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A CONVERSATION ON RUSSIA

WITH

SENATOR RICHARD G. LUGAR (R-IND.)

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

## P R O C E E D I N G S

MR. TALBOTT: Good morning, everybody. I am Strobe Talbott, and I want to welcome all of you here today. Our guest today, Senator Dick Lugar, could and indeed I hope in due course will in the months and years to come address virtually any subject any of you can imagine on the subject of America's role in the world. He is as I think you all know the Ranking Republican on the Senate Foreign Relations Committee. He is Indiana's longest-serving Senator in history as a member of the Class of 1976. Last year, his fellow Hoosiers acknowledged or celebrated his thirtieth anniversary in the Senate by seeing to it that he was uncontested in his bid for reelection, in this case seeking a sixth term in the Senate.

The last two times that Senator Lugar was good enough to come here to Brookings he spoke about the subject of energy security. He in many respects and on many issues is responsible for the world being a safer place than it might have been absent legislation that he has put forward and initiatives on which he has shown such leadership. I am thinking here particularly though not exclusively about the breakthrough progress that he working with a number of colleagues from both parties have been able to make in the general area of arms control and nuclear nonproliferation, and very specifically, he and others, but his name is associated particularly with this effort, to see to the safe dismantlement of

weapons of mass destruction in the former Soviet Union, and I suspect that that likely to come up during the course of today.

The subject today is to talk in a more focused way about the Russian Federation. And as I look around the room, I see many people who are truly experts on this subject, my colleague Hal Sonnenfeldt of course here at the Brookings Institution, there is a trio of former ambassadors in about the fourth row, Jim Collins, Dick Miles, Steve Pfeiffer, all of whom you know very well, Senator. In fact, it probably had something to do with their confirmation, and I'm sure they are still grateful to you for that.

He is going to talk to us more specifically about what we can do to keep the relationship between the United States and Russia, a relationship that has known better days, from deteriorating while both of our countries plunge deeper into an electoral process that will determine who is going to succeed President Bush and President Putin in the White House and in the Kremlin, respectively.

Before turning over to him, I would like to strike a personal note, not just on my own behalf, but also on behalf of my friend and colleague Carlos Pascual, the Vice President and Director of our Foreign Studies Program who is sitting next to Senator Lugar. U.S.-Russia relations, U.S. relations with that very large country that no longer exists, the Soviet Union, are subjects that Senator Lugar, Carlos, and I have been working on together for many, many years. I can say from my own time in the government, and I think Carlos would probably join me in this, that there is no wise counselor, no more constructive critic, and no

more valuable supporter in the legislative branch of government or just about anywhere else than the gentleman who is about to address us now.

We live in a partisan town and we live in very partisan times, and this statesman of the Senate is a paragon of bipartisanship, a paragon of civility of discourse, and a leading thinker on what is best for the nation in the world. And whatever differences that may emerge in the discussion that he will have after he finishes speaking, I am sure there is general agreement that both the international interest depends very much on Russia moving in the direction of becoming a modern, normal country, integrated in the global economy, working with the United States to be part of the solution to the many problems that we face.

The order of battle this morning is that the Senator is going to offer some opening thoughts on how to put the relationship on track, and then he will be open to your questions and a discussion with all of you until the stroke of noon. Senator, welcome, and the podium is yours.

(Applause.)

SENATOR LUGAR: Strobe, I am deeply indebted to you for such a very thoughtful and generous introduction. I am honored that you have invited me along with your colleagues at Brookings today, and you have invited such a distinguished group of people who will participate in our dialogue. I pay tribute to, and you have mentioned the ambassadors, the trio in a row, and Carlos in the front row, but each have been very generous hosts during our travels to Russia

and Ukraine, as well as very good counselors and informants, and I am honored to be with all of you this morning.

Let me start by simply saying the relationship between Russia and the United States is more important for American interests and more complicated to manage than at any time since the end of the Cold War. The truth is that this is a period of considerable frustration and disappointment about our relationship in both Washington and Moscow. For many Americans, there is concern about an overconcentration of power at the top in Russia and how that power is being projected in dealing with the so-called near abroad. For Russians, there is a growing conviction that Americans really do not even try to understand how chaotic the last 15 years have been for Russia. In reality, we both need to get used to the fact that we need each other, that we need to be as energetic in expanding common ground as we have been lately in voicing our frustrations.

In fact, in our current fashion of mutual dissatisfaction, we are losing sight of what we have to gain by working together, and that risk will not likely recede over the next 14 months when the intersection of our two domestic political processes may produce more rhetoric than liked from either of us.

How do we put Russian-American relations on a more sustainable, long-term footing? In the next 14 months, both the United States and Russia will hold presidential elections and elect new leaders. While both presidents will be considered by many political pundits as "lame ducks," this last phase of the Putin and Bush presidencies offers an historic opportunity to renew and revitalize

United States-Russian relations. Our presidents have an opportunity to give new direction to their bureaucracies and to lead our countries toward a stronger partnership. To many it will seem counterintuitive to make major policy pushes in the final months of the presidencies, but the strategic voices legitimized by Presidents Bush and Putin will shape the behavior and policies of successors for years to come.

The United States and Russia have a narrow window of opportunity to make significant progress on a number of important issues. Progress on global security initiatives will anchor bilateral relations amidst tensions and disagreements that are somewhat inevitable on energy dependence, Kosovo, Georgia, and many other topics. Secretaries Rice and Gates will travel to Moscow at the end of this week to meet with their Russian colleagues, the so-called Two-plus-Two Discussions. This visit provides the last best opportunity to lay the foundation for bold initiatives and to seize the high ground by establishing a legacy for Presidents Bush and Putin.

