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Putin's Agenda, America's Choice

In May, President George W. Bush travels to Moscow and St. Petersburg for his fourth summit meeting with Russian President Vladimir Putin. In the past year, Putin has made a number of compromises with America on key questions such as the United States' withdrawal from the 1972 Anti-Ballistic Missile (ABM) Treaty and the presence of U.S. troops in Central Asia. As a result, American commentators have speculated about how many concessions Putin needs from the United States to placate his domestic critics and maintain the positive momentum of U.S.-Russia relations.

This discussion misses an important point. Putin's foreign policy agenda is not defined by possible political trade-offs with the United States. Rather, it is being shaped by the monumental challenges the country continues to face in its transition from a totalitarian command-economy system to a free-market democracy. To complete that transition, Russia will have to make changes more radical and wrenching than those it made in the 1990s. But if it is ever to seriously undertake these changes, Russia needs to be assured of a stable international environment.

Putin believes that the greatest threat to strategic stability is American unilateralism. What he wants and needs right now is not a particular set of U.S. concessions to Russia, but instead assurance that the United States will act in a multilateral fashion—in concert with the rest of the international community—to ensure international stability and not simply to pursue its own national interests at the expense of others.

Putin's Priorities...and Problems

Putin assumed the Russian presidency in January 2000 with a pledge to bring stability and order to Russia and begin a process of restoring the country to "greatness." Throughout his short tenure he has enjoyed overwhelming support from nearly the entire political spectrum. Although his supporters differ in their visions of what a "great" Russia might be, they all endorse a set of middle-term objectives for the current leadership: it must unify society, stabilize the economy, and strengthen the state. They also agree that Russia needs a period of calm in order to rebuild. A critical component of this breathing space is a stable international environment.

Putin has made impressive progress in restoring domestic stability, using a variety of methods. He has

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Russia's Search

pursued a program of careful and consistent administrative and economic reforms; co-opted potential political opposition where he could and quashed it where he could not; reined in recalcitrant regional governors; and reestablished the authority of the central government. Key to all of this has been a highly favorable economic situation. The country's Gross Domestic Product grew by 9 percent in 2000 and 5 percent in 2001, making it possible for Russia for the first time in the post-Soviet era to balance its budget, pay its foreign debts on time, and free itself from the need for huge infusions of foreign financial assistance (and the outside interference in internal affairs such aid entailed).

This economic success has been due largely to two factors outside Putin's control: the real depreciation of the ruble following the August 1998 financial crisis and an increase in world oil prices. Thanks to the cheap ruble, the economy was in full rebound by the time Putin became prime minister in August 1999. Rising world oil prices—from around $10 a barrel in December 1998 to a peak of around $33 a barrel in September 2000—provided an additional windfall. Every $1 increase in the price of a barrel of petroleum translates into as much as $1.5 billion of additional yearly budget revenues.

But the economic recovery that Putin inherited is now losing steam. Real profits in the economy declined precipitously in 2001. Industrial output is again shrinking in some sectors. Unemployment has been on the rise since last November. Small business continues to stagnate. And Russia, with its notorious "virtual economy," still leads the world in the extent of barter with fully 23 percent of transactions between enterprises settled in nonmonetary form.

The roots of the slowdown lie in the limitations of the factors that brought the upswing in the first place: the once-cheap ruble has been steadily appreciating, and oil prices have declined. But more disturbing are the long-term limits to Russia's greatest asset—energy. Although Russia briefly overtook Saudi Arabia as the world's largest oil producer in February 2002, after years of declining production in the 1990s, Russian oil companies have still been unable to regain Soviet-era production levels. Russia's gas fields, although extensive, will require huge domestic and foreign investment to develop and will need considerable expansion of infrastructure if Russia is to tap into potentially lucrative gas markets in Asia and Europe. Moreover, gas output has also declined in the last several years, raising questions of whether Russia will be able to meet its domestic demand—a critical issue in a country where gas subsidizes a vast portion of the economy that would otherwise be nonviable in the market environment.

Adding to the strain on the Russian economy is the conflict in Chechnya, which costs an estimated $2-3 billion a year—an amount equal to about half of all federal government spending on health and education. To this must be added the hidden costs of substantial

for Strategic Stability

casualties, both military and civilian, thousands of refugees, and the total destruction of Grozny—once one of the most livable cities in the Russian Federation and a major center of Russia's oil industry—as well as of other urban centers. Finally, there are the evident social costs incurred from large numbers of traumatized former conscripts returning home to Russia's regions without alternative employment and with no programs to assist their reintegration into their communities.

