these tensions could have an aggregate impact beyond economic considerations. For example, Russian officials often voice disappointment that bilateral summits and trade talks often yield few of the tangible benefits Putin needs in order to show the Russian public the advantages of a partnership with the United States. Putin has made a strategic decision to ally with the West, but he is compelled to defend his pro-Western stance against the opposition of the conservative/military elites—and, perhaps increasingly, with the Russian public.

Central to U.S.-Russian economic relations is the development of Russia's energy sector. On this issue, there is great potential for mutual cooperation and benefit, along with real differences that could derail the process. In the United States, the interest is both economic and strategic; American companies are eager to invest in Russian energy, where the rate of return on capital is higher than in other oil regions. In addition, the American government is eager to decrease America's dependency on Middle East oil. At a recent U.S.-Russian conference in Moscow on ways to intensify cooperation in the energy field, there was much discussion about export/transport routes, the role of government, and, critically, the issue of access to delivery capacity, though the meeting also exposed important divergences in approach that could impede closer cooperation.⁵

But the strength of the Russian energy sector is a two-edged sword. On the one hand, it is the only sector that has a chance at developing global markets, and while it is not yet a global oil player, it has the potential to become one. This is an important goal of the Putin government.

But the Russians are not keen to liberalize their energy markets and raise domestic prices closer to international levels, as the Europeans are urging them to do, because of potential political unrest and because cheap energy allows Russian products to compete on the world market. At present Russia is a major regional supplier of oil to Europe, and the European demand for oil is expected to grow in the next decade and beyond. Russian oil companies also want to broaden their access to other markets, such as the United States, and Asia.

On the other hand, Russia's economic and political stability is heavily dependent on income generated by the energy sector, which provides more than 50 percent of government revenue. Specialization has become even more pronounced, and there has been little investment in other sectors. Such dependency on a single source of revenue has real domestic political implications. Putin needs to keep domestic oil prices low in order to make Russian goods more competitive, and his ability to pay out pensions to key constituencies depends heavily on oil revenue. Any serious drop in oil prices could be disastrous. This asymmetry highlights some of the serious weaknesses in the Russian economy and the urgent need for economic reform. In its present form, the Russian economy is simply not sustainable over the long run.

German-Russian Economic Relations

Not surprisingly, German economic relations with Russia are much stronger. For the German government, its priorities are to help expand Russian trade, assist in developing structures compatible with the EU, and to support Russia's bid for WTO membership. Germany is Russia's major trading partner, and trade between the two countries accounted for 25 billion euros in 2001.⁶ But trade with Russia comprises only 2 percent of Germany's trade, though trade with Germany accounts for 15 percent of Russia's trade.⁷ Germany thus is a critical link in Russia's goal of modernization and is Russia's most important economic partner. German foreign investment reached \$8.1 billion this year,⁸ but German firms are reluctant to invest more in Russia because of economic uncertainties and the absence of legal reforms that provide some protection for their investments.

There is cooperation at the intergovernmental level. German government officials and their Russian counterparts have established a High Level Working

Group on Strategic Questions on Trade, Economic and Financial Cooperation designed to work specifically on developing compatible structures and policies. The German government also established a program to provide technical assistance, though this program has fallen victim to Germany's budget crisis and will not be renewed. Nevertheless, the German government sees these types of mutual cooperation as important efforts to encourage structural reforms in Russia.

As with its political relations, Germany sees its economic relations with Russia embedded with the EU. Russia and the EU have concluded several agreements that have guided their relations since the 1990s. The Partnership and Cooperation Agreement (PCA) signed in 1994 never really got off the ground, for internal political reasons in Russia and because of the beginning of the first Chechen war. The PCA was followed by the Common Strategy on Russia (CSR) in 1999, whose stated aim was the full integration of Russia into the Euro-Atlantic community. The EU also has established an Energy Dialogue with Russia to explore future cooperation, though little progress has been made because of differing objectives; the Russians want capital to modernize the sector but, because of its dependence on oil, oppose EU efforts at reforming the Russian market through market liberalization and competition.⁹ Thus, Russia's interests in developing its energy sector is not based on strict economic interests but is tied directly to domestic political interests of the Russian leadership.¹⁰ Nevertheless, Russia-EU relations suffers from a lack of coherence and consistency caused in part by divisions in Europe over whether Russia is part of Europe at all, and whether it should be integrated into the EU.