I strongly recommend that the secretaries and their Russian counterparts introduce a new package of initiatives. These initiatives relate to three bold security challenges. Number one, nonproliferation and nuclear energy partnership. Number two, progress in arms control. And number three, missile defense cooperation.

In the area of nonproliferation, first of all, we have made real progress. Even during moments of tension between our countries during the last

15 years, the Nunn-Lugar Program, our primary cooperative means to address proliferation and weapons of mass destruction, remained a constant. Both sides recognize the importance of this endeavor to our mutual security. The program has succeeded in convincing Ukraine, Belarus, Kazakhstan, to remove all of the nuclear weapons from those territories. In addition, it became the primary tool for which the United States works with Russia to safely destroy its massive nuclear, chemical, and biological warfare capacity. The fissile storage facility at Mayak is one of the largest projects undertaken by the Nunn-Lugar Program. The massive storage bunker provides safe and secure storage for up to 100 metric tons of plutonium taken from dismantled Russian nuclear warheads. Negotiations are underway to conclude a transparency agreement that will establish a process whereby select United States personnel acceptable to Russia can periodically inspect the facility and ensure it is being used for its intended purpose, storage of weapons-grade nuclear material. U.S. personnel would be able to make observations and take certain previously agreed measurements to create confidence in the materials stored in the facility.

In February 2007, the United States provided a new draft proposal to bridge the gap between the United States and Russia on this important issue. I was pleased to learn recently from officials at Ross Island, that Russia believes these negotiations can be concluded by the end of the year. Such a success would demonstrate ongoing U.S.-Russian cooperation on nuclear security matters in particular, and the Nunn-Lugar Program in general. Four years ago, Presidents

Bush and Putin agreed at their summit in Bratislava, Slovakia, to upgrade the safety and security at Russian nuclear warhead and material storage sites by the end of 2008. This was an important step forward. Together we have made tremendous progress, but we still have much work to do. It is important that Washington and Moscow reaffirm now their commitment to complete the site security work and reach agreement on how the improvements will be sustained in future years.

Equally important is the fact of the U.S.-Russian agreement to dispose of 34 metric tons of weapons-grade plutonium on each side. This proposal has been held up for a number of years over disagreements on its implementation. Now is the time to finalize a path forward, amend the existing agreement, and begin implementation. Progress on elimination of this former weapons material will send an important message to the international community that both countries are meeting their nuclear disarmament commitment under Article VI of the Nuclear Nonproliferation Treaty.

Together the United States and Russia should be sending the clear message that we are willing to go anywhere in pursuit of preventing the proliferation of weapons of mass destruction. We should not assume that we cannot forge cooperative nonproliferation programs with critical nations. The United States and Russia should be exploring how the Nunn-Lugar experience can be applied in North Korea. While difficult diplomatic work remains, we must be prepared to move forward quickly if respective governments affirm the so-



called Disablement Steps agreed in the Six Power Talks. To the extent that North Korea permits the elimination of its weapons of mass destruction and their means of delivery, the Nunn-Lugar Program represents a readymade framework for beginning the weapons elimination process. Moscow and Washington have proven that former enemies can work together to achieve shared security benefits. Such a track record will be critical to a successful diplomatic process on the Korean Peninsula. In sum, the Nunn-Lugar Program still has important work to do with Russia and I strongly urge Secretaries Rice and Gates to make certain that they Mayak Transparency Agreement, warhead security, plutonium disposition, and joint efforts in North Korea, are at the top of the list of subjects to be discussed at the Two-plus-Two talks in Moscow.

On the area of nuclear energy, closely related to nonproliferation cooperation, is the need for joint efforts in the nuclear energy field. Many nuclear experts predict a coming surge in global demand for nuclear power which may provide a pretext for more nations to seek their own nuclear-enrichment facilities. The spread of this technology to additional states poses long-term risks. While the technology may be intended to produce reactor fuel, it can also produce materials for nuclear programs. The United States and Russia should formally continue joint efforts with the International Atomic Energy Agency and consultations with potential partners to develop an international nuclear fuel bank and a multilateral fuel assurances system. Such a system would ensure the countries who give up their enrichment and reprocessing programs have an

assurance either bilateral, multilateral, or both, of nuclear reactor fuel at reasonable prices. Under such a regime, nations would be prohibited from using the guise of peaceful energy production to develop nuclear weapons. The United States and Russia can provide critical leadership in stopping the abuses to the core and intent of the NPT. For too long nations have used the template of nuclear energy to develop nuclear weapons. The nuclear fuel bank and assurance system concepts could give us an effective means to reverse that trend. To realize the full potential of these proposals, the Peaceful Nuclear Agreement or the "123 Agreement" negotiated by the United States and Russia must be finalized and signed by the President and sent to the Congress. When the agreement arrives in the Senate, it will certainly have my strong support.

There is a second area where progress is not only possible in the short-term but is in our mutual interests, and that is in arms control. The United States and Russia are engaged in negotiations on the fate of the START Treaty's verification regime which will expire in 2009. The Russian government has announced that the agreement should be legally binding. The United States on the other hand has argued for a politically binding agreement that is not reinforced by law. The U.S. position is similar to that adopted by the Bush administration in early rounds of discussions on the Moscow Treaty in 2003. I am hopeful that the administration will ultimately abandon anxieties about legally binding commitments as they did 4 years ago. Some argue that concluding a legally binding agreement suggests that the current bilateral relationship is the same as

the U.S.-Soviet relationship. Unfortunately, this point does not provide a logical rationale for abandoning a legally binding START Treaty. If both sides agree that it is necessary to have some type of verification arrangement in place, why not provide them with the force of law? The predictability and confidence provided by a treaty and an effective verification regime will reduce the chances of misinterpretation, miscalculation, and error.