Russia is extremely vulnerable to the unintended consequences of U.S. action. A unilateralist approach on the part of the United States, Putin believes, could prove disastrous for Russia.

As costly as the war is, Putin appears to have concluded that ending it would demand even more resources, given the huge financial outlays required for reconstruction and political reconciliation. The current strategy, therefore, is to contain the situation—continue the war but minimize the casualties, the financial costs, and the public relations fallout—in the hope that some kind of workable solution can eventually be found.

For Putin, the looming problems at home make it all the more important that Russia not be distracted by unforeseen events on the outside. Yet it is here, in ensuring stability in its external environment, that Russia appears least able to shape its own destiny. Although it has some leverage in international affairs through the legacy of its Soviet nuclear arsenal, its energy resources, and its increasingly influential oil and gas corporations, too many destabilizing factors are beyond Russia's control. In Putin's view, by far the most challenging factor is the United States.

Putin and U. S. Unilateralism

In contrast to other politicians in Russia, Putin has never expressed fear of any direct threat to Russia by the United States. This is not the fundamental cause of his concerns about America's posture on national missile defense, the presence of U.S. troops in Central Asia and most recently in Georgia, or the possibility of a U.S. preemptive strike on Iraq. In each of these cases, the issue for Putin is that the United States is highly unlikely to protect Russia from any fallout it might face if events get out of hand. Given its location in a volatile neighborhood encompassing Central Asia, the Middle East and Northeast Asia, and including several states on a potential collision course with the United States—Iraq, Iran, China, and North Korea—Russia is extremely vulnerable to the unintended consequences of U.S. action. A unilateralist approach on the part of the United States, Putin believes, could prove disastrous for Russia.

In early 2001, Putin and other Russian policymakers were greatly concerned by what they perceived to be a general attitude in the new Bush administration that the United States was invincible and could go it alone. America's plans to construct a missile shield to protect itself and its propensity to tear up treaties and act outside international institutions convinced Russian leaders that the United States was more committed to unilateralism than ever. In a series of speeches in May 2001, Putin publicly declared that the biggest threat to world peace was when one nation aspired to world domination. He spoke of the shortsightedness of politicians who failed to realize the real threat in time and did not unite to fight it. He warned that "[the] entire experience of post-war history tells us: it is impossible to build a secure world only for yourself, and even less at the expense of others."

In supporting the Bush administration in the war against terrorism, Putin did not make a strategic decision to join the West. For now, his main motivation for engagement is to try to shape, and even to try to restrain, U.S. behavior out of fear of a perceived unilateralist threat to international stability.

Believing that Russia's national survival was hostage to U.S. behavior and fully cognizant of Russia's own weakness, Putin chose to align with other leaders who share some of his uneasiness about the extent and exertion of American power. His main hope has been Europe. British Prime Minister Tony Blair and German Chancellor Gerhard Schroeder, Putin believes, can be moderating forces on President Bush. Putin does not envision Europe becoming an alternative pole to the United States. Instead, he sees Europe and Russia as nodes in a network of relationships that can temper perceived American unilateralism, encouraging the United States to consult with others before it acts.

In this context, the events of September 11, 2001, presented an unexpected opportunity. Suddenly, the United States welcomed Russian support in the fight against terrorism and, in the short-term, Russian cooperation, intelligence, and experience in the campaign in Afghanistan. For Putin, September 11 changed the calculus by demonstrating that Russia—and other countries—had something concrete to offer the United States. The creation of a loose coalition of states to assist America in its pursuit of the campaign in Afghanistan was a chance to move the United States in the direction of cooperative, multilateral action.

Putin's Real Challenge

In supporting the Bush administration in the war against terrorism, Putin did not make a strategic decision to join the West. For now, his main motivation for engagement is to try to shape, and even to try to restrain, U.S. behavior out of fear of a perceived unilateralist threat to international

stability. The choice of joining the West still lies a long way in the future, and it may not be Putin's to make. The choice will be made by the way Russian leaders deal with the enduring difficulties caused by Russia's seventy-year communist legacy. This legacy has compounded the most problematic aspects of Russia's geography: its cold climate and vast size.