Russian Domestic Politics

The study group's deliberations again highlighted the importance of domestic political factors in shaping political and economic considerations. Domestic politics will continue to shape the parameters within which the Russian government pursues its policies abroad. The changes in Putin's foreign policy agenda have had an impact on the policymaking process, bringing a different constellation of individuals and groups into the process and changing the configuration of domestic forces relevant to the formulation and implementation of policy. However, Putin

continues to be hampered by remnants of the old political/military elite, which remains distrustful of his pro-Western policies.

The war in Iraq had a ripple effect both in the political elite and in the Russian public. Of concern to some Russian observers in the project was the potentially negative psychological impact that the American handling of the Iraq war might have on certain elements of the Russian conservative/military elite. The overwhelming display of strength and projection of American military power tended to obscure other aspects of the conflict, such as humanitarian concerns and building a more representative, democratic government. The concern lay in what potential “lessons” were drawn by the conservative elite. If the message the elite takes from the Iraq crisis is that power politics is the real game, ignoring the need for constructive diplomacy and multilateral engagement, and that civil liberties and human rights are, in fact, secondary concerns for the United States, this could reinforce a tendency towards the re-nationalization of foreign policy and a weakening of commitment to democracy at home.

Although these conservative voices are only a small minority, Putin’s “managed democracy”¹¹ has contributed to a political environment in which building or maintaining democratic structures and procedures within Russia have been largely ignored. It did not escape the notice of the political elite that when Putin declared Russia a major supporter of the U.S. war on terrorism, American criticisms of the government’s Chechnya policy evaporated. Russian officials thus may feel they have a free hand in Chechnya or possibly elsewhere, such as in Central Asia, so long as they remain a committed partner in the fight against global terrorism. In the process, however, the strains on continuing a pro-Western foreign policy while reinforcing a semi-democratic state may become too great.¹²

Though the public at large feels little animosity towards the United States, Russians were overwhelmingly critical of U.S. policies in Iraq. Anti-American rhetoric was intense and sustained. As in much of the rest of the world, American prestige in world public opinion has suffered significant damage as a consequence of the way in which the war was conducted by the Bush administration. Given the interdependence of international and

domestic factors in foreign policy decision-making, public opinion is a factor that Putin and other heads of government no longer can ignore.

Domestically Putin enjoys enormous popular support, but there are some factors that weaken his hand. Putin made a strategic choice to align Russia with the West, but he did not put in place a long-term strategy designed to co-opt the conservative Russian political/military elite. As a result, he remains vulnerable to challenges from the right and must periodically expend political capital to deflect them. Putin's style is to place himself above the political fray, but on a practical level this means that he continues to perpetuate governance without accountability.

Much depends on his ability to spur economic growth, force through needed economic and structural reforms, and draw needed foreign investment and expertise.

In terms of the upcoming Russian presidential election in March 2004, Putin remains in a very strong position, and there is every indication that he will win comfortably. In the short-term, then, Putin is in no danger. But in the medium- to long-term, there are potential dangers. Russia could sink into recession if oil prices fall, and economic problems could be exacerbated if diversification of the economy away from its dependence on energy to other sectors like high-tech is not undertaken. There may be serious repercussions if the Russian military continues to deteriorate, particularly in Chechnya. What lies ahead? If no reforms are undertaken, then the Russian policymaking process will continue to be defined by ambiguity and inconsistency.

Conclusion: Challenges and Recommendations

The triangular U.S.-Russian-German relationship is a complicated mix of relations that overlap, intersect, and sometimes contradict one another. External events, particularly September 11 and the war in Iraq, have shaped and influenced the already complex dimensions within the relationships. In the aftermath of the Iraqi conflict, relations remain in flux.

What has changed in U.S.-Russian relations is that the emphasis in the 1990s on domestic political and economic reform has been replaced by security concerns relating to September 11 and the war in Iraq. While the relationship is fundamentally solid, and there have been public assurances that the U.S.-

Russian relationship is back on track after the Iraqi war, these assurances hide the fact that there are issues in the relationship that hold the seeds of future discord: relations with third countries such as Iran and North Korea; the structure of international institutions and potential for reform; approaches to international law and treaty regimes; divergence of views on doctrinal issues such as preemption and the use of force; nonproliferation and missile defense; Central Asia; and efforts to expand economic ties, particularly with regard to foreign investment and trade. Thus an overemphasis on security interests obscures other potentially destabilizing issues on the U.S.-Russian agenda.