I appreciate the view that the Moscow Treaty was a first step in formalizing a new strategic relationship between the two countries based on transparency and confidence-building measures. We must not forget that this new concept was buttressed by the START Treaty's verification regime. In other words, the conceptual underpinning of the Moscow Treaty depends upon something which is about to expire. The selective discarding of the START Treaty elements in order to arrive at less-stringent post-START transparency alternatives carries with it the seeds of greater distrust between the two sides. I am not opposed to new transparency measures, but the current Russian-American relationship is complicated enough without introducing greater elements of uncertainty into the nuclear relationship. The United States and Russia need to get on with the business of extending the START Treaty. Time is running out and the failure to extend START would be a significant setback to the NPT and the international community's view of the American-Russian commitment to meeting our obligations under Article VI of the NPT. This could lead to a further weakening of the nuclear nonproliferation regime which has already suffered

significant damage in recent years. A shift in policies in both capitals will be necessary if we are to stop this sharp decline and to rebuild the regime.

After signing the Moscow Treaty, the United States and Russia committed to work closely together and negotiate additional transparency measures to accompany the treaty. Unfortunately, no progress has been made to date. This is missed opportunity that must be rectified. The Moscow Treaty created a Bilateral Implementation Commission as the primary forum for discussions on transparency and verification. A number of important proposals should be added to the committee's agenda to enhance confidence and help verify reductions of strategic systems including more detailed exchanges of information, visits to additional sites, and additional kinds of inspections. The two sides should also discuss the merits of an inspection regime that would seek to verify the actual number of warheads on each delivery system or permit inspections at storage sites to count weapons held in those locations. It was also hoped that the commission would be used to address nonstrategic, so-called tactical nuclear warheads. Many public reports suggest that Russia may have more than 12,000 of these systems. The administration testified in great detail on how this would be a topic of discussion and negotiation. Unfortunately, there has been no progress.

The START and Moscow treaties made important contributions to U.S. national security and I believe they can continue to make us safer. To accomplish this, the administration must reject the arguments from some that suggest that the U.S.-Russian relationship has moved beyond the need for legally

binding treaties. While I wish this might be the case, nuclear weapons are too dangerous to leave to political machinations in Washington or Moscow. The extension of START and the establishment of transparency measures under the Moscow Treaty are the next steps to providing the international leadership necessary to address the threats posed by weapons of mass destruction.

Now a third topic, missile defense. Missile defense is an area where progress in the short-term is possible even though the issue is seen by many as a major source of the current malaise in the relationship. Concerns over the impact of a limited regional missile defense system in Central Europe directed at rogue states can evolve into productive discussions, over a more global approach to defenses against nuclear attacks. Henry Kissinger has suggested that President Putin's initiative to link NATO and Russian warning systems was one of those initiatives easy to disparage on technical grounds, but also one that allows us to, "imagine a genuinely global approach to the specter of nuclear proliferation which until now been treated largely through national policies." Kissinger continues, "If the countries involved link their strategies on the nonproliferation issue, a new framework for a host of other issues will come about."

I agree with former Secretary Kissinger. The Russian missile defense proposal provides an important strategic opening for further discussion and exploration. President Putin's proposal is not a new concept. In fact, it is surprisingly similar to the strategic vision that President Ronald Reagan laid out more than two decades ago. I am pleased that the administration is seriously

studying Putin's offer on missile defense. While the utilization of former Soviet radar stations may or may not assist in tracking missiles fired from rogue states, sharing information gathered by U.S. and NATO systems to Russia and possibly linking radar and early warning systems would be useful in ensuring transparency and reaffirming our cooperative approach. General Oberling, head of the U.S. Missile Defense Agency has said, "The Russian proposals are things we should certainly pursue. The ideal future would be that we have U.S. capabilities, we have NATO capabilities that marry up to U.S. capabilities, and we have Russian capabilities that marry up to U.S. and NATO capabilities as well."

The United States and Russia should also consider the establishment of jointly manned radar facilities and exchanges of early warning data. They might also consider joint threat assessments, as well as undertake bilateral discussions on options for missile defense cooperation.

Lastly, we might consider placing Russian liaison officers at U.S. missile defense tracking sites in exchange for U.S. officers in Russian strategic command centers. The transparency gained from such steps would be useful in offering reassurances that these radars are not meant for spying on Russia.

During my recent trip to Russia, U.S. and Russian experts discussed the utility of installing missile defense in Eastern Europe in phases. They argue that this could well change the substance as well as the tenor of the U.S.-Russian discussions on missile defense. Further, I applaud General Oberling's invitation to his Russian counterparts to observe missile defense tests

in the United States. Missile defense cooperation could be conducted on a bilateral or multilateral through the NATO-Russia Council. Some have expressed skepticism in using NATO because of the need for unanimity under NATO rules, but such a view is shortsighted. It is difficult to believe that the United States will succeed in developing an effective missile defense system in Europe without the full support of NATO members. In many cases, this will require a good-faith effort to engage Russia. While securing broad support is time consuming and difficult, it is unlikely that a policy based upon avoiding those European capitals that oppose our plans, and Russia, will succeed at all. The 2008 NATO Summit in Bucharest provides an opportunity to build European support for the missile defense concept. Further, the NATO-Russia Council could serve as a forum for discussion and consultation on not only proliferation, but broader nonproliferation cooperation. It might organize threat assessments, research-and-development concepts, interoperable systems, and studies on joint capabilities and operations. To date, missile defense has been a divisive issue in U.S.-Russian relations and it has the potential to cause similar damage to U.S.-European relations. This does not have to continue. Experienced observers understand that the United States will need to build support in Europe for missile defense and that this will require patient diplomacy, the willingness to consider other options, opinions, and alternative timelines. Let me be clear that the United States must do whatever it must, including missile defense, to protect American lives, but in this case we must have cooperation from our allies, and U.S. policies must reflect that reality.

