THE BROOKINGS INSTITUTION

ENGAGING RUSSIA: THE CHALLENGES AND OPPORTUNITIES

Washington, D.C.

Thursday, February 19, 2009

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

PARTICIPANTS:

Introduction and Moderator:

DANIEL BENJAMIN
Senior Fellow and Director, Center on the United States and Europe
The Brookings Institution

Panelists:

ROBERT KAGAN
Senior Associate
Carnegie Endowment for International Peace

H.E. KLAUS SCHARIOTH
Ambassador
Federal Republic of Germany

STEVEN PIFER
Visiting Fellow
The Brookings Institution

STROBE TALBOTT
President
The Brookings Institution

* * * * *

P R O C E E D I N G S

MR. BENJAMIN: Well good afternoon and welcome to the Brookings Institution. I'm Daniel Benjamin. I'm the Director of the Center on the United States and Europe.

And I'm pleased to welcome you today to a discussion of I think a very fascinating and fast-moving subject; that is, Russia and our relationship with it at the dawn of a new administration.

I think most people would agree that by the end of 2008, we had reached a new low in the relationship between the United States and Russia. Some of you will remember -- everyone will remember the crisis that ensued after the hostilities in Georgia.

Many of you will also remember that the first message that we heard from Russia after the election of Barack Obama was a threat to put missiles pointed towards Europe in Kaliningrad, which was not exactly, shall we say, warm sentiments that greeted the new president.

There was a tone of icy resentment that seemed to pervade the entire relationship, and I think

had given many people a lot of reason to worry about the near-term, as people discussed both Russian resurgence on the basis of high energy prices, but also Russian potential instability in the wake of a great deal of economic turmoil.

The agenda, as everyone knows, between the United States and its allies is and on the one hand, in Russia, on the other, is packed with very, very important issues -- strategic nuclear arms reductions, missile defense, NATO's enlargement, Iran, and, of course, conventional arms control in Europe.

Yet, interestingly, since the new administration has begun its work, there has been what might be called a mid-winter thaw here on the Potomac, but also on the Moscow River and the Neva, and also even we've seen some of this in Munich, where there was some interesting exchanges at the security conference.

Speaking there on February 7th, Vice President Biden called for a reset in U.S.-Russian relations.

I think this is the first new metaphor in foreign policy that the new administration has given us.

And Under Secretary of State Bill Burns gave an interview in Moscow that aroused a great deal of attention there because it was so forward-leaning in its openness and its desire to engage Russia on a number of different and positive tasks.

Well, as the Obama administration shapes its policy, we need to ask: Where the challenges are and what are the opportunities? How can Europe engage Russia to put this relationship on a more positive and sustainable basis? And what should the roadmap to the future look like?

And I'm delighted that we have an excellent panel to discuss these issues. I will introduce them in the order in which they will speak.

First, to my far left geographically, if not politically, Ambassador Steve Pifer joins us. Steve has been with us since last year as a Visiting Fellow at the Center.

He was -- he served as our ambassador in Kiev. Between 1998 and 2000, he was Deputy Assistant

Secretary of State, handling the Russia portfolio. He was also a Senior Director for Russia, Ukraine, and Eurasia at the National Security Council, also during the Clinton administration.

Steve has written a terrific Brookings foreign-policy paper entitled "Reversing the Decline: An Agenda for U.S.-Russian Relations," in 2009 that many of you may have already seen, but if you haven't, I heartily recommend it. It's being read in many official buildings around town, and I think it's a superb work.

Our second speaker, to my immediate left, is the President of Brookings Strobe Talbott, and let me say that in the course of a man's life, there are few more delicate tests than introducing your boss, so let me just say that it's hard for me to think of anyone who has influenced how Americans think about Russia more than Strobe, with his many books and, in fact, since we have Bob Kagan here today, I have to say I think we have the two best sellers in Washington probably working in terms of total number of high-quality books.

But Strobe is the author of "The Russia Hand: At the Highest Levels," which he co-authored with Mr. Michael Beschloss; "The Master of the Game;" and many other terrific works.

He also was deeply involved in shaping the U.S. relationship with Russia during the 1990s in his capacity as Deputy Secretary of State, and as Ambassador at large and Special Advisor to the Secretary of State for Russia and the newly independent states.

All of us, I think, understand that how the relationship with Russia calls will not be determined by anyone capital alone, but as part of a very complex series of negotiations, accommodations, and agreements between various countries in our alliance.

No country within this undertaking is going to be more important than Germany, which has an historic and very important role with Russia.

And for that reason, I'm delighted that we're joined today by Ambassador Klaus Scharioth. He's been a great friend of Brookings, I'm delighted to say, and Brookings scholars have been his guests

many times, both individually and collectively, for a number of different events.

He has -- I think of him, above all, as an acute observer of the United States, since he's spent so much time here going back to being an exchange student in Caldwell, Idaho.

But he has as a foreign-policy practitioner also really held the entire world in his hand, first as political director at the foreign office in Berlin, and later as State Secretary, as the number two in the foreign office.

He was in those capacities deeply involved in the relationship between Germany and Russia and between the West and Russia more broadly. He has been ambassador here in Washington since 2006.

Finally, to provide another perspective on where this relationship is going and where it might go, I'm delighted that we're joined by another good friend of Brookings and also a good neighbor of Brookings, Robert Kagan, from next door at the Carnegie Endowment for International Peace.

Bob is the author of numerous books, which have sold so many copies that it turns my gills green,

and he is -- I think his work is known to all of you. His most recent book is the "Return of History and the End of Dreams," which is an interesting maxim to put over the beginning of this discussion, I think.

He is a regular columnist for the Washington Post. His book, "Paradise and Power," continues to be one of the books that has most influenced discussions of transatlantic relations in the post-Cold War period.

So, it's with this rather remarkable group that I'm glad that we will begin this discussion, and let me start by asking you, Steve, to give us the view from Moscow.

MR. PIFER: Okay. And thanks very much, Dan.

When I think of the title of this, "Engaging Russia: Challenges and Opportunities," and if I had to choose between the words, I think I would probably have to go with challenge first.

You're dealing with a Russia now which is very focused on certain foreign policy issues, but, first and foremost, on regaining great power status and recovering the power and the influence that Moscow

lost in the aftermath of the collapse of the Soviet Union is very high on Prime Minister Putin's agenda and that of the Kremlin.

And it's mixed in with this feeling, which I don't think the evidence supports but it's still there, that the West and the United States in particular, took advantage of Russian weakness in the 1990s.

I don’t think that that’s a well-grounded feeling, but it’s a perception shared by both the Russian elite and also the public.

And we then look at what does Russia want now for four or five ideas.

First of all, they don't want advice from the West on how they structure their internal political structures or their economy. A big part of sovereign democracy is this is up for Russia to decide.

Second, they want to see a reduction in U.S. power and influence, and both Putin and Medvedev have been explicit about this when I talked about an end to the unipolar model.

Third, they want a sphere of influence or what they refer to as a sphere of privileged interests in the former Soviet space. It's not about restoring the Soviet Union, but it is about seeking deference from Russia's neighbors to what Russia determines are its vital interests.

And we've seen this most pointedly in the last year on the question of NATO's engagement with both Ukraine and Georgia.

Fourth, the Russians want a seat at the table when major European or global issues are being addressed, almost regardless of whether they can bring something to the table.

