

RUSSIA AND THE WEST HOW TO RESTART A CONSTRUCTIVE RELATIONSHIP



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THE ASPEN EUROPEAN STRATEGY FORUM

Over its sixty year history, the Aspen Institute has been devoted to advancing values-based leadership – to creating a safe, neutral space in a natural setting in which leaders can meet in order to discuss the complex challenges facing modern societies confidentially and in depth, with respect for differing points of view, in a search for common ground. In 2009, The Aspen Institute is celebrating thirty-five years of continuing this tradition in Germany.

During the course of the Cold War, the Aspen Institute Germany periodically convened an “*Euro-pean Strategy Group*” in order to seek solutions to pressing strategic imperatives. Today, Aspen Germany continues to convene leaders from academia, politics, business, the media and the arts once a year at an Aspen European Strategy Forum (to seek solutions to key strategic challenges). The forum is chaired by Prof. Dr. h.c. Horst Teltschik, former advisor to German Chancellor Helmut Kohl, Dr. Günther Nonnenmacher, Co-Publisher of the *Frankfurter Allgemeine Zeitung* and Karsten D. Voigt, former Coordinator of German-American Cooperation in the German Federal Foreign Office.

The 2009 Aspen European Strategy Forum was dedicated to the topic of integrating Russia into a new Euro-Atlantic security order. The 2009 forum was organized in cooperation with Aspen Italia under the aegis of five additional, outstanding international statesmen or “principals”: Aleksander Kwaśniewski, the former President of the Republic of Poland, Prof. Giuliano Amato, the former Prime Minister of the Republic of Italy, Gary Hart former U.S. Senator from the State of Colorado, Dr. Dmitry Olegovich Rogozin, Ambassador of the Russian Federation to the North Atlantic Treaty Organization, and Eckart von Klaeden, Foreign Policy Spokesman of the parliamentary party of

the German CDU/CSU. The goals of the exercise were to answer three basic questions:

- What were the sources of friction that caused the relationship between Russia and the “West” to go off track?
- What common national interests do Russia and the West share?
- How can a new Euro-Atlantic security order be built where Russia believes that it can advance its interests by acting within the system and from which both Russia and its neighbors do not perceive a threat to their security or national interests?

A first workshop was convened in Washington DC in June 2009 in cooperation with the American Institute for Contemporary Germany Studies and Aspen Italia; it was designed to solicit U.S. input on these issues and involved meetings with key U.S. policy makers and strategists in the areas of foreign policy, security policy, energy policy, non-proliferation and arms control. A second workshop was convened in Berlin in cooperation with Aspen Italia in August 2009; it was designed to solicit Russian and Central and East European views on the same questions and involved leading experts from the Russian Federation and governmental representatives from Central and East Europe. A list of participants and an agenda for each set of meetings is given in Appendix 1 to this document.

Under the guidance of the statesmen listed above, the following document was written by Professor Joachim Krause (University of Kiel, Academic Director of AESF), Andrew Kuchins, PhD (Center for Strategic and International Studies), Alexander Rahr (German Council on Foreign Relations), Dr. Benjamin Schreer (Deputy Director, Aspen Institute Germany) and Charles King Mallory IV

(Executive Director, Aspen Institute Germany) in an attempt to provide consensus answers to the three questions outlined above and to identify enduring areas where views diverge and consensus cannot be reached.

On the occasion of the twentieth anniversary of the fall of the Berlin wall, this report was presented at an international conference held at the Brandenburg Gate on Thursday, November 5th, 2009 by Prof. Mr. Giuliano Amato, former Prime Minister of the Republic of Italy. The document was then discussed by a number of high-level international participants at the conference, and was subsequently revised to reflect these deliberations before publication.

In this manner, The Aspen Institute Germany and Aspen Institute Italia seek not just to commemorate the fall of the Berlin Wall, one of the more momentous events of contemporary European history, but do so by holding a substantive discussion of perhaps the single most important unresolved issue arising from the fall of the Berlin Wall and subsequent events, namely: how to integrate the Russian Federation as a cooperative actor into a new, stable Euro-Atlantic economic and security order? The organizers, principals and authors hope thereby to make a small contribution to this problem's resolution.

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Good relations between Russia and the “West” are essential to addressing many of today’s more difficult challenges to international peace and security. Both sides share far more than just common history and geography; their interests also often overlap to a significant degree. That said, since the beginning of the 21st century mutual estrangement, misunderstandings, and divergent perceptions and narratives have created a framework within which crises have divided Russia from the “West” – and have divided the “West” over the question of how to deal with Russia. Areas of conflict include NATO enlargement, missile defense, conventional arms control, dependencies in the field of oil and gas, the frozen conflicts in the Caucasus and Transdnestria, human rights, press freedom and free elections in Russia and other post-Soviet states, Kosovo, the Arctic Sea and regional conflicts.

This Aspen European Strategy Forum report looks at relations between Russia and the West. It asks: what can be done to direct this relationship towards a more cooperative mode? The main ambition of this document is not to propose a comprehensive and radical new approach by which every problem can be solved. Rather, it suggests deemphasizing areas of conflict for the time being and focusing on the positive instead. The document seeks to identify common ground in order to see whether we can create a relationship, which is characterized by stable expectations of the strategic intentions of all of the parties involved. This, in turn, may help to integrate Russia more firmly into a new Euro-Atlantic security order and to solve outstanding conflicts. For the time being, strategic competition and joint attempts at problem solving will somehow have to coexist in relations between Russia and the West.

A major challenge in finding a new stable architecture and equilibrium for Euro-Atlantic security lies in bridging the psychological gaps between the various sides, which are created by perceived differences in values and goals. What is needed is a sense of realism on all sides involved. West Europeans should exercise caution in too easily projecting their cooperative and rules-based, interdependence approach to regional security onto North Americans and Russians.

Russian decision-makers should reconcile themselves with the idea that the era of Russia’s “great power primacy” is over and that Russia will not get far by seeking a veto over developments in Europe. Central and East Europeans need to accept that the main focus of the United States is slowly, but irreversibly, shifting towards other parts of the world and that it is in their own interests not to emphasize what divides them from Russia, but rather what brings them together. The United States has to reconcile itself with the fact that the world is indeed moving towards a more multipolar order and that new competing centers of power may emerge. Fresh approaches towards coexisting with these rivals will be required on the U.S. part.

While relations between Russia and the West are still marked by conflicting interests and differing interpretations of each other’s strategic aims, there is also room for increased cooperation. This report analyses the areas of security, defense, economy and energy to derive concrete recommendations for improving relations between Russia and the West.