While the U.S.-Russian government-to-government relationship needs creative strategic thinking and a kick start, the commercial side of the bilateral relationship is moving in high gear and expanding significantly. Last year, U.S. exports to Russia increased by 20 percent to \$4.7 billion in a broad range of merchandise and service markets. Unfortunately, the merits and benefits of this expanding relationship remain unknown to many here in Washington.

The business community can be a valuable partner in improving U.S.-Russian relations. We should carefully consider the recommendations they are making. First, they argue accurately that the Jackson-Vanik economic legislation has long outlived its usefulness. The relic of the Cold War is no longer applicable to the modern Russian government and administration. For more than 8 years, Russia has satisfied the requirements of Jackson-Vanik by facilitating free immigration. Perhaps more importantly, the Jackson-Vanik amendment must be revoked if Russian membership in the World Trade Organization is to move forward. Granting permanent normal trade relations will improve confidence in the Russian investment climate and enhance economic relations between the United States and Russia. The two countries have concluded a bilateral agreement and work is currently underway on the Multilateral Draft Protocol of Accession for WTO. I support Russian accession to the WTO and urge both sides to ensure that these agreements contain provisions improving cooperation in the areas of piracy, counterfeiting, border control, protection of pharmaceutical test data, and intellectual property rights. I urge Secretaries Rice and Gates to inform



their Russian counterparts that when the WTO multilateral negotiation process is complete and these important provisions are secured, that President Bush will send it to Congress for approval with the full strength of the White House behind it. They must work to convince both the House and the Senate that Russian membership in the WTO will further integrate Russia into the international rules-based trading system and help lock in reforms. Both represent important U.S. national strategic objectives.

There are no more effective ambassadors for democracy, rule of law, and American ideals than U.S. corporate leaders, and while governments will continue to play the critical role in relations, we must encourage and endorse the benefits that will be gained from strong commercial ties and the important contributions they can make to United States-Russian relationships.

To conclude, the existence of neuralgic issues on both sides should not distract us from pursuing the means by which to manage them more adroitly so that priorities that make sense can be illuminated, and mechanisms through which to accomplish mutually positive ends can be identified. Presidents Bush and Putin have the opportunity to give new direction to their bureaucracies and to lead our countries toward a stronger partnership. If they are to succeed, Secretaries Rice and Gates must arrive in Moscow later this week with a forward-looking agenda aimed at constructing a package of agreements designed to make progress on nonproliferation, nuclear energy, arms control, and missile defense fronts. To arrive at such a package of agreements, the United States and Russia

must entertain compromise. Refusal to seek common ground dooms the entire exercise to failure. I remain optimistic that we will summon the courage and the perseverance required to move our nations toward many mutual successes. I thank you very much.

(Applause.)

MR. TALBOTT: I am sure I speak for everybody here in expressing appreciation for the both breadth and depth that Senator Lugar brought to his presentation. And having alluded earlier to the composition of this group here today, I am quite confident that when we throw this discussion open to all of you which will be in a moment or so, you will have an opportunity to elaborate perhaps on some of the points that you made about the opportunities and obstacles in the general area of arms control and nonproliferation.

But if I might, Senator Lugar, I would like to begin the conversation with a much broader question that has to do with the political context of the relationship and indeed the political context of what is happening in Russia today. You and I going back many years have talked about the linkage between the way in which Russia handles itself in the larger world and the evolution of its own political system. Surely on the mind of everybody here is a concern about the direction of Russian politics.

You spoke about the presidential elections coming up in both countries. There is a pretty basic difference between those two elections. George W. Bush does not know who will succeed him. If Vladimir Putin has made up his

mind as to who is going to succeed him, that person will succeed him. Millions of votes will be cast in Russia next year, but in a very real sense, one vote matters. Russia is, and I am speaking for myself now, less free than it was back when you and I were working when I was in a different capacity on this issue together. The society is less open, and Russia is exerting itself more strenuously and obtrusively against its neighboring states.

At the end of your remarks you said something about the role that the private sector can play in nudging Russia toward rule of law and democracy. Do you see ways in which the current administration here in the United States and its successor can also do more to help induce progress in that direction?

SENATOR LUGAR: I am certain the administration could do if the agenda that I have discussed comes about. My own view I suppose, and I derived this conversation with the -- Bartov (?) who many of you know -- candidate for election does not expect to be elected to the parliament because his party will not get to the level necessary to have representation, but a recent Aspen Institute conference in Berlin on Russia and the United States, he counseled that we must remember that for many Russians these times in this year or the last or so far are much better than they have been for many years in the past. I do not want to get into generalities about age groups or veterans or people in rural areas or so forth, and here in this room there are people who are traveling back and forth to Russia more frequently than I do, but they would say remember that a lot of people like this leadership of President Putin, that his approval ratings, depending

upon how polls are taken in Russia, may be of the order of 60 to 70 percent plus approval, and that is pretty stout as we take a look at that political leaders in our country obtaining that kind of support.

Furthermore, they have a feeling that whatever may have been our idealism with movements toward enterprise, capitalism, toward private ownership in Russia and so forth, that mishandling of all of this led to the so-called robber barons, some of them pretty bad. They want somebody like President Putin who is fully a match for this sort of thing. Americans would argue that Putin is not only a match for it, he may have incorporated into his own cabinet robber barons who are friendly, that the qualification for participating in Russia in politics or business is that you do not challenge President Putin or those in authority, but learn to cooperate with them. That is very disagreeable for all of us as we take a look at what we had hoped would be a spread of democracy following the Cold War in Russia. In Eastern Europe, now in the Middle East, everywhere, that is not happening, and yet at the same time a degree of stability, a degree of general prosperity for many Russians, and the prospect of much more, given the benefits of the oil riches and natural resources, the building up of huge reserves and repayment to the rest of the world, many Russians feel a sense of pride that we do not owe anybody anymore. They come to see you and they see me and the first thing they say is we are rich, we are rich, we do not really need you anymore. On the other hand, we would like to find out there are some ways we might deal with you to continue on the old relationships.