But they see being there as part of their due as a recovered great power.

And fifth, they would like to improve the relationship, provided it takes account of Russian interests, concerns, and Russian terms.

As Dan said, I think the relationship last year -- between the United States and Russia -- was at its lowest point since 1991.

When you look at the August crisis between Moscow and Tbilisi, there's no evidence to suggest

that concern about damage to the U.S.-Russia relationship had any impact on Russian decisions. And I think that was a loss for us.

You have a Russia that's frustrated; to use a phrase I think that Strobe's used in the past, the Rodney Dangerfield aspect of Russian policy, "I don't get no respect." That plays out.

And it's also combined, though, with a feeling in the last three or four years in Moscow, which may have some basis, that on every key issue on the U.S.-Russia agenda -- strategic nuclear arms reductions, missile defense, Kosovo, NATO enlargement, Iran -- there wasn't much effort by the United States to take account of Russian concerns.

So this is sort of the background we're dealing with.

Now in Russia, of course, in the last four years, the last five years, the economic situation went through a fairly powerful upward turn with high energy prices. And that gave Moscow the wherewithal -- it empowered Moscow -- to pursue a more assertive foreign policy, particularly in the former Soviet space.

And this sort of reached a peak in August, and lots of questions after the August conflict with Georgia: what next, with some saying is Ukraine next? Will Crimea be the next South Ossetia?

Well, February, looking back after six months, you can say what a difference a half year makes. Given the impact of the financial economic crisis on Russia, Russia doesn't appear quite so resurgent now as it did back in August.

And Russia does face some real economic problems. Energy revenues are down significantly. This will have a big impact on the Russian budget, which last year was projected to be in balance at a price of oil of about $90 a barrel.

And it's not clear -- in fact, it is clear that the Russian non-energy sectors are not going to be able to make up for the slack that the economy is going through with the collapse of energy prices.

So you're going to see in Moscow now a situation where, for the first time in 10 years, no growth and perhaps even some degree of recession.

The Kremlin is very clearly worried about this. They've been throwing lots of money at the

problem. They've burned through probably about $220 billion in foreign reserves so far without any real impact on arresting the crisis.

And there's also a lot of concern about how this is going to play with the public.

You've had this unstated social contract in Russia, where the population accepts less democratic political systems in return for rising living standards. Well, the question now arises after 10 years of that, if the government cannot deliver on rising living standards, what happens? How does the population react?

And we saw how nervous the government was back in December, when they moved special police forces all the way from Moscow to Vladivostok to handle demonstrations there in the city.

Now I think the big question for the purpose of this panel is what does all of this mean for Russian foreign policy, especially for how Russia will engage with the United States and Europe?

And there's two possibilities: one is that the Kremlin might choose to cling to this adversary image that they have created of Washington over the

last several years, believing that that's helpful in terms of giving a rallying point for the population and really distracting the populace from some fairly difficult economic times.

The alternative view, the more hopeful view, is that the Russian leadership is going to conclude that a calmer international context, a better relationship with the United States and the West, will make it easier for them to focus on their very difficult situation at home.

And now, Dan mentioned the speech that President Medvedev gave literally five hours after Barack Obama had won the presidency. There is some speculation half in jest but I think half in seriousness that that speech was probably written not for a Barack Obama victory, but for a victory by Senator McCain.

It was interesting, though, over the course of the fall after that that the Russians fairly quickly backed away from the threats.

And, as Dan mentioned, you know, in Munich a very positive reaction from Sergei Ivanov by the Deputy Prime Minister to Vice President Biden's

statements, and we're hearing, I think, other signs, including the reaction to Under Secretary Burns' visit to Moscow last week.

Now, of course, the decision two weeks ago, obviously under Russian influence, the decision taken by the Kyrgyz government to close Manas is sort of a counterpoint to this.

But I suspect that Moscow's position itself, where it is ready for a more positive engagement on at least some issues, and that's one of the things that I think we'll see hopefully the positive response to the sorts of signals that both the Vice President and Bill Burns were putting out, and I suspect will be followed by more specific proposals in the coming weeks.

MR. BENJAMIN: Thanks very much, Steve. Over to you, Strobe.

MR. TALBOTT: Let me just pick up on a couple of things that Steve has set before us. I think it's unmistakably true that the tonality of on the Russian side has softened a bit, particularly since President Medvedev gave that speech that was intended for the McCain victory that so many Russians predicted.

But I'm not sure that the substance of the Russian position in so far as it is coherent has actually changed that much.

I was in Munich, and listened very carefully to Deputy Prime Minister Sergei Ivanov's really quite forthcoming and positive speech, which was largely on the subject of arms control, a subject that I suspect we'll be coming back to in the course of this discussion.

And I heard him to be sort of restating the threat, only flipping it around on little bit: of course, we will not deploy Iskander SS26 missiles in Kaliningrad unless you proceed with the prospective missile-defense deployments in the Czech Republic and Poland.

Now I wouldn't say that's a distinction without a difference, but I wouldn't say it's a complete change in position either.

And I think -- I'm not sure that the Russians, at least collectively, which is to say those in decision-making positions, are entirely sure how they are going to play this.

And I'm sure we'll get into the issue of how we, the West, are going to play our end of that equation.

I think Steve is absolutely right to stress the importance of the impact on Russia, and I don't mean just the Russian economy, of the global recession.

Steve has been in Moscow more recently than I have, but I've been, as has everybody on the panel I think and many of you around the room, been talking to a lot of Russians. And it is hard to exaggerate how severe the political implications could be of the way in which this global financial crisis is hitting Russia.

Steve has already cited a couple of the statistical examples of that, and I would put particular emphasis on this extraordinary scene that was reported in the papers over the weekend of not just riot police, but riot troops, being loaded on aircraft and flown all the way across the country to Vladivostok to deal with what -- it sounds like a bad joke, when you see it, but it's anything but a joke --

a high degree of restiveness, shall we say, among used car salesmen and dealers.

That is a real issue in Vladivostok. The first time I ever had an intuition that the USSR might break up was not on a trip to Tbilisi or to Kiev or the Baku, but to Vladivostok.

And while that part of Russia remains intact and part of the Russian Federation, I think the fact that there is trouble of this kind there suggests at least the possibility of very real political instability.

And one thing I hope we can also get into in our discussion is what the implications of that are both for the Russian leadership, which leads to a perennial question that is mostly discussed in whispers, but is very important, and that is what is the real relationship between the President of the Russian Federation and the Prime Minister of the Russian Federation.

And the second point that I think is every bit as important and goes to what we can do or not do, which is to say, do no harm; and that is the importance of the United States and the West not

trying to play in that game and not advertently or inadvertently committing what I called the Heisenberg uncertainty principle, which is to say trying to figure out who's up and who's down and affect the outcome of leadership dynamics in Russia.

With regard to another key theme in what we're hearing from the Russians and have been since at least last summer, and that is President Medvedev's proposal, which remains very vague, about what was -- he initially called a new European security architecture. He's now, in a nod I supposed to those of us on this side of the ocean, calling it a Euro-Atlantic security architecture.

That is -- it's not quite content-free as a proposal, but most of the content on the Russian side is essentially very familiar complaints and airing of old resentments, along with some adamant bottom line demands, which I would contend cannot and should not be met.