In the area of security and defense, a major task is to work towards an Euro-Atlantic security architecture, which better incorporates Russia's security needs without increasing concerns in Central and East European countries. Specifically, all sides could consider undertaking some or all of the following measures:

- The OSCE member states should seriously consider establishing an "Euro-Atlantic Security Council" which would be entrusted with the main responsibility for the maintenance of peace and security in the region encompassing the OSCE states. Such a step would give Russia and others a greater opportunity to participate in international conflict prevention, management or resolution.
 - The existing forums for cooperation between NATO and Russia could be extended and upgraded. While the NATO-Russia Council should be maintained as a body for consultation over many political and technical issues, other options to upgrade cooperation and to give the relationship increased political and strategic weight should be considered. These options include a formal agreement between Russia and NATO on mutual assistance in some security and defense matters.
 - Relations between Russia and the West would benefit from efforts aimed at arriving at a common threat assessment. A group of eminent persons could be tasked with preparing a first draft, after which a "Joint Strategic Review Panel", co-chaired by NATO and Russia, could finalize the work.
- Conventional arms control, the backbone of European security, should be put prominently back on the international political agenda. Revitalizing the Adapted Conventional Forces in Europe ("ACFE") treaty is crucial in this context. Possible steps include:
- NATO members should ratify the ACFE treaty without preconditions and should find a formula to compensate Russia for the increase in the overall ceilings of NATO "treaty-limited items" ("TLI"). The six NATO member states that have not yet acceded to the CFE/ACFE treaty should become signatories and Russia should resume implementation of its obligations under CFE/ACFE regime.
 - Russia should withdraw from Moldova, should put the disputed ammunition depot under international control (United Nations or the OSCE), and should resume implementing its obligations under the ACFE – including the flank limitations.
 - Ways should be found to arrange the withdrawal of Russian troops from South-Ossetia and Abkhazia. This could take place as part of a larger peace settlement under the supervision of the UN Security Council or of the prospective Euro-Atlantic Security Council. A general restoration of the CFE treaty regime that includes Russian withdrawal from these flank areas would be involved.

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Any attempt to restart a constructive relationship requires new approaches in the intertwined areas of strategic nuclear arms reductions, nuclear non-proliferation, and ballistic missile defense. Recommendations to move forward in this area include:

- Negotiations between the United States and Russia on a follow-on treaty to the START I treaty.
- Discussion of the role of nuclear weapons in respective military doctrines. Future deep cuts in U.S. and Russian strategic arsenals depend on finding consensus on a new concept of strategic stability, which moves beyond the Cold War logic of mutually assured destruction. In the longer-term, “virtual nuclear arsenals” could form the basis for a new concept of deterrence and strategic stability.
- Bilateral negotiations on further strategic arms reductions should be complemented by international initiatives involving the other nuclear weapons states. Possible initiatives include: a freeze on existing nuclear arsenals; a freeze on further production of weapons-grade fissile material, which should be followed by an international convention banning the production of fissile material for weapons purposes; a global INF-treaty, i.e. a treaty banning possession, production and employment of intermediate-range nuclear forces; and a political process by which the Comprehensive Test Ban Treaty (“CTBT”) gradually enters into full force.
- Ballistic missile defense will play a crucial role in any new concept of strategic stability between Russia and the West. Both sides should reach an agreement on the future mixture of offensive and defensive systems (i.e. a new concept of strategic stability), which will become increasingly intertwined as warhead levels decrease. This, in turn, should redound to the benefit of Russia’s immediate Central and East European neighbors (“CEE”) who have strong reservations about Russia’s current levels of nuclear armament.
- Without more extensive cooperation on the Iranian nuclear program, efforts to restart the relationship between Russia and the West will be hobbled. Moscow should revise its “relaxed” attitude to the Iranian nuclear program and join the West in applying the logic of collective security to this case. Much could be gained if the Russian government were unequivocally to join the West in confronting the Iranian leadership with the threat of serious consequences (such as a ban on the sale of refined products and other important items) if Iran is not ready to halt its enrichment programs, disclose the full extent of its nuclear program and resume implementation of the additional protocol of the nuclear Non-Proliferation Treaty.

Confronting Islamic extremism and drug trafficking, particularly in Afghanistan, and increasing cooperation in maritime security and the Arctic Sea form additional fields of potential security cooperation.

- Containing Islamist extremism constitutes a very promising area of cooperation between Russia and the West given their overlapping interests. This cooperation should be expanded so as to end Russia’s policy of ambivalence between interest in avoiding NATO’s failure in Afghanistan and uneasiness about Western troop presence in Central Asia. Afghanistan will

be the litmus test in this regard. Agreements reached during the first half of 2009 included U.S. rights for the overflight of lethal materials over Russian territory; Russia was also very forthcoming concerning overland ground transport of non-lethal goods to Afghanistan in the context of the emerging Northern Distribution Network (“NDN”).

- Cooperation in the struggle against drug trafficking in Afghanistan should be scaled up, particularly with regards to training Afghan policemen and law enforcement officers.
- Cooperation in the area of maritime security could be expanded to include joint exercises and training missions. A joint NATO-Russian initiative to establish an international court specialized in dealing with cases of maritime piracy could also be envisaged. Beyond that, NATO and Russia might even ponder cooperating on a long-term solution for Somalia, since the lack of functioning state structures in that country feeds not just piracy but also terrorism and migration.

In the field of energy and economics a new start is urgently needed in the area of energy security. The following recommendations are made in this report:

- Further negotiations on the basic elements of the Energy Charter Treaty (“ECT”) are unavoidable. The treaty needs provisions that enable and protect international commercial investments in both the upstream and the downstream sector and its existing dispute resolution mechanism should be revised. The treaty should also estab-

lish more specific rules for the transit of natural gas and crude oil through pipeline networks.

- The EU, Russia and the United States could jointly develop a plan for the modernization of Siberia as a practical tool by which to achieve the goals of an energy alliance and to achieve the diversification of the Russian economy – a matter of long-term, common, strategic interest to both Russia and the West.
- Europe and the United States could take part in Russia’s program to improve energy efficiency, with a particular emphasis on natural gas.
- The European Union could be tasked with devising a “European Energy Solidarity Pact”, by which Western European countries are able to assist Central and East European states, which are heavily dependent upon Russian gas and oil deliveries, in times of crisis.
- Russia, the EU and the United States should consider further expanding joint projects including: dismantling visa barriers; expanding academic exchanges; and establishing a free trade zone, short of full Russian EU membership.
- Russia, the European Union and the United States might also consider taking joint steps in the area of climate control and environmental protection.
- Europe and the United States may want consider whether the opening of their end markets to the Russian commercial aviation industry might result in more efficient U.S. and Euro-

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pean aircraft industries, diversification of the Russian economy and a true incentive with which to keep Moscow interested in further cooperation.