Maybe President Bush can whisper to his fellow president that you really would be better off, Vladimir, if you really moved a little bit toward democracy, if you lightened up and so forth, but that advice might not be taken if President Putin is in fact thinking about becoming Prime Minister, thinking about conceivably changing the aspects of the Constitution of Russia, so that the authority shifts more toward whoever is Prime Minister and less toward who is President. It is a phenomenon witnessed in Ukraine nearby in recent times, and this was a total surprise that Putin would suspect that he would be at the top of the list and carrying in a whole raft of new people or old people as the case may be on his list but have control. This may be something for our presidents to gossip about, but I do not see in the timeframe that we were talking about today a vast change in that kind of relationship based upon democratic impulses. I see a degree of acceptance of the lay of the land is now.

MR. TALBOTT: Thank you, Senator. Over to you. Yes, the lady right here. If you will wait for just a second for a microphone, and please identify yourself and try to be as concise as possible in your question.

QUESTION: (inaudible) Voice of America. I have two questions about Ukraine, actually. Russians often say that they couldn't imagine Russia without Ukraine. I would like to ask you how would you assess the outcome of the Ukrainian election and their influence on the region.

And a second question about energy. The Russian government often used Russian energy resources as a tool in their political games. What

would be your suggestion to countries like Ukraine and Georgia in dealing with their energy dependence issues? Thank you.

SENATOR LUGAR: On the interpretation of the Ukrainian election, I suppose I am one who still wants to see the final results. I understand there may still be some challenges by Mr. Yanukovich and his party maybe to see if the socialists can get up to 3 percent and thus have some people in the parliament. If not, why of course that sort of settles some issues if there are not disputes. But it is a very narrow margin for Ms. Tymoshenko and President Yushchenko, maybe 2, 3, or 4 votes as I understand it, and then it has to sort of settle down to begin with. Settle down will have to be the word for Prime Minister Yanukovich in terms of rallies and suggestions that they might occupy the same prominent square in Kiev that the Orange folks occupied last time. But let's say we get through this. Then speculation will be what will be the relationship between Yulia Tymoshenko and President Yushchenko? Obviously, a very disparate number of voters in their two parties, with Yulia getting about 30 percent of the vote, and President Yushchenko's vote may be in the neighborhood of 15 to 16 percent. And it was already a difficult relationship, although apparently there have been vows to let bygones be bygones to try to move ahead, but this is going to take a little bit of time I suspect, and some good luck for all of that to occur.

In the meanwhile as we have noticed, Russia, 2 days after the election results were first broached, indicated that Ukraine has a huge energy

debt. Off the top of my head, I think he said a billion, three-hundred-million dollars that should be paid immediately. So we are sort of back to a couple of winters ago in which this kind of demand was made and Russia said we are just now pricing oil and natural gas in a world market way, not with preference to the former states in the former Soviet Union. Whatever it was, Prime Minister Yanukovich in his diplomacy with Russians has soothed the path a bit for Ukraine and some would say that the Russians were making a statement that if in fact we are not going to have Yanukovich to deal with anymore, this is a different ballgame and we want our money now. I noticed that about 2 days after this bill was served that the government of Yanukovich sent emissaries to Moscow to think about this again with the thought that we could do business. Maybe the new group coming in is a different story.

What it leads to with regard to energy policy generally, I had the privilege of speaking at the Riga Summit last year of NATO and simply drawing to the attention of NATO threats, that not something Ukraine or Belarus had had similar bills coming in recently, or the Baltic States under very great pressure, but Hungarians who are 80 percent dependent we are told on Russian natural gas, the Poles 60 percent, the Germans 40 percent, that it might be that aggression in the future could occur through somebody turning off the tap which oversimplifies the withholding the energy resources. You need not send planes and tanks and so forth, and troops; somebody could disable a country by eliminating its supply of energy at a critical time.

After the speech, NATO friends came up and said you are right, but this is too serious to talk about publicly. This is the kind of thing that we almost have to in an existential way deal behind the barn, so to speak, one on one or in some other relationship. In fact, there has been some movement by NATO to think about reserves, to think about how the energy processes can be organized, realizing that, after all, Russians would like to have steady customers, good prices. They are becoming rich as this goes on and to disrupt this is not in their interests. But also to take away the edge of a strategic use of energy resources to gain a particular foothold in a country or to ruin it, to punish it, to indicate to others what will happen to them, if they are not amenable. I think it is a very, very serious issues and it is one our government has taken as a point of first importance, but without making great headway. We have the Baku-Ceyhan pipeline coming through Tbilisi, sometimes called the Baku-Tbilisi-Ceyhan pipeline, but we have not been able to convince Kazakhstan to send resources through that pipeline as opposed through the Russian route. Work is going on with Turkmenistan now to see if perhaps that they might go both ways. But this is critical to not only Ukraine, but to Europeans, and critical once again that there be more of a meshing of gears of Ukraine with Europeans even absent progress on E.U. and quite apart from NATO membership.

MR. TALBOTT: Jim?

MR. COLLINS: Jim Collins, Senator. You mentioned the 123 Agreement which I do happen to agree is probably the biggest opportunity we



may have in opening the future. But there are plenty of rumors at least in this town that issues like Iran or other ancillary issues vis-à-vis U.S.-Russia relations will cause real problems for that if it is sent up to the Hill, and I would like your thoughts on that.