And at least implicitly and sometimes explicitly, one of those demands goes to Steve's point about this claim of a sphere of privileged interests,

which translates quite directly into a Russian veto over NATO expanding further to the east.

And that is -- presents a very real dilemma and how to get that right for the new administration here in Washington.

And getting that right will depend more than just as a matter of process on extremely close and consistent coordination between the United States and its key European allies and partners, which is one of many reasons to be very glad that Ambassador Scharioth is on the panel with us.

While all of our European allies are important, each in its own way, Germany has a very particular role to play on this.

And I would hope that the West, and I'm speaking here about the political rather than the geographic West, because it's moving, would maintain fidelity to the original concept of NATO enlargement, which is very, very closely connected with what I hope will be the ongoing process of EU enlargement.

And the original purpose of NATO enlargement had three aspects to it: one was to enhance the security of the entire alliance. Another was to

expand what might be called the democratic peace eastward, and that, of course, emphasizes the linkage between NATO enlargement and EU enlargement.

And third was to do everything possible to encourage the right kind of partnership between an expanding NATO and the Russian Federation, as well as a special relationship with Ukraine and so forth and so on.

And that leads me to the last point I would make, which is that I think there is an opportunity now that there is an administration in Washington that is truly committed to what I will call treaty-based arms control, to resume that enterprise in a way that we have not seen it pursued for quite a number of years now.

I look across this group assembled here today, and I see lots of faces of those of you who have spent much of your careers on what seemed to be a lapsed activity there for a number of years. Well, great news: it’s back, big time.

And I think it's going to be back in ways that, among other things, are going to create some opportunities to reactivate the NATO-Russia Council,

and specifically on the issue of missile defense, because, given what I took to be the positive vibes between what Vice President Biden said in Munich and what Deputy Prime Minister Ivanov said in Munich, there is almost certainly going to be a serious and fairly quick re-engagement that I'm sure will be on the agenda between Secretary Clinton and Foreign Minister Lavrov when they meet in early March on a post-START agreement that will constitute genuine, verifiable arms control, and very significant reductions.

And that cannot happen unless the issue of missile defenses, and particularly strategic defenses, is addressed.

And one way to do that would be to build on an idea that has been out there for some time, but has not been realized up until now, which is putting the issue of cooperative defenses on the agenda of the NATO-Russia Council.

MR. BENJAMIN: Okay. Strobe, thanks very much. Ambassador Scharioth.

MR. SCHARIOTH: Thank you. I very much agree with most of the analysis by Steve and Strobe.

Let me just say in one sentence: Russia is an important, but difficult, partner.

Why difficult?

Because I think that not only we, but I think everybody, is quite concerned about the internal development in Russia, the less than independence of the judiciary, the treatment of the opposition. And I think these are issues which have to be taken seriously, and which also need to be addressed.

And I also believe that what Russia did in the Georgia crisis in August was totally inacceptable (sic.). I think the question of troops in Abkhazia needs to be raised, and I believe that there are also aspects of Russian policy which give very much rise to concern; for instance, what happened in the gas crisis earlier this year, although there I don't only blame Russia. I also blame the transit country Ukraine.

So it was not only Russia's fault, but how Russia behaved led to a considerable loss of confidence. In Europe, it also had a good effect, because it might unify Europeans in now working for a more united energy policy, so always there’s also good news in bad news.

But having said that, having outlined the difficulties Russia poses, I would also say it is an extremely important partner.

Why is that so?

And it is so because some of the most important challenges we face as a global community cannot be solved without Russia, of course, certainly not be solved against Russia.

And let me just give you a few examples, and a few examples why I believe that we and with we I mean the West in the political sense and I think we need very close cooperation here between the United States and Europe, but why I believe the West should engage Russia.

First, there is the whole question of disarmament and arms control and also of the reduction of nuclear armaments, of nuclear warheads.

Ninety-five percent of all nuclear weapons are in the United States and in Russia. And, therefore, any success, any step forward, in this field can only be done in the long-run or in the medium-run already together with Russia.

And we need to do these steps if we don't want to lose the credibility in other parts of the world, if you want to prevent a development where in 15, 20 years you don't have eight nuclear weapon countries, but maybe 15 or 20. And that's something we would not like to see.

And, therefore, we are very happy with the -- what I take it is an effort of the new administration to engage in that field and also to engage Russia.

I think the start there should be with START. I think you all know that by the end this year, START I is running out. I think it's doable to have a successor agreement by the end of the year.

I also believe that one should work together on issues like, as I said, the reduction of nuclear forces. One should also work together with Russia on the NPT Review Conference, which is, of course, in 2010.

There, of course, we first have to agree on a concept among the West, but I think that is something, of course, which also involves Russia.

And all these issues can only be solved if you work together with Russia. And I would add things like fissile material cut-off treaty. I would also add the conventional arms control, CFE, where Russia did a most unhelpful step when they suspended CFE last year.

And I think also that is a reason to engage Russia. We need to talk with Russia. All these issues cannot be solved against Russia or without Russia. That's number one.

Number two is Iran. Iran is also one of the most pressing concerns we have. You all know the situation.

We in Germany believe that a nuclear weapon country Iran would be a disaster for the region, and that's why, together with Britain and France, we in the summer of 2003 we began to engage and talk with the Iranians about suspending enrichment and reprocessing, and we, for a while, for two years, we succeeded, but no longer.

And again here, we are happy first with the added engagement of the new U.S. administration. But

we also know that if we want to succeed, we need Russia and China and also others.

If China doesn't play in the case of Iran, it will be much more difficult to keep the international community together, keep it united against these Iranian wishes to get a capability which is designed for nuclear weapons.

So those are two topics. I think there are many others. I am -- very much agree with what Strobe just said, that we need to find ways to make the NATO-Russia Council more effective.

I think it was a great invention when, in ’97, it was created as the Permanent Joint Council, and now it’s called NATO-Russia Council. But I think it has not really fulfilled 100 percent of its promise yet, because I think we have failed -- and this is a mistake, a fault, not only on the Russian side, also on the Russian side, but also on the Western side -- we have failed to make it truly operative.

And, therefore, I very carefully listened to what Strobe just said that we should, for instance, seriously consider to put missile defense -- by the way, Henry Kissinger also suggested that to a certain

extent -- we should really consider to have missile defense run by the NATO-Russia Council.

It would solve many issues at the same time. I think it would be a very strong signal towards Iran that the rest of the world is united against what they might want to do.

And I think it would also alleviate some fears, I think totally unnecessary fears, but they are there, by the Russians that might be a component which is not directed against other countries.

So I think we should need these fora. I think we should engage Russia. We should put all the issues on the table. There are many others.

I welcome the letter written by President Obama to Medvedev. I think this is something we very much support.

I don't think it will be easy. I am more relaxed than others on the proposals by Medvedev. I, of course, right now, as they are, they're not very interesting.

But let me remind you that this was exactly the same situation in the early '70s, when the Russians before Helsinki, before the conference -- the

CSCE Conference in Helsinki, when they suggested that we should now talk about just hot security and about making the borders in Europe permanent.

We did after long debate, a bitter debate, in all countries, especially in Germany, we did engage in that. And I think we very much succeeded.

I think we succeeded in getting also the second and third basket, and they changed Europe. And they made the wall—yeah, they put holes in the wall, and I think we should be quite self-confident and should be open to discuss those proposals by Medvedev, which currently are quite vague.