- The European Union may want to consider creating a mechanism for economic negotiations with Russia that is not dependent upon achieving consensus among all twenty-seven member-states.
- Investment in Russia could be advanced by a project by the EU commission, the U.S. Department of Justice and Russian authorities to implement a streamlined Russian commercial dispute resolution mechanism. Increased exchanges between senior- and mid-level regulatory staff could also be helpful. Further, efforts to achieve minimum, mutually recognized listing standards, designed to reduce the cost of access to capital by Russian companies and to promote Moscow as an international source of capital could also be initiated.

INTRODUCTION

The crisis over Georgia in August 2008 and the resulting diplomatic row have demonstrated that relations between the Russian Federation (“Russia”) and the “West” (the states belonging either to the North Atlantic Treaty Organization (“NATO”) or to the European Union (“EU”)) have deteriorated during the past years. This relationship is still better than it was for many decades. But since the beginning of the 21st century a process has set in by which mutual estrangement, misunderstandings, and divergent perceptions and narratives have created a framework within which crises – such as the one over Georgia – have the potential of dividing Russia from the West – and of dividing the West over the question of how to deal with Russia.

The areas of conflict can be easily named: NATO enlargement, missile defense, conventional arms control, dependencies in the field of oil and gas, the frozen conflicts in the Caucasus and Transdniestria, human rights, press freedom and free elections in Russia and other post-Soviet states, Kosovo, the Arctic Sea and regional conflicts.

Some already have called the new situation a “Cold Peace” or even the beginning of a new “Cold War”. While it certainly is too early to draw such far-reaching conclusions, there is a risk that relations between Russia and the West may further deteriorate and that a structural, if not strategic, conflict is emerging with possible significant consequences.

It is time to reconsider the relationship between Russia and the West in a way that allows a new page to be turned in bilateral relations. The successful integration of the Russian Federation as a cooperative actor in a new, stable Euro-Atlantic economic and security order has been one of the largest outstanding political challenges facing the world since 1990; without it, long-term stability in the Euro-Atlantic space (the territory encompassed by the member states of the Organization for Security and Cooperation in Europe (“OSCE”)) cannot be achieved. Despite repeated statements of intent on the part of Western powers and the Russian Federation, this goal still remains distant and elusive. Furthermore, at the dawn of the new millennium, we were closer to achieving this goal than we are right now.

The task has become more difficult than it was a decade ago, because the “West” no longer is a unified entity. With respect to Russia, it is probably more appropriate to talk about the West as having at least three components:

- (1) The United States, for whom Russia mainly counts as a partner in preventing the proliferation of nuclear weapons, in strengthening arms control and in counter-terrorism;
- (2) The traditional West European powers, who consider friendly and cooperative relations with Russia to be an important element of peace and security in Europe; and
- (3) The new members of the Western community from Central and Eastern Europe, and many smaller states, who fear a Russia that might infringe on their sovereignty and for whom military security from Russia, and questions of justice and human rights are the top priority.

The world has also had two different Russias to deal with of late. The first was post-communist Russia – that of the 1990s – which was largely dependent on the West. The West possessed some leverage over Moscow’s policy at the time. The second is today’s post-Soviet Russia, governed by President Dmitry Anatolyevich Medvedev and Prime Minister Vladimir Vladimirovich Putin. The latter Russia believes that it has emancipated itself in many ways from “junior partnership” with the West and that it has restored its lost influence on the global stage, due to energy alliances with a variety of countries. This Russia has also decided not to integrate with the West but rather to return to the concept of a multipolar world or a world order based upon the concept of a “concert of nations”.

Dealing with Different Psychologies and the Burden of History

International politics often is about different narratives, different perceptions of reality and about the persistence of historical experience – particularly experience having to do with war and oppression. The European continent is replete with bitter historical memories – and many of them can be felt in contemporary diplomacy. Different psychologies and the burden of history are too often disregarded when discussing Russia’s relationship with the West.

The *states of the European Union*, in particular the core states of the EU, have a long journey behind them. After centuries of conflict and two debilitating global wars Western Europe’s trajectory since the 1950s has been one of increasing union. Integration of sovereign nation states into a multilateral set of institutions took place and national sovereignty was successively yielded in pursuit of greater economic welfare and collective security. This journey has resulted in a period of unprecedented stability, growth and social welfare. Today, Western Europe consists of a polity that values collective decision-making, prefers non-violent approaches to problem solving and takes umbrage at overbearing, coercive, unilateral approaches to working out international problems.

The world looks different from the Russian perspective. Having lost the global competition with the United States and its allies during the Cold War, significant parts of Russian elites continue to perceive the world through the prism of “great power” politics. The major goal is to restore and extend Russia’s primacy. Their worldview is basically geo-strategic in nature and they conceive

of multilateral institutions through this lens as well. At the same time, Russia also wants to be part of an Euro-Atlantic order, but with expectations and under conditions, which are hard to accept from a Western point of view. As one Russian observed, “Russia today is ... a brew of Westernized society and traditional and nationalist foreign policy. This is a paradox it is struggling to communicate to its partners in the West, who on their own struggle to grasp what Russia is about [and] often continue to perceive it through the lens of Cold War stereotypes”.¹

There is also an economic side to the Russian psychology. While the economic primacy underlying U.S. global power projection may be in relative decline from a high starting point, the sharp decline of the Russian economy relative to its immediate post-war Soviet state is clear. Increased prices for oil, natural gas and other raw materials have helped to mitigate the Russian economic crisis, but today’s Russia’s GDP is less than three percent of total world GDP and it is forecast to remain at that level for the foreseeable future.² In its own long-term projections, Russia aspires to become the world’s fifth largest economy. The differences between Russia and the United States in economic terms, however, are striking and will remain so. While the United States may be relatively weaker than it was before, it still has the largest economy and is still the most powerful state in the world.

Another group of European states whose psychology has to be taken into account is the group of Central and East European states. Bitter historical experience, in which individual countries have been repeatedly carved up or made to disappear by European “great powers”, has both sensitized and to some extent traumatized Central and East European elites. The dire consequences for the con-

cept of the nation itself, of potential revanchism on the part of either their immediate, big, Eastern or Western neighbors, remains an ever present memory and a perceived threat. These states are all too well aware of the manner in which seemingly insignificant small regional conflicts can serve as tinder.

Central and East European elites are leery of Russian intentions and believe they know the Russian mindset much better than their West European neighbors. These perceptions of Russia are increasingly shared by small- and medium-sized West European states – particularly by the Scandinavian countries. Central and East European elites seek guarantees for their security from a collective security institution organized around the United States. They want access to the markets and welfare offered by the European Union, and also hope for membership in the decision-making club the EU is perceived as forming with the United States.