In Russia, unlike in the rest of the northern hemisphere, the isotherms—or lines of constant temperature—run in a north-south direction rather than east-west. It becomes progressively colder as one moves east from Moscow across the Eurasian landmass. Before the 1917 Revolution, this was not an insurmountable obstacle to Russia's overall development, because the bulk of economic activity took place in the more temperate regions of European Russia. But in the Soviet period, communist planners moved people eastward across the Ural Mountains and into Siberia for reasons only partly related to the exploitation of strategic resources such as oil, gas, minerals, and precious metals. More important were perceived considerations of state security—industrial and military facilities were placed as far away as possible from threats emanating from the United States or Western Europe—and the idea that territory had to be populated to be controlled. In Siberia—in places where other similarly cold countries, such as Canada, would have constructed only small outposts or temporary bases—the Soviets built cities with populations of a million or more.

As a result, Russia today is economically a colder and more remote country than it was a hundred years ago [see box]. Some forty-five

The Cost of the Cold

A current Brookings Institution project uses the concept of "temperature per capita" (TPC)—a population-weighted average temperature for a country or region—to study the problem of economic location and temperature. (The Brookings project, which focuses on the extra costs associated with conducting economic activity in cold temperatures, uses January temperatures to compute TPC.) A country's TPC changes as a result of economic location decisions. For instance, when businesses and people move to warmer locations, the TPC rises and production costs are lowered. TPC can thus be treated as an "economic rationality index." When applied to Russia, the results are striking. Figure 1 shows the net effect of Soviet spatial allocation policies on the Russian TPC: a drop of almost one full degree centigrade from 1926 to 1990. Canada, in contrast, raised its TPC by an even greater amount during the same period (figure 2). Although there was a small warming of Russia due to migration in the first half of the 1990s, the warming rate has since slowed dramatically. At current rates, it would take more than 100 years for Russia to get back to where it was in 1926.

Figure 1:
Temperature Per Capita of Russia (in centigrade)

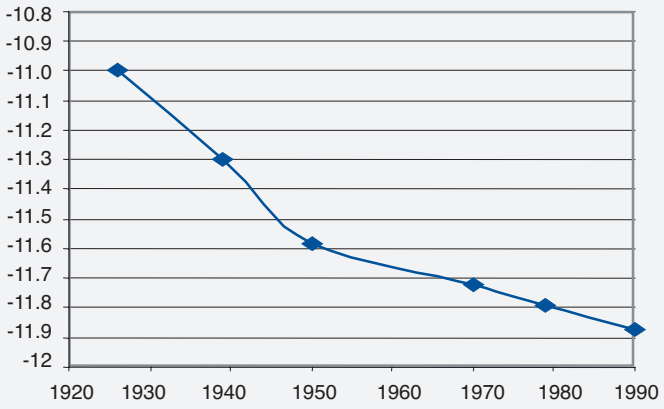
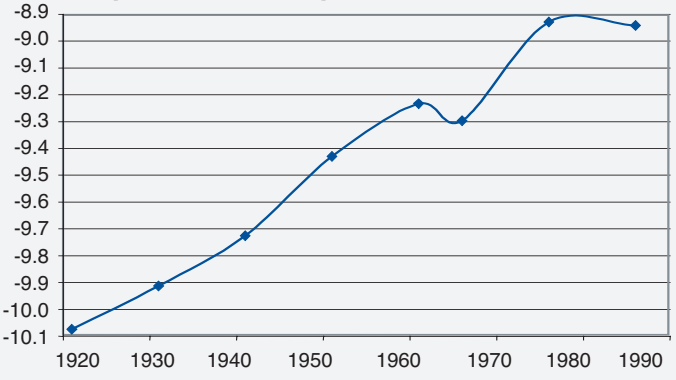


Figure 2:
Temperature Per Capita of Canada (in centigrade)



million people—30 percent of the Russian population—live and work east of the Ural Mountains in regions where average January temperatures range between -15 and -40 degrees centigrade (-5 to -40 F). As our research at the Brookings Institution shows, this distribution of population and economic activity across thermal and geographic space imposes huge costs on Russia's economy. If Russia is to be globally competitive, it will have to "come in from the cold" by divesting itself of "dinosaur" industries and downsizing its large cities in regions east of the Urals. Moving people across the territory back to European Russia would be Russia's real opportunity to join the West.