We should do it on two conditions. We should do it on the condition that there are certain red lines.

I think things like NATO cannot be put in question, and that should be made very clear on day one that is a no-no.

But I think we should also insist on a comprehensive approach to security, because what the Russians say we don't just want to talk about hot security. That is 19th century, maybe early 20th century at best. It certainly is not 21st century.

In the 21st century, security is not only armaments. It is not only non-proliferation. It is not only military strength. It is also energy. It is climate change. It is rule of law. It is many other things, and I think we should insist on that. But if we do, I'm quite confident that something good would come out of this dialogue.

MR. BENJAMIN: Thank you very much, MR. Ambassador. Bob, over to you.

MR. KAGAN: Thank you. It's not enviable to follow all this great wisdom and attempt to add something to it, but I'll do my best.

I must say I get a little -- I was made a little nervous by this whole reset phraseology in terms of the relationship, because my experience in resetting things is that everything that I had before I reset it is wiped out, whether it’s my iPod or anything else.

So reset has the implication at least that we're starting fresh, and what has come before is past. And we start from where we are and move on.

Now I think that is troubling if that's what's intended, because among the unfinished business

from the not-very-distant past is Georgia, with the Russians in a position that I think no one would have really quite imagined even after the intervention in August, in which everyone certainly would and has declared frequently in the same word unacceptable that there are now Russian troops deployed on Georgia's internationally recognized -- within Georgia's internationally recognized boundaries, including the discussion of setting up naval bases, et cetera, et cetera.

So to reset, if that means that we are going to put that fact past us, I think that that would be a very serious first step in the new relationship, because I would have to say then that the message to Russia, which is entirely opposite of the message that I know that the West -- every single European and American leader -- said was that Russia must understand that this was unacceptable and pay a price for it. The message will be that Russia paid no price for it.

And I would think that the paying of no price for some action like that has, I would think,

rather serious implications for Russian behavior in the years to come.

So that's one problem with reset.

The implication, I think, behind reset is a way of looking at what's happened in the West -- in the relationship between the West and Russia that, to my mind, overly -- is overly solicitous of the Russian view or interpretation of what happened and even internalizes the Russian and particularly Putin's narrative of what has happened.

Now I'm happy that I don't actually have anybody on this panel to argue with in this regard. But the idea that Russia is behaving the way it is behaving because we, in the West, did things to it I think is never -- obviously, the narrative that Russia prefers but not a narrative that we should necessarily buy into.

Obviously, there are interactions that create behavior. We weren't just sitting here just us chickens while Russia did things.

But I think we have to understand that Russian behavior is driven primarily by Russian ambition, particularly I think Putin's Russia

ambition, as someone has already said, to undo the post-Cold War international settlement, renegotiate it, and reestablish as best as possible a Russian sphere of influence, if not more, that approximates certainly old Russia imperial influence, but perhaps also to some extent Russia's Cold War influence.

And the thing about Russia feeling encircled, I just want to throw in a historical -- to put it in historical context. All ambitious, expansionist revanchist powers feel encircled.

When the United States was an ambitious power at the end of the 18 -- in the 1890s for a variety of reasons, American political leaders felt encircled by Britain, for instance. You know, Grover Cleveland, that very pacifist president, almost went to war with Britain in 1896 because of something the Britons were negotiating, a Venezuelan boundary dispute.

But it was all because of this sense that America was encircled.

But America wasn't encircled. America was pushing outward, and other countries were obstacles to that outward push.

The same could be said of Germany in the early 20th century, of Japan somewhat later in the 20th century. It is the characteristic of ambitious or revanchist powers that they feel encircled, because others are obstacles to their ambitions.

And I would say that is primarily what has occurred in recent years.

If you look at NATO and NATO enlargement, I find it very hard to believe objectively that a Russian should consider NATO a graver threat to Russian security in 1999 or 2002 or 2005 than it did in the 1980s.

But I think that Gorbachev in particular was not afraid of NATO in the 1980s, despite the fact that NATO was, I think, a more aggressive alliance during that period, certainly far more aggressive than it is now.

What's changed is Russia's perception, led by Putin, of where it wants to go.

The problem is if you've internalized this idea that we have done something to them, then whenever Russia takes an action, we can find the reason why they took the action.

So they had a dispute with Georgia, well, maybe Georgia started it. If they had a dispute with Ukraine, I'm sure he Ukraine had a lot to do with the nature of the dispute.

But it’s a little like if there is a kid on the playground that gets into a fight with this guy and you find out, well, they both had something to do with it.

Then he gets into a fight with that guy, and they both had something to do with it; then he gets into a fight with this guy.

The fact is they're the ones getting into all the fights. And that tells you something about the person.

So if they had a fight with Estonia, they had a fight with Georgia, they had a fight with Ukraine, and there is a little mixed picture in all those stories, but one thing is the same in all of them, and that’s Russia.

And I think that that tells us something about the kind of country that we are now dealing with.

So what to do about all this, of course, is the question.

I have to say I'm amused that we've transitioned from Russia is so strong economically that we have to make some concessions to their new power to Russia is now so weak economically that we should make concessions to their power. At least one thing is constant in that approach.

I am in favor of going ahead with arms control negotiations with the Russians. In fact, it was one of the few areas of agreement between the two candidates in this last election that we should negotiate for deep cuts in nuclear weapons with the Russians. I'm in favor of economic cooperation with Russia.

But on the issue that really motivates, I think, Russian foreign policy, which is this desire to reestablish its sphere of influence or to quote a very great and wise foreign-policy expert, the desire to reestablish a historic era of hegemony that includes Ukraine and other nations, to re-create a kind of hegemonic space -- and, of course, I’m quoting there

Richard Holbrook, from August of 2008 -- that we need to resist.

And we need to resist it with some firmness and not worry that the problem is our encirclement rather than Russian ambition.

I think, in fact, that Putin, like many other kinds of leaders in the past, is -- has got the quality that if he feels there is an opening, he'll move into it. If he feels there is no opening, he will back away from it.

And this is especially true if Russia is growing weaker economically. This is an opportunity for the West to reestablish the fact that, as Strobe says, the project is a Euro pole and free, and that we are not in the business of allowing Russia to veto who joins what alliance, who joins what international institution.

Unfortunately, missile defense is part of this equation, because if Russia is opposed to missile defense in Poland and Czechoslovakia not because -- the Czech Republic -- not because it fears the effect of these few missile interceptors on the Russian

arsenal, but because they are in Poland and the Czech Republic.

This is part of the sphere of influence. Putin has many times said, why don't you put them in France or Italy or anywhere, except in my little sphere.

So we can't just treat missile defense in isolation from this larger question.

The issues of Georgia and Ukraine need to be kept moving forward toward membership in NATO, because not to do that is to accept the Russian sphere of influence in so far as those countries want to be and certainly one of them definitely wants to be. I think that it would be irresponsible and dangerous for us to accept Russia's veto on something like that.

And finally, as a concrete measure, I do think we need to start taking our Article V commitments as the NATO alliance more seriously to countries which are now on the Russian border and do feel worried.

I recently met with a Finnish official -- a Finnish official. They're increasing the defense budget. I do know -- it's from $.12 to $.15 or

something, but, I mean, it's -- that's an exaggeration -- obviously, a very impressive defense budget -- but anyway, they are increasing their defense budget, and it is in response to Russian actions.