The challenge in finding a stable architecture and equilibrium for the Euro-Atlantic security order lies in large part in bridging the psychological gaps between the various sides, which are created by perceived differences in values and goals. What is needed is a sense of realism on all sides involved. West Europeans may need to exercise caution in projecting their cooperative and rules-based, interdependence approach to regional security onto North Americans and Russians. The Russian Federation may need to reconcile itself with the idea

¹ Pavel Andreev: “The Cold War is Over. This Has Been Certified by the Members of the Valdai Discussion Club,” RIA Novosti News Agency, 9 September 2009.

² According to the Economist Intelligence Unit Russia will in 2030 represent less than 3 % of worldwide GDP, China will then be at 23 %, the U.S. at 17 % and the EU-27 at 16%; see Charles Grant: How to Handle Russia. CER Bulletin, issue 62 (October/November 2008), p. 1. According to more optimistic Russian estimates, by 2020 Russia’s GDP might rise to a little bit less than 4 %.

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that the era of Russia's "great power primacy" is over and that Russia will not get far by seeking a veto over developments in Europe. Central and East Europeans may need to accept that the main focus of the United States is slowly, but irreversibly, shifting towards other parts of the world and that it is in their own interest not to emphasize what divides them from Russia, but rather what brings them together. The United States may have to reconcile itself with the idea that the world is indeed moving towards a more multipolar order and that new competing centers of power will emerge. This may require fresh approaches towards coexisting with these rivals on the U.S. part.

The Ambitions of This Report

This report looks at relations between Russia and the West. It asks what can be done to direct this relationship towards a more cooperative mode. The main ambition of this document is not to propose a comprehensive and radical new approach by which every problem can be solved. Rather, the report suggests deemphasizing areas of conflict for the time being and focusing on the positive instead by identifying common ground in order to see whether we can create a relationship which is characterized by stable expectations of the strategic intentions of all of the parties involved. This, in turn, may help to integrate Russia more firmly into a new Euro-Atlantic security order and to solve outstanding conflicts.

In a first, step the report looks at the broader strategic perspective: the factors that are shaping the international system of the 21st century; how these broader factors impact the relationship between Russia and the West; and how dividing issues have emerged.

In a second step, the institutional structure of security relations in the Euro-Atlantic space is examined with a view towards identifying measures that could help to integrate Russia into a network of cooperative institutions. Nuclear arms control and non-proliferation are examined, as important instruments by which to create stability in the field of weapons systems and force postures, with a view towards proposing new ideas that might lead us out of the current deadlock. Other areas of cooperation will also be looked at, such as: common approaches to Afghanistan; the fight against terrorism and organized crime; and maritime security.

In a third step, particular attention is given to the issue of whether relations in the economic field and in the area of energy supply can be transformed in a manner that increases stability in mutual expectations.

This report concludes that relations between Russia and the West are still marked by conflicting interests and different interpretations of each other's strategic aims, but that there is room for improvement. Diplomatic developments between Russia and the West are currently marked by efforts from all sides to deal with the consequences of the August 2008 crisis:

- The resumption of activities of the NATO-Russia Council in July 2009 on the occasion of the Corfu NATO Council meeting. This permitted cooperation to continue in a couple of important security-related fields.
- The U.S.-Russian summit of July 2009, which signaled that both Presidents seek to cooperate in significant areas.
- The announcement by U.S. President Barack H. Obama in September 2009 that he will no longer pursue the option of stationing components of a planned limited U.S. national missile defense system in Poland and the Czech Republic.
- The September 2009 speech by NATO Secretary General Anders Fogh Rasmussen, in which he outlined elements of a renewed cooperative relationship with Russia.

What is needed is carefully crafted diplomacy, by which differences are contained and commonalities are accentuated – a diplomacy that might

become as important as the policy of *détente* was in the 1970s. The recommendations made in this report are intended to contribute to this end and to stimulate international debate.

PART I

1. The Strategic Environment

The relationship between Russia and the West is developing within a complex international strategic environment, which, in principle, points more towards cooperation than towards conflict. Any revival of the Cold War or even a Cold Peace would be anachronistic. Conditions similar to those under which severe East-West tensions arose in the 1940s no longer exist. Russia shares common interests with the West in different fields. There is a danger, however, that relations will deteriorate because governments become too wrapped up in “great power”, zero-sum, geopolitical thinking, and allow careless rhetoric and emotions to precipitate flawed strategic decisions.

We live in a time of a changing balance of strategic power. The predominant shift is characterized by economic power moving to Asia and other emerging market economies. At the founding of the G7, its member states accounted for more than sixty percent of global Gross National Product (“GNP”), today their share is a little more than forty percent. As a consequence, a more multipolar international system is likely to emerge in which China, India, Brazil and others will influence world affairs to a growing extent. China has the biggest potential to challenge the United States’ global position. However, in light of China’s internal weaknesses and the fact that China profits handsomely from the existing global economic order, based on free trade and open markets (and in particular access to the U.S. market), it remains to be seen whether the Chinese leadership will seriously embark on a head to head competition with the United States.

The relative power of non-state actors will increase and will make the business of global governance even more complex. Moreover, continuing economic and population growth will put pressure on energy, food, water and other resources. The challenge to international peace and security posed by young populations in numerous countries in the Middle Eastern ‘arc of crisis’ will remain. Climate change will aggravate resource problems and will result in increasing migration.

Radical Islam may be the largest imponderable for the foreseeable future. So long as the Muslim world remains separated into many medium-sized, small (and often weak) states, the challenge to the West from radical Islam will remain limited. However, radical Islam in its different variations may further destabilize the Middle East, North Africa and South and East Asia. Limited wars, such as in Afghanistan, against militias and other irregular forces (often using terrorist tactics) may therefore become more frequent. In the event that a major, nuclear-armed power in control of significant energy resources emerges in the Middle East (or that a coalition of radical Islamic states emerges), the West would be confronted with a strategic challenge unparalleled since the 1930s and 1940s.

Fossil fuel resources may be available in quantities sufficient to meet growing demand from emerging economies in Asia and Latin America for the next fifteen years. However, the growing relevance of the Middle East for global supply both of oil and of natural gas will mean that the world economy will become increasingly dependent on stability in that part of the world. Major energy crises cannot be excluded as a consequence of instability, destabilization and conflict in the Middle East. The outlook for secure fossil fuel supplies looks quite uncertain after 2025. It is still unclear whether the

ongoing substitution of renewable energy sources for oil and gas will compensate for the expected gap between demand and supply from 2025 onwards.

The proliferation of weapons of mass destruction and their delivery vehicles (missiles) may continue in coming years. The current crisis over the Iranian nuclear program has the potential for destroying the nuclear non-proliferation regime. The consequences may be extremely serious in the Middle East — a nuclear-armed Iran could destabilize the whole region. Not just Israel and the Arab states are threatened by the specter of Iranian nuclear-armed missiles. Russia, Europe and India would have to rearrange their security postures fundamentally, should this scenario materialize.