SENATOR LUGAR: I share anxiety that both the Hill and the administration may have some problem dealing with 123 and Iran simultaneously. At the same time, it is so much in our interests, there are so many Russians interested in the subject, that I was proposing that leaving aside the fact that perhaps the Two-plus-Two cannot deal effectively with Kosovo, for example, right now, or with the energy issues we just touched upon, that the 123 has been out there for a while, it is something that is in both of our interests, so even given congressional problems, that will be true of almost anything that comes from the leadership at this point. It is going to require very effective not only lobbying but a lot of consultation, a lot of spade work by administration people coming back from this Two-plus-Two to inform everybody what the opportunities are.

I see however a desire on the part of many members in the Senate to try to come to some agreements that are constructive at this point. This has not been a good year in terms of this type of situation, and I see within the Foreign Relations Committee with Chairman Biden and with others a desire to forge some times on some agenda, but there has not been much coming over from the administration to work with. So without making everybody unhappy, I am just suggesting that this is a pretty good opportunity. It is a high-profile meeting,

there are some items here on this agenda that are not new for Russians or for us, and so this may be an opportunity to move on both counts. I think it is important because whether President Putin continues in leadership wherever he may be next year, we are going to have a change in government. We are going to have a new president, a new cabinet, confirmation processes for Secretaries of State and Defense and whatever, so that new policy changes could be postponed by 3 months, 6 months, whatever it takes for everybody to get seated, quite apart from changes in the Congress with people retiring or new leaders on the committees and so forth. So this is important now for us to get our act together for a few months or time to do some things that I think are on an agenda that although are not agreed upon, at least has been pretty thoroughly vetted in the past.

MR. TALBOTT: Senator, since you mentioned Kosovo in passing, maybe in the context of your answer to Jim's question you could come back to that and elaborate a little bit. Kosovo was not only the source of violent instability in the Balkans, but a very, very dangerous tension between the United States and Russia in the 1990s. We and the Russian government are very much at loggerheads over the question of the ultimate status of Kosovo now. What is your estimation on the prospect of some sort of resolution of the U.S.-Russian position on that issue? And if there is not such a resolution, how concerned are you about a resumption of violence in the Balkans?

SENATOR LUGAR: I think, separating the two questions, I am not optimistic that the Russians are going to come to a different view on Kosovo

within this framework of the 14 months we are talking about, maybe in due course, but even then I think it is unlikely. So the question may very well be the degree to which Russia is accepting of European leadership in the Balkans. That is speculative. The Russians may decide they need to indicate once gain how strongly they feel about Kosovo. But on the other hands, one of the reasons for getting an agenda such as the one we are discussing this morning underway is that the Russians may need to weigh interests that are vital to them and their future and their relationship with us in some other areas in which we do not talk about Kosovo head on, but the United States and others work with European nations who originally had hoped that they would be able to resolve the Balkans issue, and as you know from your experience, found that they were not going to be able to and called upon us to come in in a very large way to help out. So that is about the best I can do in terms of speculation fro the next few months.

QUESTION: (inaudible) Voice of America. The secretary asked the first part of the question and the second is mine. Is it likely that Kosovo's status will be hostage in the framework of all the issues that you discussed?

SENATOR LUGAR: No, I do not think it is likely that Kosovo will be hostage with regard to these issues. I think Kosovo is going to be decided on a separate track.

MR. MITCHELL: Senator, Gary Mitchell from "The Mitchell Report." No one has thought more about America's foreign policy interests and national security interests than you. Thinking ahead to that election of a forty-

fourth president no matter who it is, I would guess you are going to be among the first phone calls that they will make to talk about what you see as that foreign policy and national security agenda moving forward.

To the extent that it is possible to sort of give some rank order, I am interested to know where you put this cluster of issues, this package that you talked about this morning. Where does that fall on the top priorities in foreign policy and national security? And what are the other issues that you would place at or near the top around the issue that you have expounded on this morning?

SENATOR LUGAR: I think the issues that I talked about this morning are very important because they affect our bilateral relationship with Russia, and I think Russia is very important. I think we have to keep affirming that and understanding that. I would say that Russia, however, is important in several ways that have been touched upon. For example, the United States has a huge trade deficit and we have had for quite some time. We are fortunate that those who have taken dollars back to their reserve accounts have through either their central banks or controlled organizations and what have you by and large continued to purchase our treasury bonds or equivalent securities and have provided capital for our country at relatively low interest rates which undergird our growth and prosperity. We trust that it is in their best interests still to do that for the foreseeable future, and therefore I am not predicting that some day they come to a different view. However, the decline in the dollar leads to some thoughts in some capitals as to whether their portfolios might be better balanced.

Those who advocate that have to take into consideration with the dollar falling the cashing in of the dollars at lower value is probably not in their interests, but this is not a very good way to keep holding people in your camp.

So I do not know what the savings propensity of the American people is likely to be in years to come. For the moment, it is very low and we have taken advantage of the savings of the Chinese and now occasionally of the Russians who have built up large situations. Recently people in countries have started talking about sovereign funds. These might be funds strategically used by governments such as China or Russia or whoever else is building up resources for the moment people are saying in a benign way, there is no reason why the government of Russia would not invest it in the same way as say the Harvard Endowment, looking for a high return, even in speculative hedge funds and so forth along the way. But what if President Putin or somebody else decided much like cutting off the oil, you can use sovereign funds for various situations? I do not want to get into something that really is sort of a three- or four-chapter answer, but I would just say the question of our reserves, our currency, our trade imbalances, our own internal deficit year by year, the lack of savings, and increasingly a sense of protectionism and isolationism which is reflected in many political polls that I see and perhaps you see. So that we believe that we can shut out some exports, shut out foreign workers, we have not resolved immigration issues, but these have become very controversial in our politics, these are disturbing problems on the international sense in some confluence.