And that official asked me a lot about American Article V commitments as well as NATO's Article V commitments.

So I think it is possible to reach out to Russia, negotiate things. I'm not sure whether they will use our desire to negotiate on climate change and other things as a lever to get us to make concessions on some of these other issues that I've talked about.

But we can reach out and negotiate with Russia where we need to, but have the appropriate level of firmness in response to this Russian desire to reestablish its local hegemony.

Thank you.

MR. BENJAMIN: Well, we've had a rich variety of opinions. And I guess the obvious question that presents itself after Bob's intervention I'm going to direct towards Steve and Strobe and ask the question of what kind of policy -- or is it possible to have a policy that involves both the kind of

approach that takes the Georgia issue seriously and at the same time strives for a kind of reset. Are those two mutually exclusive or is there a way forward?

Steve, you wrote the paper, so I'm good to go to you first.

MR. PIFER: Thanks a lot. No, I think we're going to see on this whole question of NATO's engagement with Ukraine and Georgia an effort by the Russians to say you in the West have a choice. It's either a good relationship with Russia or it's go ahead you continue to have NATO engage with Ukraine and Georgia.

And I think one of the focuses of American policy and NATO policy ought to be is to avoid accepting that sort of defined choice. I -- we ought to try to do both. And it's going to be a hard path to walk.

But it seems to me that you can work in a more creative way, as the Ambassador suggested, on NATO-Russia relations.

For example, you know, today you've got American, British, Russian; I think even a German warship operating off of the coast of Somalia.

Counter-piracy operations sound to me like a logical NATO-Russian operation.

You can find ways, it seems to me, to engage with the Alliance and Russia to begin to make the case to the Russians that, in fact, what NATO is doing as a security operation are addressing concerns that are consistent with Russian interests, whether it's peacekeeping in the Balkans, the Coalition operation in Afghanistan.

Now having said that, I'll put a big asterisk there. This is going to be a long effort. It's going to take a lot of work to get the Russians to change their mind on the question of NATO. But we have to work at it.

A lot of time and effort was invested in the past; we need to go back to that.

On the specific question on NATO, I mean, it does seem that there may be a bit of an opportunity here to turn the temperature down.

And that is the NATO foreign ministers in December said we're going to develop the relationship with Ukraine and Georgia on the basis of an annual

national program for the time being rather than the membership action plan.

And I was in Kiev about four days after that, and what I heard from the presidential administration, from the cabinet, was this is workable. We can take the content and the substance of a membership action plan and make that an annual national program.

And, in fact, if you go back to 2002, when there was a NATO-Ukraine Action Plan, that was probably 90 to 95 percent of what a membership action plan would look like.

And it seems so far that the main Russian focus has been not on the content, the substance of the relations, but on the title.

So there may be this chance to dial down the temperature on this for a while and then hopefully we can use this time to think a bit more creatively about what you do with NATO-Russia relations to try to restore some balance there.

But I say that saying that this is going to be a long effort, I mean, going back to, as Strobe said, back in the 1990s, when we originally launched

this effort of enlarging NATO and engaging Russia. You know, we were very hopeful that you could change the way that the Russians worked with the Alliance so that they would not see enlargement as a threat.

We probably, in retrospect, underestimated how difficult that task was going to be.

MR. TALBOTT: I found -- I always listen very carefully to Bob, and I found so little to disagree with him on that I think I'll focus on the iPod issue.

When I find it necessary to reset my iPod, it’s usually because the thing has frozen up. But if in resetting it, I obliterate the memory, then I get a new iPod.

And I think that it was in the sense that I'm suggesting here that the Vice President used that phrase, which I think may have been actually one of the few extemporaneous things he said when reading that speech in Munich. At least, that's the impression I got. I think he was picking up on it from another context; the point being, I think Bob's caution is absolutely right.

Resetting or dialing down the temperature is -- has got to involve both or all parties. The Russians have to back themselves out of their neuralgia about NATO. And there's only so much we can do to make that possible.

I would actually go to an issue of internal Russian governance that I think relates directly or at least indirectly to Russian behavior abroad. And it's an issue that I think deserves a lot more attention than it has been getting.

And it’s called the Compatriot Law, and I’m kind of looking -- I’m seeing a few nodding heads.

This is something that bears very, very close watching. This is a law that has been kind of moving in fits and starts through the Duma, which, if passed, would extend, whatever that means, the protection of the Russian state, whatever that means, to Russian compatriots, whatever that means, abroad, whatever that means.

And you could say it is so vague as to be innocuous. I would say it is vague enough to be ominous.

And, in fact, having been in Klaus' home country a week or so ago, I found myself thinking about the concept of volksdeutsche in the 1930s, which was essentially the Compatriot Law equivalent of that time and how that was used with regard to Poland and the Sudetenland.

Now that brings me to a point about good old fashion Kremlinology, which now involves -- and this is a good thing about Russia -- not just figuring out what's going on in the Kremlin, but what's going on in the Russian White House and the Duma and, by the way, throughout a large and complicated country.

It'll be very interesting to see what happens to the Compatriot Law, just as it will be very interesting to see what happens to the Treason Law, which is also working its way through the Duma, and which if put into, if passed, would, as I understand it, and more importantly as a lot of Russian citizens understand it, treat as traitors -- and you know what that means -- people who criticize the Russian government or have dealings with foreign NGOs.

Now in the case of the latter, I believe, although my information is maybe a week old, and I'd

be interested in what's happened in recent days -- I doubt very much -- that the Treason Law at least has been slowed down.

I do not know what has happened to the Compatriot Law. But these are two issues which I think bear very, very close monitoring as we take account of Bob's injunction to pay extremely close attention to what is a historic correlation between the nature of Russia's internal regime -- and I'm using the word advisedly -- and the way it acts beyond its own borders.

And beyond its own borders includes in the independent sovereign country that Steve was accredited to.

MR. BENJAMIN: Ambassador, do you have any views? Do you want to add on resetting but holding to our values?

MR. SCHARIOTH: Yeah. I think it's absolutely essential that we hold to our values, because that's the difference between America and the European Union, on one side, and many other countries, on the other.

And I think there is no compromise on that. And in the many years that I've been in diplomatic service, I can only tell you that you fare best if you say at the outset of a negotiation what you really want, what you -- where you're heading at.

And I think you should not mince words. You should not be -- I mean, clarity is good, I think, first thing.

But I think not only clarity is good and not only holding fast to your values is essential, but I very much like a formulation Steve just used. I think we also have to, in our business of negotiations of diplomacy; we have to aim to get the temperature down.

I think whatever success I could imagine of in the last decades or so where I could see the negotiations were successful, I think it happens because we took the temperature out of the issue.

And, for instance, Germany, as you know, was very much for enlarging NATO and also the European Union. I think we were the driving force in the European Union, and, together with the United States, we were the driving force at NATO.

But at the same time, when we said let's enlarge NATO because that's what should be done after the wall came down, also from a moral point of view, we also said at the same time but let's also engage Russia. Let's have something which then later turned out to be the NATO-Russia Council.

And I think that we need to do things together. I think the Georgia-Ukraine issue, in my view, is we succeeded in December in taking the temperature out of it.