All of these problems are mentioned in the respective security strategies of the United States, the EU, and Russia. The 2006 National Security Strategy of the United States, the 2003 European Security Strategy and the 2009 Russian National Security Strategy share concerns that these new challenges may become more important in the future than traditional security concerns. However, there is still a long way to go in transferring this awareness into strategic imperatives and political cooperation. For the meantime, strategic competition and joint attempts at problem solving will somehow have to coexist in relations between Russia and the West.

While the United States may no longer enjoy the dominance it held during the past twenty years, it will remain the single most powerful country in the world. It will remain the backbone of any international order designed to avoid or manage international and regional conflicts, and to deal with the consequences of globalization. The big impon-

derable is whether the great powers will choose to work within the framework of multilateral institutions and, if they do so, within which ones? It is conceivable that established institutions, such as the United Nations, may lose their relevance, while new and more informal arrangements, such as the G20, become important tools of multilateral cooperation.

While the United States may be able to cope with this uncertain world on its own for the foreseeable future given its political, military and economic resources, Europe and Russia may have difficulties in coping with the new challenges. The EU might catch up economically with the United States or China, but will most likely remain an internally divided and weak international actor, dependent upon external support in security affairs. Russia has a more centralized foreign policy establishment and, hence, may be better equipped than the EU to act in the international arena in the pursuit of its interests, but it lacks the human and economic resources needed to become a great power and to sustain this status. To mitigate these weaknesses both the EU member states and Russia will have to rethink their approaches to international affairs. The EU may have to recognize that its rule-based approach is becoming less effective and that some sense for geopolitical realities is needed. To increase their leverage in world affairs, Russian political elites may need to recognize that adopting a zero-sum, geopolitical approach alone to dealing with Europe and the U.S. will not suffice; particularly since the major challenges to Russian security no longer come from the West but from the South (the Islamic world) and from the East (China).

PART I

With a multipolar international system emerging, the international order (i.e. the rules that the major powers apply among themselves for keeping peace and regulating a growingly interdependent economy) will have to change. The coming international order will not resemble that of the preceding decades, but it will not necessarily look like Europe in the 19th century either. Big power conflicts may occur, but given the huge geographical distances between them, great powers may, instead, compete over distant places or access to resources. New alliances might be formed or may already be developing, e.g. between the United States and India, but they will not necessarily constitute existential problems for other major powers and, hence, might be less dangerous and destabilizing than they were in the late 19th century.

2. What Went Wrong?

The deterioration of the relationship between Russia and the West has developed over more than a decade; it originated in a number of pivotal policy issues:

- The enlargement of the North Atlantic Treaty Organization (“NATO”) has to be named first. While accession to NATO by former Communist states was seen in the West as contributing to peace and stability in Europe, Russia viewed this process as infringing upon its national security interests. Russian elites consider their country to be confronted with an increasingly unfavorable “correlation of forces” and to be encircled by the Western alliance. The Russian Federation seeks a form of *droit de regard* over future NATO enlargement. Western powers, particularly in Central and Eastern Europe, consider this to be an unacceptable attempt to reestablish regional hegemony; they insist that the decision to join NATO is a sovereign right, which cannot be denied by any outside power.
- Originally of less strategic relevance, Russian elites now also view the enlargement of the European Union (EU) with growing concern. From their perspective, the EU is extending its regional influence through instruments such as the enlargement process or the “neighborhood policy”. Moscow assumes that the EU regards the Western states of the Commonwealth of Independent States (“CIS”) and the South Caucasus as its own “near abroad”. For Russia, the EU is engaging in a potentially threatening geopolitical strategy that focuses on promoting democracy and economic reform in regions, which are located in Russia’s claimed sphere of

influence. The prospect of EU membership for countries like Serbia, Ukraine, Georgia and Belarus is seen as an indication of an EU quest for strategic dominance at Russia's expense. Russia is fearful that the EU is becoming another competitor despite its apparent military weakness. For the EU and CEE, the interest of states formerly belonging to the Soviet Union, the Warsaw Pact, or Yugoslavia in joining the EU underscores the attractiveness of its liberal model, providing an opportunity to bring peace, stability and prosperity to hitherto conflict-prone areas. Russia's mistrust of the EU's intentions is viewed as a relic of 19th century "great power" thinking.

- The handling of regional conflicts in the Euro-Atlantic area has revealed deep-seated differences in approach between Russia and most Western states. The conflicts in the former Yugoslavia (Bosnia-Herzegovina and Kosovo), in the Caucasus (Georgia, Nagorno-Karabakh) and in Transdniestria have had the severest impact.
- While all governments concerned agree on the need to maintain the principle of non-violence in the search for compromise solutions mediated by the international community and/or mandated by the United Nations Security Council ("UNSC"), in practice major deviations from this principle have occurred. In the cases of Bosnia-Herzegovina and of Kosovo, the West criticized Russia in the 1990s for supporting Serbia even after it became clear that the unrestrained use of force by regular and irregular Serbian military units was the main obstacle to any negotiated solution. Russia, for its part, blamed the West for being unbalanced and for unleashing a NATO-led war against Serbia,

which ended in Kosovo's secession from Serbia.

- In the case of the conflicts in Georgia and Transdniestria, the West again termed Russian policy biased and seemingly oriented towards extracting maximum unilateral advantage at the expense of all others rather than towards reaching a genuine compromise solution. The Russian government, for its part, reproached Western governments, in particular the United States, with failing to prevent Georgian president Saakashvili from using military force in the conflicts over Abkhazia and South Ossetia in 2008 and with supporting the secessionist movement in Kosovo. Kosovo's unilateral secession and declaration of independence in 2008 (with tacit approval of the U.S. and a majority of Western states) and that of Abkhazia and South Ossetia in August 2008 (with military assistance from the Russian armed forces) demonstrated how different Russian and Western views are. There were, however, also major disagreements between Western states about Kosovo's secession.
- The institutional framework that was created in the 1990s with a view to managing conflict within the Euro-Atlantic space has turned out to be far less effective than expected. The concept of interlocking institutions (mainly the United Nations, the Conference on Security and Cooperation in Europe ("CSCE"), later renamed OSCE, NATO, and the EU Common Foreign and Security Policy ("CFSP"), in which the UNSC and OSCE play the leading role with NATO and the EU implementing decisions made by UNSC or the OSCE, has turned out to be a failure. In too many cases, the UN Security Council turned out to be ineffective. Western

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states attribute the UNSC's failure to the lack of unity among its permanent five members, in particular to a distinct Russian tendency to put its own geo-strategic imperatives ahead of the common need to uphold the rule of law (principle of non-violence) and/or to prevent genocide and ethnic cleansing. As a consequence of Russia's reluctance to permit the UNSC to mandate military action against Serbia (which Russia considered a strategic ally), NATO, under U.S. leadership, intervened unilaterally in Bosnia-Herzegovina in 1995 and in Kosovo in 1999 without clear mandates from the UNSC. Furthermore, in 2002-2003 the U.S. and a group of allied states formed a "coalition of the willing" that removed Saddam Hussein from power in Iraq after he had defied the authority of the Security Council for more than a decade. This took place without explicit authorization from the UNSC either.