I think secondly the whole issue of democracy, it is easy to criticize the fact that Iraq may or may not have been a good candidate for a democratic experiment and that essentially the countries around are not leaping to get into the democratic camp. Some would say as a matter of fact, as we talked about President Putin, today his example has not been one which we are hopeful that others would follow who have at least some semblance of a democratic institution base. The issues that are presented by Burma currently are very disturbing to many around the world who would say that it is not really clear whether the tide is moving toward freedom, democracy, expression, and so forth. Others would say hang on there, as a matter of fact the evidence and the list of candidates moving in other directions is very substantial. There is the total European experience which is very strong. Likewise, even if one is pessimistic about the past with Japan, South Korea, various other countries exemplify a lot of change. Perhaps even China as we look carefully there.

The jury is out, but somewhere in the realm of those issues, are we moving toward greater transparency in the world, greater opportunities for people, or as a matter of fact are the problems faced by developing nations rather overwhelming that leads to so-called strong governments to maintain whatever the progress is, or if things are not going well, strong governments simply refresh the people so they do not revolt? I would say that is a whole stream of issues for whoever inherits the presidency or whatever office, likewise for those of us in the Congress who have some relationship to think about this.

MR. TALBOTT: Steve Pfeiffer?

MR. PFEIFFER: Thank you, Senator. I think you outlined a very broad and very compelling vision for what might happen on Friday in Moscow in the Two-plus-Two talks, but I think it is also noticeably more ambitious than what we have heard so far either from the administration from the Kremlin. So looking at the next 14 months, my question would be with the Russians focused on what happens between now and in their elections in April and with Washington focused still first and foremost on Iraq and still being somewhat hesitant about more formalized arms control arrangements, could you comment a bit more on how realistic or how likely it is that those points on your agenda will be realized, or is this all going to simply slip back until 2009?

SENATOR LUGAR: Obviously, having given these remarks today, I am hopeful that something will happen in 2007 and 2008, but your question is well taken and not as a skeptic but as a realist about this. One reason why I am indebted to Strobe Talbott and Brookings for offering this platform today is that there are still a few days before Secretaries Rice and Gates go. It is not that they are waiting with bated breath for what we have to say today, this might be considered rather gratuitous and maybe untimely advice as you are packing your bags and you have lots on your mind.

On the other hand, this is serious. When I came back from the Russian trip this year, these were things that struck me as I took notes from our conversations with whether it was Foreign Minister Lavrov in a very elaborate

scenario in which he was especially cordial. We were celebrating after all the two-hundredth anniversary of Russian-American relations, and in much more minor sense, the fifteenth anniversary of Nunn-Lugar and recognizing all of this. In the press conference and subsequently, made the point that Belarus was not getting nuclear again as has been suggested in the panel discussion the day before, and went out of his way to be reassuring in that respect which I thought was important.

Likewise, with the Ross Island people, Mr. Kirienko and Mr. Spaski who were largely responsible for the size and scope of the trip that Sam Nunn and I had this year with others who went with us, there was a desire it seemed to me clearly for a new agenda. Their clout within the Russian government is for all of us to speculate, but at the same time, before we took the trip we had had public-relations people from President Putin's office visit my office and others to be reassuring that this was not going to be an unhappy experience, not that we have had terribly unhappy ones before, I sort of flew over most of Russia the year before it was just inconvenient for me to visit as we were getting the word, and now this year it was very convenient and they came really with an offering of invitation.

So all I am saying is working on that momentum, fledging as it may be, seems very, very important given the timeframe of our elections, quite apart from what is going to happen in Russia, to move in this way. Otherwise I can see a year that will not be wasted, but it will be a year in which our campaign



rhetoric just does not getting the weeds of these issues. It is not possible for a viable candidate to discuss in the detail that I am getting into today what might happen in the relationship without picking up all sorts of opponents in the primaries and the general election or in between. So as a result, broad generalities and sometimes ones that are rather unfriendly if you find people who do not like President Putin or the Russians or whatever, or feel they could be doing a whole lot more in Iran as they could. They have begun to do much more from time to time in the Six Power Talks with North Korea which has been helpful. So I am optimistic, but that is the purpose of the speech today, to raise maybe to a slightly higher level this agenda.

MR. TALBOTT: Senator, I actually would like to pick up on one point that Steve just made and it has to do with the extent to which the preoccupation of both the executive and the legislative branches with Iraq may have had a preoccupying, distracting, and debilitating effect on our ability to attend to the whole panoply of issues before us. We have an expression in Washington that you know very well which is the urgent tends to drive out the merely very important. In stipulating that you are an exception to this, to what extent do you see as Iraq as having obscured our ability as a nation to do justice to the full array of issues that we face?

SENATOR LUGAR: It has simply obscured. I do not want to make the point that it is the only thing we talk about, but as a matter of fact it has

been preoccupying the minds and hearts of the members of the legislature because this is what their constituents are interested in.

I do not have constituents who are likely to come up to me at an open meeting or even one with distinguished foreign policy people and ask about Russia, whatever happened to Russia, or if so, say we might include this among the list of things that we are ticking off, whatever happened to Latin America, or what is going on in Africa these days, or this sort of thing, but we are looking at Iraq.