We have a clear aim, a clear vision, in Bucharest. And we have a decision at the December meeting of what to do in the next few years with the annual programs. I think it works. And I think there are ways to do it.

Another one is to, for instance, do anti-piracy together. Another one is to do anti-terrorism together.

We already have been doing, together with the Russians, theater missile defense. Now why not do the more strategic missile defense together? I think all these are good examples.

When I was at NATO, we did something at the time very new, when, after Dayton, when NATO established a peacekeeping force in the Balkans, in Bosnia, we invited the Russians.

And I myself went several times to visit also the Russian troops. And they were extremely proud, they were extremely proud, to have a NATO badge here. We had a special badge for them. And I think it worked miracles.

The day-to-day work from NATO countries and Russian troops shoulder by shoulder, I think it worked miracles.

And, to quote Steve again, it took the temperature out of some complicated things. And I think that's the secrecy -- that's the secret we have to solve: how to take the temperature out of things and how to invent quite pragmatic things we can do together, where people get used to each other and where the Russians maybe lose some of their very strange preconceptions of anxiety.

MR. BENJAMIN: I have more questions than I should ask under the circumstances, but let me just give Bob one last word here, and flip it around.

There's a desire on this part of the room to turn the temperature down. Can you turn the temperature down with Russian troops on Georgian soil? And, if so, does it get us anywhere?

MR. KAGAN: Well, I mean, the problem about turning the temperature down is that both sides have to want to turn the temperature down.

And I'd have to start by saying I'm not entirely sure that the Russians think it's to their advantage to have the temperature down, or at the very least that they think they can use our desire to lower the temperature as a way of gaining concessions from us, because that's how you lower the temperature.

And Georgia is one of those areas. And, while it's possible to put, you know, call map a banana in Ukraine for the time being, it is not possible to pretend that there aren't Russian troops stationed in Georgia and talk about bases on internationally recognized Georgian territory.

So if the price of lowering the temperature is that we have to ignore that, because certainly if we make an issue of it, the temperature is going to go

up. And the Russians have every incentive of making the temperature go up as far as possible.

So I think that the only way to get into this negotiation with them is to be willing to say we, too, are willing to accept a high temperature. We prefer a cold temperature, but we'll accept the high temperature, because if we're the only ones who want -- I'm sorry to be using this temperature term too much -- but if we're the only ones who want to cool things off, they have an advantage.

MR. BENJAMIN: Okay. Strobe had a comment.

MR. TALBOTT: Yeah. I just was going to point out the risk that Russia runs by overplaying, which is something they have a talent for doing -- their de facto annexation of territories in a neighboring state.

They may feel -- and they certainly talk this way -- that it is, in part, payback for Kosovo. We'll set aside a debate on the similarities and differences, the latter far outweighing the former in that case.

But to an extent that I'm not sure governed the decision that they made in going in, they have

created a potentially very dangerous precedent with regard to the integrity of the Russian Federation itself.

And if the -- and Chechnya has not gone away. Dagestan, Ingushetia, Tartarstan have not gone away.

And Steve referred to the social contract which exists not just at the level of individual citizens, but also so-called subjects of the Federation.

And one of the reasons that, as a number of us have put such emphasis on the implications of the financial crisis for Russia, is that the viability, the valency as it were, of this social contract depends a lot on the economy moving in the right direction.

And if it doesn't, I think we are going to see -- and I am not hoping for this; there is no, to coin a phrase, schadenfreude on my part in contemplating this, because I think it would be a very dangerous situation, but this is -- this really could, you know, Russia could feel that it's got new good

friends in South Ossetia and Abkhazia and find that it has exactly the opposite within its own territory.

MR. BENJAMIN: Well, it is interesting to contemplate what a lost decade of economic growth would mean in Russia as opposed to our own country and others.

It's kind of -- it seems a lot more frightening in many ways. But maybe some of our questioners will want to examine that.

I see an awful lot of learned people around the room, so why don't you put up your hands. We'll get to as many of you as we can. And we'll certainly get to more if you ensure that there is a question mark appended to the end of your remarks. So, sir, right here.

Please introduce yourself.

MR. OBERLANDER: Leonard Oberlander, independent consultant.

Each of the set of remarks has convinced me. I want to ask this question, which I think is fundamental.

In this negotiation, turning the heat up on both sides will set a deadline to the negotiation.

Right now, it seems there is no deadline. It's long-term.

Turning the heat up will produce a deadline for both sides. Both sides have information about each other's positions, which have been analyzed and which are to be used in the negotiations. And both sides seem to have equal balance of perceived power.

The question I have is, how confident are you in your own mind that you know what the Russian side really wants is each of these statements that are made in speeches and in during talks that you say this is what they want.

Is it what they really want? How permanent is that during negotiation as a want? And which of those perceived wants are really compromisable negotiating chips or early-stage bargaining positions in the negotiation?

And I ask that because it seems to me very important in this negotiation to identify what -- to each side -- what the other side really wants that's not very negotiable, and what is useful for compromise in reaching what you really want. Thank you. How confident are you in that?

MR. TALBOTT: What negotiation are you talking about?

MR. OBERLANDER: Between Russia, U.S., NATO, and the positions on these several areas, including missiles and in Poland and the Czech -- and observation places in Poland and the Czech Republic; their views about what they will or won't do in Kaliningrad, and other issues that may be brought into the negotiation, some of which may be bargaining chips and early positions for negotiation,, and others which may be things that they really feel they really want politically and in terms of their national interests and security.

MR. BENJAMIN: Well, who would like to take a whack at the paradox of negotiation?

MR. TALBOTT: Well, I would divide the issue into two parts: one is the future of NATO, and the other is the future of the missile-defense installations in the Czech Republic and Poland.

With regard to the future of NATO, I don't think it's -- Freud's famous question about women does not apply to Russia. We know what Russia wants. They want NATO not to move one more inch eastward, and

they'd like it to go out of business. Answer: no; and no.

And that I think Klaus and others and -- and that's pretty much a unified position within the Alliance.

But that still avoids the problem that you seem to be concerned with, which is negotiating against the deadline. There isn't a deadline. And, yes?

MR. OSTERLANDER: The problem -- I don't see it as negotiating against a deadline. The problem is in the quality and confidence that you have any information that you have, that you analyze in your own mind, about how strongly do they feel about a particular position? Is it a bargaining position? Is it a chip that's being used for negotiating? And what is it that they really want to achieve at the end of the negotiation, which will take place at the deadline?

MR. KAGAN: Can I just jump in with one quick thought --

MR. TALBOTT: Yeah.

MR. KAGAN: -- which is -- it's a dynamic. There's no answer to that question. It's dynamic. It has to do with what they think they can get. What price do they pay if they demand it, and we don't want to give it to them?

I mean, this is a fluid situation. I don't think most of the issues we're talking about, in my view, and I'm sorry -- I don't mean to jump in -- but are issues of vital national interest to Russia that if they don't get what they want, Russia could, in some objective sense, be deemed to have suffered a vital national security setback?

MR. BENJAMIN: I think this is a -- the proof is in the pudding situation. And perhaps we should move on now, because we do have a lot of people with hands up. MR. Kalb?

MR. KALB: Strobe made the point earlier about the linkage between domestic policy and foreign in Russia. And we are all focusing on a perception of Russia's foreign policy I think based upon Putin's leadership, almost unquestioned.