- In both Kosovo and Iraq, Russian governments felt excluded from major decisions of geo-strategic importance and acted to thwart these moves. From a Russian perspective, the OSCE has lost its relevance as a central institution of the Euro-Atlantic security order. Originally established as a collective mechanism to deal with security problems, to further economic cooperation and to support human rights, there has been a shift on the part of the OSCE towards human rights problems and away from security and economic issues. While Russia sees this as further proof of its being excluded from international, strategic decision-making processes. Many Western governments (particularly in Central and Eastern Europe) attribute the OSCE's loss of relevance to Russia's intransigence in matters relating both to "frozen conflicts" and to the consensus voting rule within

the organization, which has allowed the Russian government to block decisions within the OSCE on many occasions.

- Problems also emerged in the area of arms control, which is an important means by which to establish and maintain international security. During the past decade, two major arms control agreements have been abrogated. In December 2001 the United States withdrew from the 1972 Anti Ballistic Missile ("ABM") treaty. In December 2007 the Russian Federation suspended implementation of the 1990/1992 Conventional Forces in Europe ("CFE") treaty. The renunciation of the ABM treaty was accompanied by U.S. assurances that it did not intend to build a full-scope national missile defense directed against Russia, but that the goal was, rather, to develop a limited capability to fend off future North Korean or Iranian missiles. For its part, the Russian Federation stated that the CFE treaty was outmoded, but that it was interested in seeing the 1999 Adapted CFE treaty, whose ratification was still pending in all NATO states, enter into force. Political dialogue over arms control issues was complicated by Moscow's insistence that it was not prepared to accept U.S. Ballistic Missile Defense ("BMD") installations in Poland and the Czech Republic. The Russian Federation warned that the 1987 Intermediate-Range Nuclear Forces ("INF") treaty might be at risk should the U.S., Poland and the Czech Republic pursue such an option. On the other hand, the Russian government was criticized for deploying a new intercontinental ballistic missile, which can be converted into an intermediate range nuclear weapons system, thus possibly circumventing the INF treaty. Both the United States and Russia were criticized for failing to live up to their commitments under Article VI

of the 1968 nuclear Non-Proliferation Treaty, whereby they committed to undertake negotiations towards reducing and finally dismantling their respective nuclear weapon stockpiles. A dialogue between Washington and Moscow on missile defense started in 2006 but has not yielded tangible results.

- Energy relations between Russia and Europe presented another field of conflict that is both key to European security and to Russian hopes for future economic prosperity and strategic primacy. As a matter of principle, Europe – as a major importer of gas and oil – and Russia – as a major exporter nation of these commodities – should fit together well. However, Russian efforts to create major, state-controlled and vertically integrated energy companies have met with differing reactions in Europe. While some governments and companies are eager to strike deals with Russia, others feel uncomfortable with such an approach. Their concern is that Russia is seeking not just to boost domestic economic growth, but to restore its “great power” dominance by using energy supplies as a lever – a goal that has been explicitly voiced as a strategic aim by leading Russian politicians. Central and East European and other states, which to date have been highly dependent upon Russian energy supplies, have voiced particular concern about over-dependence on Russia. The crisis over gas supplies to Ukraine during the winter of 2008-2009 seems to have confirmed states’ worst fears as to Russian modes of behavior and future intentions. Millions of people in Central and Eastern Europe had to live for days without adequate, if any, heating because of conflict between Russia and Ukraine.

Given the series of frictions outlined above, it is high time to think about how to reorder the relationship between Russia and the West. Arriving at conclusions and recommendations that will reconcile the interests of all parties involved represents quite a challenge however. All parties concerned will have to make compromises and a good deal of diplomatic skill will be required.

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1. Towards a Better Euro-Atlantic Security Architecture

A fresh look at the institutional structure (“architecture”) of security in the Euro-Atlantic space is required. The international architecture formed in the early 1990s was based on an agreement on basic principles and rules of behavior, concerning conventional arms control as well as concepts of interlocking global and regional security institutions. Since that time, the relative importance of institutions has shifted, with NATO becoming the most important actor and the OSCE becoming almost irrelevant. The UN Security Council has often proven unable to act because of divisions among its permanent member states. The conventional arms control regime in Europe is in the process of unraveling. Finally, Russia does not feel its security interests in Europe are adequately reflected by a structure centered on a strong NATO. Consequently, in 2008 the Russian government proposed a new Euro-Atlantic security order.³

In reconsidering the Euro-Atlantic security architecture two political and security components need to be looked at in particular: (a) the principles, rules and mechanisms, by which peace and security can be maintained (interstate as well as intrastate); and (b) conventional arms control. The economic elements of a future Euro-Atlantic security order will be dealt with in detail later in this document.

The Institutional Framework for Maintaining Peace

The 2008 proposal by Russian President Dmitry Medvedev for a New European Security Treaty (“NEST”) was thought to form a basis for debating security architecture issues. His plan has met with reservations, so far. While some Western leaders, such as French President Nicolas Sarkozy, stated that there was a general need to restructure the Euro-Atlantic security architecture, without endorsing the proposals made by President Medvedev, others reacted with open or muted criticism. Most parts of the proposal are uncontroversial – such as the inadmissibility of the use of force, respect for sovereignty, and the principle of equal security. However, other elements in the proposal were criticized for being vague and misleading – such as the prohibition of “acts by military alliances or coalitions that undermine the unity of the common space” – or for serving to undermining NATO. Some voiced concern that the well-balanced language of the Paris Charter of November 1990 (“Paris Charter”) as well as of the Joint Declaration of all NATO states and members of the Warsaw Pact of 19 November 1990 (“Joint Declaration”) might get lost in the process. This is particularly true of the Joint Declaration, which stated that “every State has the right to be or not to be a party to a treaty of alliance”. The new member states of NATO and/or the EU are particularly concerned that the thrust of the Russian proposal is to hamstring NATO.