Russia today is economically a colder and more remote country than it was a hundred years ago. Some forty-five million people live and work in regions where average January temperatures range between -15 and -40 degrees centigrade (-5 to -40 F).

However, the current thrust of Russian policy suggests that the misallocation of resources is likely to continue. Putin has spoken explicitly of the necessity of redeveloping and repopulating Siberia. Arguments about alleged risks to Russian security from the depopulation of the region and China's demographic boom are bolstered by several centuries of national mythologizing about Siberia—first as the Russian frontier and now as the Russian heartland.

Turning Siberia back from the heartland into the periphery is a task that Russia has to undertake if it is to become a truly modern and western-oriented nation. It is not the only change that Russia still has to make, but it is one of the most difficult. Dealing with it will shake Russian perceptions of state security, territorial integrity, and national identity to their core.

America's Choice

It is clear from the accumulated difficulties Russia faces that it will not re-emerge to challenge the United States in the foreseeable future. But this hardly means that Russia is irrelevant. In its current state it already poses challenges for the United States and for its immediate neighbors through its weakness, especially through the decline of the Russian public sector. Failure to reverse this decline will further imperil the security of weapons of mass destruction. Current American fears of the proliferation of weapons and weapons-usable materials from Russia are not ill-founded. The degradation of the environment and public health will also continue, with increasingly ominous effects. Russia's poor maintenance of nuclear submarine reactors in the Barents Sea has produced an environmental catastrophe that threatens its Scandinavian neighbors. With the dramatic rise of HIV/AIDS infections and drug-resistant tuberculosis, Russia is becoming a public health menace to the European Union.

The collapse of the public sector also encourages continued violence across the Russian Federation—of the nature already experienced in the 1990s through ethnic conflicts, politically and commercially-motivated assassinations of prominent figures, and acts of terror. Here, policy-makers should heed Russian history. In the late nineteenth and early twentieth centuries, as a result of state weakness and the shortcomings of reform, Russia had the highest incidence of terrorism in Europe. Even today, terrorist acts and assassinations can be tied to state failure and the collapse of the USSR. The war in Chechnya is itself a result of state failure. This conflict has now, in its second round, facilitated the development of Islamic militancy, and terrorist penetration and exploitation of the conflict.

As managing these negative trends in Russia becomes more difficult, Putin's pragmatic and soft authoritarian approach to governance could give way to something more crude and coercive.

As managing these negative trends in Russia becomes more difficult, Putin's pragmatic and soft authoritarian approach to governance could give way to something more crude and coercive. The need to maintain domestic unity and cohesion can be used to justify increased authoritarianism and greater threats to human rights and civil liberties. In 2000-2001, there were many attempts to stifle dissent in the closure of television stations, the persecution of journalists criticizing the war in Chechnya, the trials of "whistleblowers" on environmental issues, and actions to corral and control non-governmental organizations through the creation of the government-sponsored Civic Forum. The gains made in the efforts of the last ten years to transform Russia—efforts that have been actively supported by the United States—could be reversed.

Conclusion

Russia's domestic challenges are huge. The only solutions are long-term, and only Russians themselves can implement them. America cannot engineer the Russia that it would like. It can make critical contributions to Russia's future development, but only as long as Russia feels that it can afford to interact constructively with the outside world. To the extent that Russia feels threatened, not reassured, by the external environment, it will neither engage with the outside nor will it seriously pursue the domestic change it needs.

The real goal of Russia's foreign policy is strategic stability. This need not put Russia on a conflict course with the United States. The U.S. government can craft policies that serve its own national interest while also reassuring Russia that America is wielding its power wisely, in concert with other states, and in full awareness of the consequences of its actions, not only for itself but also for others. Ultimately, this is America's choice. If in its dealings with Russia, the United States chooses to ignore these broader issues at stake and instead focuses on short-term narrow deals designed to buy Putin's acquiescence to U.S. policies, there will be no immediate cost. Russia is too weak to challenge the United States. But for the longer term, two things are

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clear. First, Putin and subsequent Russian leaders will be forced to make foreign, not domestic, affairs their priority. And, historically, when Russia is weak internally but preoccupied with foreign policy, it has been apt to destabilize the international order itself. Second, and equally important, America will have made a fateful choice for Russia: it will have left Russia where it has been for the better part of a century—out in the cold and far from the West.

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