My question does relate to the relationship now between Putin and Medvedev and the belief on the

part of a number of Russians that Putin's day not necessarily is over, but may be approaching an end; and there is some kind of confusion in the immediate future politically in Russia as to who will emerge. What kind of forces will emerge? Will it all be the same?

MR. PIFER: Well, I'll start. I mean, I'd go back to a year ago, and at the time when there was the notion that Putin was going to become prime minister. That seemed like a logical place for him to be if he was going to oversee the transition to power to Dmitri Medvedev, as Medvedev, you know, came into his own as president.

The thing that worried me, though, a year ago was Putin also then became head of the United Russia Party.

And to my mind, he didn't need that position to oversee a transition. But that was probably a pretty good position to have, and he wanted to have an insurance policy against President Medvedev going independent too quickly.

So my own sense is Medvedev said some interesting things, which suggests perhaps a different

tack. But I think if you look at the last year in terms of how Russia has pursued both its foreign policy and its economic policy, it much more reflects the Putin approach.

And that doesn't mean that Medvedev couldn't come into his own later, but I think so far the situation suggests that Putin is the one who retains the bulk of the power.

MR. KALB: But could you just add to that -- could you just add to that an analysis that in the last year, the price of oil has dropped dramatically; the point about internal economic problems that are now developing. And it may very well be that what Putin had within his grasp a year ago, he does not have now.

MR. PIFER: Right. Certainly -- I think it's a difficult situation, and the Russian tradition, of course, is when the economy gets into trouble, you blame and you fire the prime minister.

It's hard to imagine in the current circumstances President Medvedev firing Prime Minister Putin. So this is I -- yeah, I'm not sure how this

goes, but it does create an unusual situation for the Russians.

MR. KRAMER: David Kramer, recently departed from the State Department.

My question comes to what the Ambassador touched on, what Strobe touched on, and that is the deteriorating domestic situation in Russia. You mentioned, MR.Ambassador, the lack of independent judiciary, press, journalists, and human rights defenders who were killed. Just today, the jury decided in favor of acquittal for those on trial for Anna Politkovskaya's murder.

The tendency, I think many people believe, is that, particularly with the declining economic situation, the government will resort to cracking down even more -- the example you said, Strobe, of forces being sent to Moscow to Vladivostok, I think is illustrative of that.

What kind of restraint might that impose on the desire to reengage or hit the reset button with a country that may be getting worse and worse on its treatment of its own people, opposition, media, and

others? What role does that play in determining the relationship? Thanks.

MR. BENJAMIN: Ambassador, do you want to take that one on?

MR. SCHARIOTH: Yeah. Let me begin that. I, you see, we are currently negotiating a new framework agreement, as the European Union, with Russia. And, as you know, this question plays a role in there.

And it is each country's choice with whom we negotiate to, yeah, define the distance they have, for instance, to the European Union and because I said before that these values for us are sacrosanct, because it's the only thing which keeps us together as European Union. There is nothing else. There's no one language. There's no one culture. So it's the values.

And, of course, we also do business with people who have a very different society than ours, but it limits the closeness. And it limits very much the exchange.

You know, you get less young people going there if you don't have the secure situation of an

independent judiciary, which protects your life, or a non-corrupt police or whatever. You know, that limits. It's a limiting factor.

And, therefore, I think these questions are very important. I believe that rule of law and human rights and the dignity of men and women are key questions. And those are key questions of our civilization, and they need to be discussed.

MR. BENJAMIN: Anyone want to add or did that cover it in that? Okay.

I'm going to go back here, because I haven't been on that side. Yes, please. Wait for the microphone.

MS. SENAL: Hi, I'm Senal from the Institute for National Strategic Studies.

MR. BENJAMIN: Louder, please.

MS. SENAL: The Institute for National Strategic Studies.

MR. BENJAMIN: Mm-hmm.

MS. SENAL: And I just wanted one of you to comment on the increasing Muslim and immigrant population, and if that will have -- and the tensions

between the population and if that that will have any effect on Russian foreign policy?

MR. BENJAMIN: The growing Muslim population within the Russian Republic itself. Okay. Does anyone want to?

MR. TALBOTT: Well, I guess I would make the obvious comment that, as immigrants, non-Slavic, and specifically from culturally Muslim peripheral states, come into the Russian Federation that compounds what is already shaping up to be a demographically very disturbing situation for the Slavic population, which is declining and which bears the brunt of a kind of permanent, almost systemic, public health crisis.

And that, in turn, exacerbates nativism of various sorts within the Russian population, which takes on some very ugly forms, and you've got some vicious cycles going on in Russian society and politics.

MR. BENJAMIN: Steve, didn’t you have a factoid on the disparity and population growth?

MR. PIFER: Yeah, yeah. Well, the factoid is I think right now I think Russians compose about 83 to 85 percent of the Russian population.

But when you look at the birth rates, I think most projections say that in about 25 years not only will you have a smaller Russian population, but the ethnic Russians could compose maybe only 65 percent.

There was actually one estimate that said by -- within 30 years, Russians ethnically might be a minority within Russia. I think that's probably extreme.

But you are going to have, I think, a difficult situation where Russians may begin to ask themselves, you know, what is Russia? Is Russia losing its "Russianess" because of this demographic change, which I don't think they have any sense about how they can cope with it.

MR. BENJAMIN: We have 10 minutes left, and what I would like to do is take three questions and then allow our panelists to pick and choose with -- as they would like, what they would like to answer.

So let me just go across the room. One, two -- there are two of you next to each other. It's very hard to -- if that one question? Okay. And three.

MR. SLAV: Hi, my name is Brian Slav. I'm an exchange student at American University from -- I'm coming from Serbia.

My question is whether if Russia receives some concessions on the issue of Kosovo, the Georgian problem maybe would be -- wouldn't be that hard and that maybe -- because Russia actually contradicted itself with respecting territorial integrity of Serbia first time and then just coming into Georgia when they didn't get concessions on Kosovo.

MR. BENJAMIN: Where was number -- number two is in the back.

MS. VAN DUSEN: Yes. I am from the Voice of America, Russian Service. My name is Irina Van Dusen.

But I have a question actually from my Armenian colleagues, who asked me to ask you this: How can the new U.S.-Russia relations affect the countries, particularly Armenia, currently under the Russian influence?

And what should be the right stand for those smaller countries who are still under Russian influence?

MR. HERIOT: Judd Heriot, documentary film producer.

My question concerns the long-term economic strength of Russian. Oil prices will go back up. The international economic situation will improve.

But when I look at the Russian economy, I see a declining population. I see a total lack of dynamism in the non-extractive sectors. And this could lead to a long-term secular decline, both absolutely and relatively, in the Russian economy.

So if you agree with that assessment, how would this likely affect Russian foreign policy? How will they likely react to this?

MR. BENJAMIN: Yes. Small questions at the end, I see.

Well, we have Serbia, Kosovo, countries on the Russian periphery and under undue influence, and the long-term prospects for the economy.

Who would like to begin? Shall we start in reverse order? Bob?

MR. KAGAN: Well, I'll --

MR. BENJAMIN: Don't hold it against me.

MR. KAGAN: -- I'll -- no, no. All right. I'll take the last question or at least I'll give it a shot.

I mean, I think we already see the psychology of a Russia and a Russian leadership that doesn't think that time is necessarily on their side; and that, therefore, needs to make some gains while they still have the capacity to do it.