One way to overcome these concerns is to look at ways to make the OSCE more effective. The Paris Charter states that “we will not only seek effective ways of preventing, through political means, conflicts which may yet emerge, but also define, in

³ President Medvedev made a proposal for a European Security Treaty in June 2008. He later spelled out more details in his speech at the World Policy Conference in Evian, France, on the 8th of October 2008. The text of his speech can be downloaded from the website of the Russian President (www.kremlin.ru).

conformity with international law, appropriate mechanisms for the peaceful resolution of any disputes which may arise.” For reasons mentioned above, the resulting efforts to create institutions and mechanisms by which conflicts can be prevented, managed or even resolved turned out to be rather ineffective. One way to improve the OSCE’s effectiveness and to give *Russia and others* a greater chance to participate in international conflict prevention, conflict management or conflict resolution, is to strengthen the organization by establishing a Security Council of the OSCE, which would be composed of a limited number of member states (fifteen). This “Euro-Atlantic Security Council” could be entrusted with the main responsibility for the maintenance of peace and security in the region encompassing the OSCE states. Decision-making would be based on a simple or a qualified majority. There might be permanent memberships (e.g. for the U.S., the EU and Russia), but there should also be fair opportunities for all member states of OSCE to take part in the council on a rotating basis. The OSCE established itself as a regional arrangement under the UN Charter in 1994; it could therefore continue along this path by assuming additional competencies. These competencies should, however, be assumed under an explicit mandate from the UN Security Council.

Making the OSCE a truly effective regional security arrangement under the UN charter cannot simply be achieved by creating new institutions or by reforming existing ones. More needs to be done. As a matter of priority, an agreement has to be reached on how to deal with cases where, under conditions of regional or intra-state conflict, at least one side starts engaging in ethnic cleansing or even genocide. In these cases, immediate, external military intervention is imperative. As a

rule, however, conflict management decisions by multilateral institutions take a very long time. This dilemma became obvious in the 1990s during the war in Bosnia-Herzegovina. It took almost three years to end the violence and to use military force against the aggressor. Thus, firm criteria are needed that permit institutions such as the UN Security Council (or eventually the Euro-Atlantic Security Council) to act swiftly and effectively in cases of genocide and ethnic cleansing.

The case of the former Yugoslavia also pointed out another problem. Some states made attempts to manage or to solve problems in a traditional, “great power”, geopolitical fashion. While geo-strategic approaches certainly may play a role in the thinking of many governments, they are detrimental to effective, multinational peacekeeping or conflict resolution if governments allow themselves to get too caught up in their logic. Any new security architecture in the Euro-Atlantic area that is supposed to change the situation, whereby NATO and the EU by default act as the main institutions, has to be based on an agreement among the players that they will refrain from primarily pursuing “great power”, geo-strategically oriented, beggar-thy-neighbor policies.

Another frequently suggested way to satisfy Russian security interests is to invite Russia to join the North Atlantic Treaty Organization. While this notion should not be dismissed out of hand, no consensus currently seems possible. For NATO members, democracy and human rights are essential preconditions for joining the alliance. The Russian government and the majority of Russia’s ruling elite regard external demands for greater democratization in Russia as infringing upon national sovereignty. So long as Russia sticks to this point of view, NATO membership will be difficult.

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But there is also another reason for being realistic about the prospect of Russia joining the alliance. The key to NATO's success lies in the fact that its members accept U.S. leadership (which provides for security among the member states as well as against outside threats), while a decision-making rule based on consensus restrains U.S. dominance. The acceptance of at least some form of U.S. hegemony has thus been the key element in the functioning of the Atlantic alliance. Russia, however, is hardly ready to subordinate itself to any form of U.S. hegemony. Full membership of Russia in NATO thus seems rather unlikely for the foreseeable future.

The issue is therefore one of how to improve and extend cooperation between NATO and Russia. So far, the central institution for cooperation between Russia and NATO has been the NATO-Russia-Council ("NRC"). One might ask whether the NRC should remain the sole forum for cooperation. Since its inception in 2002, the NRC has become a relatively technical body. This has further corroborated Moscow's view that it is excluded from strategic decision-making in Euro-Atlantic security affairs. While the NRC should be maintained as a body for consultation over many political and technical issues, other options to upgrade cooperation and to give the relationship increased political and strategic weight should be considered. Any such effort should start at a point where the interests of Russia and NATO converge.

One way to proceed may be to seek a formal agreement between Russia and NATO on mutual assistance in security and defense matters and in coping with new security threats. Such an agreement could come close to a mutual defense treaty, but it would be different in nature, focusing not only on military assistance, but also on coopera-

tion in coping with the plethora of new security threats. There is no point in forcing such an agreement. It might be reasonable to start with an effort to arrive at a joint strategic threat assessment, which could then be used as the basis for developing a joint strategic concept. A NATO-Russia summit could mandate such a long-term process. A group of eminent persons could be tasked with preparing a first draft, after which a "Joint Strategic Review Panel", co-chaired by NATO and Russia, could finalize the work.

Closer forms of institutionalized cooperation on the military level can also be envisaged, such as an improved system of liaison at various levels or attempts to establish interoperability between military forces.

Revitalizing Conventional Arms Control

Any attempt to revamp the relationship between Russia and the West should aim to reinstate the Conventional Forces in Europe ("CFE") treaty regime. An effective CFE treaty regime is essential to reducing the threat that Baltic, Central and East European and other Western political elites and general publics perceive as emanating from Russia in the aftermath of the 2008 conflict over Georgia.

The CFE treaty, which was concluded in November 1990, adapted and supplemented in 1992, 1995, 1997, and eventually revised in 1999, forms the backbone of the European security order in the conventional weapons area. It served as a viable and effective way to strengthen European security in the early 1990s. It created a balance between the conventional forces of the Warsaw Pact and the North Atlantic Treaty Organization by limiting

their armaments in five critical categories (tanks, armored combat vehicles, artillery, attack helicopters and combat aircraft), the so-called “treaty-limited items” (“TLI”). The treaty also provided for limits preventing both alliances from deploying conventional weapons in areas of potential conflict. The treaty’s objectives included: establishing a secure and stable balance of conventional armed forces in Europe at lower levels than theretofore, eliminating disparities prejudicial to stability and security, and, most importantly, eliminating the capability to launch surprise attacks and to initiate large-scale offensive conventional military action in Europe. The area of applicability encompasses Europe from the Atlantic to the Urals (including parts of Turkey). For these reasons, the CFE treaty became a cornerstone of the European security order.

During the 1990s the treaty was amended in order to adapt to the dissolution of the Soviet Union and the Warsaw Pact; it was amended again in 1999 in order to adapt to the enlargement of NATO by the inclusion of Poland, Hungary and the Czech Republic. This process included amendments to the treaty, the drafting of common understandings and of unilateral measures as well as declaratory statements. In 1999, successful efforts were made to complement the first round of NATO enlargement by measures that would make this development acceptable to Russia. For instance, NATO declared that it did not intend to base foreign troops on the territory of the new member states permanently. Additionally, alliance members reduced their inventories of TLIs to a level such that the old alliance totals of TLIs were not increased.