The post-September 11 U.S.-Russian alliance in the war on terrorism reinforced a traditional security paradigm—using military means to fight a new enemy. The problem with this is that the current relationship encourages the longevity of traditional bases of power and of the old “establishment.” If Russian-American relations continue to be built primarily around security concerns, then it will be hard to see any prospects for significant political transformation. If America’s security focus moves from Europe to Asia, Pakistan, and to an unstable Central Asia, then Russia may very well become America’s primary security partner. If that happens, however, it will hinder the development of Russian democracy.¹³

Russia clearly needs the United States, but does the United States need Russia? Indeed, one of the fundamental problems in the relationship is the asymmetry of interests: The simple truth that Russia needs the United States a good deal more than the United States needs Russia. Russia can be an important partner and valuable ally in addressing some of the top security concerns of the Bush administration: Iran, North Korea, nonproliferation, China, terrorism, and an unstable Central Asia. But Russia will be a far more dependable ally if it succeeds in integrating itself into the world economy and in implementing the necessary domestic structural reforms that will help in its transformation to a stable democracy. There is thus a good argument for expanding the foundation of U.S.-Russian relations beyond military security concerns. A domestically stable Russian state integrated into Euro-Atlantic structures is in the long-term interest of the United States.

A similar dynamic exists in German-Russian relations. It is obvious that Russia needs Germany, and by extension, Europe, but Germany’s

stake in a stable Russia is also self-evident. Its agenda, determined by geography and the desire to encourage reforms that will minimize any negative spillover effects of Russia's domestic problems, is necessarily more multidimensional and focused on issues beyond military security. Additionally, Germany—and Brussels—have an interest in working with Russia to develop a common approach to relations with the Ukraine, Belarus, and Moldova, unstable countries in which Russia retains some influence. Germany's relations with Russia increasingly are defined in a broader European context; the German government does not view its relations with Russia as strictly bilateral but, rather, as an integral component of its policy relations within the EU. Opposition to the U.S. position on Iraq thrust Russia and Germany into the same camp, but there is no real danger of a future Russian-German-French "axis." For one, such an alliance would politically isolate these countries, minimizing their capacity to influence policy outcomes. Secondly, it is debatable whether such an "axis" existed at all, or whether these three countries were thrust together momentarily by virtue of their common position opposing the U.S. position on Iraq.

The terrorist attacks of September 11 and the war in Iraq have shifted alignments and raised new questions, but these events have not altered the need to examine the full range of security threats and to offer concrete recommendations by identifying further areas of cooperation between the United States, Germany, and Russia. The traditional twentieth century security agenda increasingly will be supplemented by the need to deal with twenty-first century challenges, not all of them capable of being resolved through military force.

Both substance and process will be important, though there will be substantive issues that will not easily be resolved, where compromise is not possible. The process should focus on small, pragmatic steps that do not require the resolution of differences on substance. The challenge is to find areas of common interest that have potential for mutual cooperation. At a time when the relationships are fluid, and the ground itself is in a state of flux, no one state can address the challenges alone. A coordinated approach to resolving security issues simply makes sense.

- *Energy Sector.* Economically, there is great potential for cooperation in the energy sector. Both the United States and the EU have initiated formal dialogues with the Russian government to explore possibilities for cooperation in the development of Russia's oil and gas industries. But important differences remain: export routes and transport questions; potential competition from the development of Caspian energy sources; liberalization versus protection of Russia's energy sector; and access to delivery capacity. Central Asia is particularly conflict-prone, which reinforces the need for developing a coordinated agenda that addresses both the economic as well as the security concerns of the countries involved.
- *Structural Reforms and Assistance.* On the Russian side, in order to achieve the integration of Russia into the global economy the Putin government must follow through with important reforms that will, in turn, ensure stable and transparent legal and financial structures and draw foreign investment to Russia. This will mean serious efforts at banking reform, improved corporate governance, legal reform, and the development of legal and business practices that conform to international standards and regulations. One possibility of encouraging these reforms is to follow the model of creating intergovernmental groups that focus on developing such structures. Technical assistance is another area where cooperation is possible. The German government established a program to provide such assistance, but it will be phased out in 2005. Many German observers see this as a real setback, and possible means for reestablishing and funding such programs should be explored.
- *WTO Membership.* Two years ago there was a great impetus to move swiftly to accession, though protectionist elements in the Russian economy appear to have slowed down the process. New impulses should be given to this process. The Russian government will have to eliminate subventions that support traditional industrial sectors that are not competitive, and open up foreign investment to those sectors that have growth and investment potential, such as telecommunications and service sectors such as banking and insurance.