I mean, I'm very struck by the contrast between Russian foreign policy and Chinese foreign policy.

And the Chinese foreign policy I think is built on the assumption that the world is going to be theirs in 30 or 40 years, if not sooner, if they just don't do anything stupid to get the world to pounce on them. So their whole game is to say, we're small and weak, pay no attention to us.

Russia behaves in the opposite way. They are abrasive. They are upset at people as much as they can, and they say, we're big and strong; watch out for us.

And I think that that is -- it may be character. It may be Russian character, but I think

it's also partly a sense of insecurity that they don't have this sense that the future is theirs.

So the question, therefore, would be if they agree that they are in secular decline, as you say, and that 30 years from now, they're not going to be much to talk about, does that make them hasten to try to establish their gains while they have the power to do so. I guess that would be my concern.

MR. BENJAMIN: Ambassador?

MR. SCHARIOTH: I agree with much of that analysis, and, for instance, what you said about China, I agree with.

I think, though, that on Russia, on the economic development, they have a choice. They have a choice to either get closer to the rest of the world community, then they would get investment; they would get money, because you see, already today, you can observe that in spite of their huge resources in energy, they have a difficult time to keep up production at the current levels, because they're lacking money and new technologies for the investment necessary.

So they would benefit tremendously from a closer cooperation with the West, with Europe, with the United States. But they will get it only if they play.

And, therefore, also in the economic sphere, I think they just have a clear choice: if they play, I think there are benefits for both sides. If they don't play, there might be disadvantages also for both sides.

But I think the choice is basically theirs.

I would also like to add a word on Kosovo. I do not believe that there is any room for further negotiations or concessions, because we really did take that very seriously. Not only did we have a very long discussion about now what to do with Kosovo and what to do after it was eight years, nine years almost of -- under U.N. aegis.

And but we took the time to have six months of an extra round, where we had the so-called troika, and making every effort really to find a compromise which would be acceptable to both sides. You probably know that there were also models played with like in

the case between the two Germanys in the '70s and before reunification.

And so we -- I think you cannot say anything else that -- than that we really made every effort to find the solution acceptable to basically everyone.

So at least I fail to see where there would be any wiggle room. I don't see it.

MR. BENJAMIN: Strobe?

MR. TALBOTT: Let me just say a word with regard to the lady's question about Armenia and other smaller former Soviet republics around the periphery of the Russian Federation.

I think what we must hope for and do what we can to induce on the part of prevailing opinion in Russia is to convince them that it is contrary to their interests, that is, to Russian interests, to define security in the way that Russia has historically defined security.

Many of you in this room know Russian. You know what the Russian word for security is. It literally translates as absence of danger -- безопасность.

And they have tended to translate that operationally as follows: that they preemptively eliminate or at least weaken potential sources of danger in order to make themselves safer.

And what that has meant is that you have a lot of countries around your periphery -- it's not a question of beggar-thy-neighbor; it's a question of terrify they neighbor.

And terrified neighbors do not make good neighbors. They make frightened neighbors, who, among other things, want to belong to alliances like NATO.

And I think that is playing back to Russia's disadvantage in multiple ways, including, by the way -- and we keep coming back to the economic crisis -- not only is Russia in terrible shape as a result of the global recession, but so are the neighboring countries in ways that are going to create instability there, including among the various ethnic communities in a way that will create both the danger of instability crossing the border into Russia and also temptations for Russia to go the other direction.,

I think the mega-question here was framed by the last of the three people to ask a question, and I

would take a crack at it this way: I think what happened with the end of the Soviet Union, after the Gorbachev and Yeltsin period and the rise of the Putin leadership in Russia, was that you had a Russia, who, through the voice of Vladimir Putin, essentially said, we get it. We understand that it's a globalized world. We're part of it. We are no longer going to see ourselves as the headquarters of an autarchic camp that is separate from the rest of the world.

But you, the rest of the world, have to accept us on our terms, and then he laid out what those terms were, which include, of course, a sphere of privileged interests and other things of that kind.

And the response to that, coming from the rest of the world, and particularly, I might add, from Europe and the transatlantic community, is we're glad to have you as part of a globalized world, but you have to accept membership in that globalized world on its terms or our terms.

And to strike a self-critical note from an American perspective, I think part of the problem of the last eight years was, first of all, Russia didn't

figure very prominently on the radar scope of American foreign policy, which is always a mistake.

And second, when the voice from Washington was saying you have to do this that or the other thing on our terms, it meant American terms, which I think goes back to the point that Klaus made earlier about the importance of the United States being part of an international community that is consensual and rule-based and will be, therefore, more persuasive on some very nitty-gritty, including economic, issues with Russia.

MR. PIFER: Yeah. Two comments. First, to follow up on I think on Strobe's point about Russia policy over the last eight years--I mean, it seems that also one of the problems we had is I don't think we really had a policy towards Russia.

We had a NATO policy, which had a Russia piece. We had a missile defense policy, which had a Russia piece. We had a Kosovo policy, with a Russia piece.

MR. TALBOTT: Terrorism policy with a Russia piece.

MR. PIFER: Other piece -- yeah, with a Russian piece -- but there was never an effort to sort of bring that together and say how do you deal with Russia, and how do you make some trade-offs? I mean, if you're going to invest in a better relationship, you can't expect to win on every single issue.

And there was perhaps no willingness, but no structure really in the Bush administration to sort of weigh these off and go to deputies and say, let's push on A and B, but in order to get Russian cooperation, maybe we can give on these other issues.

On the last -- question about Russia's -- or the situation for Russia's neighbors, you know, it seems to me that probably one of the more difficult issues on the U.S.-Russia agenda is going to continue to be this entire question of how the United States and NATO interact with the other former Soviet states.

And the balance that we're going to have to try to strike is while recognizing that Russia does have some legitimate interests, on the other hand, that we should also be supportive of the right of independent states, as sovereign states, to choose their own foreign policies.

Now it seems to me that when Vice President Biden was in Munich -- and you were there -- I mean, he sort of laid out this balance; on the one hand, a readiness to engage Russia; I think big hints of moves on strategic nuclear arms reductions; a lot of flexibility I think is being signaled on the missile defense question. But also the Vice President said no sphere of influence and we support the right of independent states to determine their own courses.

So I -- that strikes me as the right balance here.

I guess the last point I would make is if you can use things like arms control, missile defense, maybe some moves on economic questions, it's long past time when we graduated Russia from Jackson-Vanik and gave Russia a permanent normal trade relations status.

But if you can do that and change the context of the U.S.-Russia relationship and make it more positive, you may actually create some more freedom for maneuver for some of Russia's neighbors.

I mean, certainly the view in Ukraine will always was the better the relationship between the United States and Russia, the better the relationship

between NATO and Russia, the more freedom they had to pursue their pro-western course.

So better U.S.-Russia relations may actually have some positive effects for some of the neighbors.

MR. BENJAMIN: Well, that seems like a great place to end.

First, let me apologize to the audience. I saw a lot more hands that I could possibly call on. So thank you for your patience.

And then I want to thank our panelists. I don't think I saw a single person get up and leave before they were finished, so I think that's a testament to just how engaging and thought-provoking they've been today.

And I hope you'll join me in thanking them for a terrific session.

(Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012