Occasionally we are distracted happily by the thought we might be making progress with North Korea which is unexpected, but making no progress with Iran. So this leads to at least fears in journalism, and I hope that that is the extent of it, that before we finish this administration, we will be engaged in strikes against Iran or some type of activity of that variety. That does disturb my constituents a lot. So taking first things first, they are looking at ways in which their families may be involved as armed service members or supporting of that and specifically where they are likely to be engaged. Thank goodness they do not anticipate being engaged in Russia or in the newly independent states or so forth. This is not old history, but nevertheless, it is something that will sort of take care of itself. All I am saying today is it probably will not take care of itself. This is extremely important and even if your preoccupation is nonproliferation, period, Russia and the United States still have 90 to 95 percent of the problem, that is, whatever is left of nuclear, chemical, biological warfare ingredients. Therefore,

the rest of the world needs to be preoccupied with how well have we secured all of this, what programs do we have for destroying it, are we aware of the aging of nuclear warheads and the chemistry occurs so that there is not an accidental blowup simply because we did not service the thing in time? When I have visited with Russians and gone into the caves where they have the warheads spaced out almost like a morgue like bodies with tabs on them as to when they were constructed, how they have been serviced, maybe some speculation as to when it would be prudent to move them out, because it takes time to disassemble a warhead, it takes a lot of people, and it is dangerous work. The need for us to be aware of all of that is important and this is one reason why programs like the Nunn-Lugar sort of trundle on even given the excesses of flows up and down or a general relationship because there is an existential fear that something terrible might occur in Russia, and we certainly have that fear in the neighborhoods out in Indiana where we are destroying chemical weapons by neutralization, the same process that will be used at Sucha out in Russia, there are fears by the general citizenry what happens if there is a fire or there is an atmospheric flurry. This is very serious business that these two countries that for whatever reason built up these extraordinary amounts, in the Russian case, 40,000 metric tons of chemical weapons, most of which have not been touched, maybe if they have gotten through 20 percent of it that overstates it, although the Chemical Weapons Convention says all of it by a certain date in the early part of the next decade.

MR. TALBOTT: Peter, I will come to you in a second, but first I wanted to pick up on something the Senator just said. There are people in our government and certainly in our scientific community here in the U.S. who are concerned about the aging of some of our own systems and would like us to maintain the option of resuming the testing of nuclear weapons.

SENATOR LUGAR: Yes.

MR. TALBOTT: What do you see as the prospect for a resurrection, if I can put it that way, of the ratification of the Comprehensive Test Ban Treaty?

SENATOR LUGAR: I think they are not good in large part because I have not seen a change in constituencies that debated this issue the last time. I could be wrong; it could be that the political changes in our own government in the 2008 election will be so sizable that we really have different members looking at the same situation than we had the last time around. And maybe there are other circumstances that may occur, for instance, from these conversations or negotiations that I am suggesting today that lead to a different framework, a different background. But if I am generally correct that people in our country have not been concerned greatly about the Russians quite apart from arms control treaties, this is really moving from a very slow start to get back into a situation in which you change a lot of public opinion, quite apart from the members of Congress who represent that.

MR. TALBOTT: Peter?

MR. SCHOETTLE: Peter Schoettle from Brookings. Thank you very much. You have given us some bold ideas that the executive branch, the administration, might take. My question to you is can you give us some insights into what the Congress could do either through sense of Congress resolutions or maybe through legislative language? A subset of that question is, in previous speeches you have made the point that sometimes the Congress acts with a sledgehammer such as killing, attempting to kill all aid assistance programs to Russia or the Soviet Union including Nunn-Lugar to get back at the Russians for some action. What might be done to avoid that kind of overreaction from Congress?

SENATOR LUGAR: I think it is very important that in both houses there be a very active schedule, maybe a more active schedule, of public hearings as well as private briefings in consultation with the administration. This is an area in which I do not colleague, Senator Biden, but he has been busy this year, and so has the next man along the line, Senator Dodd, and even Senator Obama has been very busy, and these are all members of the Foreign Relations Committee, very important people. They will not be busy in the same way perpetually. Another quarter of time is likely to bring everybody back around the table, but I think that is the sine qua non, if the relevant committees, Foreign Relations, Foreign Affairs in the House, the defense committees in both houses, the intelligence committees, other people who really have an agenda of international issues, security issues, if they are active, then it is very, very possible

that some new ideas are going to come forward or some new sentiment, or even some public education of ourselves as well as those who watch our hearings on CSPAN and a broader group of you who follow it in the press.

There has not been much grist for the mill this year. We have touched upon the fact that Iraq has been preoccupying it, but if you took a look at the map of the world, there is not much illumination coming from the congressional committees. But that does not have to be forever. My hope would be that very soon that we have a pick-up of the pace even if it is the final year of an administration or the final year for many in Congress or so forth.

MR. TALBOTT: One last question from the floor and I think I will go to this day here, and then the Senator's schedule is going to require him to move along.

MS. LEVINAS: Thank you, Senator, Randi Levinas with the U.S.-Russia Business Council. I want to thank you for your comments on the other part of the relationship that is going very well which is the commercial relationship. Our members are doing very well in Russia and we welcome Russia entering the World Trade Organization. We too are looking for Russia to enter in on commercially meaningful terms, we want a strong agreement, and we are looking for congressional support and administration support, frankly, in that, and we are doing very well with the U.S. Trade Representative's office on that front.

In terms of Russia getting into the WTO, of course you know that Congress does not vote, I don't have a question, just a comment, on Russia getting

into the WTO, but on PNTR, and we do look for your strong leadership on that issue as this goes forward. So I want to thank you very much.

SENATOR LUGAR: I will work very hard on that issue as well as the Jackson-Vanik issue that we mentioned earlier, and I think there is probably growing support for changes there. I do not want to overstate it. And given our parliamentary situation, tactical delays in the Senate can prevent things from happening for sometimes weeks or months, but there will come a time if you are patient in which these things are likely to come to the fore.

MR. TALBOTT: Patience is I think a theme in much of what you are exhorted us to. I think I can safely say while much that you have discussed with us today is in the realm of the unpredictable, one thing is absolutely certain, and that is knowing the way that Secretary Rice and Secretary Gates feel about you, they will pay very close attention to what you have had to say today. You have your own ways of making sure that they get a full report and so do we. All of us have benefited from this discussion immensely, Senator, we thank you, and we look forward to having you back at Brookings before too long.

SENATOR LUGAR: Thank you.

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