• *Fighting Terrorism.* U.S.-German cooperation on fighting global terrorism will remain close, focusing as it has on intelligence sharing and coordination between law enforcement agencies. Germany has committed more funding for agencies involved in counter-terrorism, allowing law enforcement agencies more access to the personal data of individuals living in Germany, and it has signed an accord with the United States that will improve cooperation on criminal investigations, such as allowing German and American law enforcement agencies to exchange information directly.

Russia has shown itself to be a dependable partner in fighting terrorism. It has cooperated with the United States in Central Asia and the Caucasus, and it would be a valuable partner in addressing other regional security issues. Many of the most worrisome security threats could originate in this unstable area of the world—from Kashmir to Kazakhstan—and developing a pragmatic agenda to manage these potential threats is in both Russian and American interests.

• *Strategic Dialogue.* The reality of asymmetrical power relationships is redefining the shape of the international system. Regardless of American policymakers' perception of America's positive role in the international system, the preponderance of American power is alarming to many other states, including America's allies. Additionally, other states do not share America's assessment of the new international order—threat assessments; instruments of power; role of international institutions, legal norms, and regimes; nonproliferation and missile defense; and shifts in strategic doctrine—prevention, preemption, and the application of military force. Some of these challenges may require the use of force, while others must be managed through forceful engagement by other means. It is difficult to assess how such a dialogue can be structured, but there is a need to discuss not only what threats exist, but also what each state can bring to the table to manage future conflicts. And for that, there needs to be some foundational agreement on principles and capabilities.

ENDNOTES

¹ Angela Stent and Lilia Shevtsova, "America, Russia, and Europe: a Realignment?," *Survival*, vol. 44, no. 4, Winter 2002-2003, p. 125.

² Lynch, Dov, *Russia Faces Europe*, Chaillot Papers, no. 60, Institute for Security Studies, European Union, Paris, May 2003, pp. 47-49.

³ Anna Badkhen, "Pragmatic Russian leader patches up spat with U.S.; Putin eyes economic development, oil contracts with Iraq," *San Francisco Chronicle*, June 22, 2003, p. A8.

⁴ Astrid Tuminez, "Beyond Revival: Building a More Competitive Russia in the Long Term," *The Twain Shall Meet: The Prospects for Russia-West Relations*, Policy Paper, Atlantic Council of the United States, September 2002, p. 39.

⁵ For a discussion of U.S. and European interests in the Russian energy sector, see Lynch, pp. 63-65; "Press Conference on Results of Energy Summit Seminar of Carnegie Moscow Center," Official Kremlin International News Broadcast, June 19, 2003. (Lexis-Nexis search)

⁶ "German president's visit to Russia gives impulse to various ties," *ITAR-TASS News Agency*, September 3, 2002.

⁷ "The Berlin-Moscow 'Coalition of the Unwilling,'" Angela Stent, AICGS essay, May 2003, found at: <http://www.aicgs.org/research/gerusec/berlinmoscow.shtml>.

⁸ "German-Russian Relations and Prospects for Russia-EU Security Partnership," A discussion with Alexander Rahr, Head of German and CIS Studies at the Körber Foundation and member of the Research Institute of the German Council on Foreign Relations, June 3, 2003 at the Carnegie Endowment for International Peace, Washington, D.C. Found at: <http://www.ceip.org/files/events/events.asp?pr=2&EventID=624>.

⁹ Lynch, pp. 54-65.

¹⁰ Celeste Wallander, "Prepared Testimony of Celeste A. Wallander, Director and Senior Fellow Russia and Eurasia Program Center for Strategic and International Studies, Before the House Committee on International Relations, Subject-Russia's Policies Toward the Axis of Evil: Money and Geopolitics in Iraq and Iran," February 26, 2003, Federal News Service, Inc. (Lexis-Nexis)

¹¹ Robert Legvold, "All the Way: Crafting a U.S.-Russian Alliance," *National Interest*, Winter 2002/2003, p. 7 of 13.

¹² Stent and Shevtsova, p. 126.

¹³ See Legvold's discussion in *National Interest*, p. 10 of 13.

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