Most importantly, the November 1999 agreement on the Adapted Conventional Forces in Europe (“ACFE”) treaty introduced a number of significant changes:

- A new system of ceilings for TLIs was devised according to which every state was allocated national ceilings for tanks, armored combat vehicles (“ACVs”), artillery pieces, attack helicopters and combat aircraft. Territorial ceilings, encompassing national inventories as well as inventories of foreign troops based in a given territory, were also agreed upon. This system of national and territorial ceilings made it very difficult for states to amass enough troops for major invasions – either on the Baltic littoral or in the Southern Caucasus.
- The “flank regime” of the CFE was partially relaxed. The old “flank regime” had been applicable to a couple of countries, but it posed serious problems for Russia, since it provided for common TLI ceilings for the Northern and the Southern military districts as a combined unit (“the flank” according to the logic of the CFE treaty). As Russia faced major military challenges in the Caucasus (c.f. Chechnya), it asked for more flexibility. The ACFE treaty accounted for these concerns and allowed Russia to station substantially larger inventories of TLIs in the overall flank region. To meet concerns of the Baltic states, Russia declared that it would not increase its TLI inventories in the Northern military district. At the OSCE summit in Istanbul in November 1999 the Russian government also committed to withdraw its troops from Moldova by 2002, and from Georgia as part of an agreement between the governments of Russia and Georgia.

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- As a matter of principle, it was agreed that troops could only be based in foreign countries with the consent of the respective host country.
- Troops that are sent as part of an UN-mandated peacekeeping operation were exempted from national and territorial ceilings.
- An extended system of information and declaration obligations and an improved system of verification measures were agreed upon. These systems allow for far more confidence as to the intentions of other states parties than the previous regime.
- An accession clause was introduced which made it possible for other states to join the ACFE treaty.

This treaty regime has, however, since unraveled. NATO member states have refused to ratify the ACFE treaty on the grounds that Russia has not fully lived up to the Istanbul commitments concerning the withdrawal of troops from Georgia and Moldova. While it is true that Moscow still keeps troops in Moldova (allegedly to safeguard a dangerous ammunition depot) and while Russia has slowed down its withdrawal from Georgia, it is doubtful whether these shortcomings justified delaying the ratification of the ACFE treaty for ten years. The entering into force of the whole treaty regime is too important for the West – and in particular for the new members of the Western alliance – to allow things to get bogged down by matters of relatively limited strategic relevance. Russia ratified the ACFE treaty in 2004 and called for NATO member states to ratify the treaty as soon as possible – without success.

Much more consequential, however, was the fact that the next round of NATO enlargement in early 2004 was carried out with practically no regard for the security interests of Russia. There was no compensation for the added number of TLIs in the enlarged NATO, i.e. no reduction of the overall NATO TLIs to the limits before enlargement. Four of the seven new member states (Estonia, Latvia, Lithuania and Slovenia) were neither parties to the CFE treaty nor parties to the ACFE treaty either. The Russian government pointed out that under these conditions NATO could, in theory, deploy unlimited foreign troops on the territory of the Baltic states, while Russia continued to be bound by the restrictions of the old CFE treaty and its flank regulations in the adjacent, Northern, Leningrad military district. Given the fact that NATO had changed into a more political alliance by the 1990s and given the fact that an alliance of democratic states is arguably less able to prepare, let alone launch, an armed attack against Russia from the Baltic states, Russia's concerns seem somewhat exaggerated. But within the logic of the CFE treaty and the ACFE treaty the Russian government's complaints were justified. NATO definitely did not show the same degree of concern and respect for Russian security interests as it had in 1998 and 1999, and this change in attitude was received with alarm in Moscow.

Political developments took a much more negative turn in 2007 and 2008. In 2007, Russia asked for a special conference of the CFE treaty member states. This meeting did not result in an agreement that satisfied Russian interests. Russia therefore suspended implementation of its obligations under the CFE treaty in December 2007. Since that time, Russia no longer adheres to the flank regulations of the CFE treaty and does not take part in most of the treaty's information exchange and verifica-

tion activities. Essentially, this amounts to an abrogation of the CFE treaty. The Russian government has declared that it is ready to return to the CFE treaty regime under the conditions that NATO member states ratify the ACFE, that all new member states of NATO accede to the ACFE treaty and that NATO's overall holdings of TLIs are reduced as a matter of compensation for NATO's enlargement. Russia has also asked for "new arrangements concerning the parameters for restraint in the stationing of forces on foreign territories", a formulation many NATO states took issue with. The August 2008 events in Georgia contributed to a further serious complication of the situation.

To date, NATO has been ready to negotiate with Russia under the so-called "parallel action package" ("PAP") framework. The basic idea is to address all outstanding problems in parallel and, thus, to arrive at a consolidated agreement. These talks have not yielded any tangible results. In order to achieve positive results, the spirit of cooperation that prevailed during the first round of NATO's enlargement in 1999 needs to be revived. NATO states will have to ratify the ACFE treaty without conditions; they will have to find a formula to compensate Russia for the increase in the overall ceilings of NATO TLIs, and the six new member states that have not yet acceded to the CFE/ACFE treaty⁴ will have to become signatories of the treaty. Russia, on the other hand, should withdraw from Moldova, should put the disputed ammunition depot under international control (United Nations or the OSCE) and should resume implementation of its obligations under the ACFE treaty – including the flank limitations.

The most intricate problem, however, will be solving the issue of how to deal with the Russian pres-

ence in the Georgian breakaway provinces of South-Ossetia and Abkhazia. While Russia considers these troops to be stationed there at the invitation (and hence with the consent) of the legitimate governments of South-Ossetia and Abkhazia, the rest of the OSCE-member states do not recognize these governments as legitimate. They consider the presence of Russian troops to be both an infringement of Georgian sovereignty and the first step along a path that could end in Russia's annexation of these provinces. One can only hope that the withdrawal of Russian troops from these territories can be arranged as part of a larger peace settlement under the supervision of the UN Security Council or of the prospective Euro-Atlantic Security Council; it would involve a general restoration of the CFE treaty regime that includes Russian withdrawal from South Ossetia and Abkhazia.

In summary, the Aspen European Strategy Forum recommends:

- *OSCE member states should seriously consider establishing an "Euro-Atlantic Security Council" which would be entrusted with the main responsibility for the maintenance of peace and security in the region encompassing the OSCE states. Such a step would give Russia and others a greater chance to participate in international conflict prevention, conflict management or conflict resolution.*
- *The existing fora for cooperation between NATO and Russia should be extended and upgraded. While the NATO-Russia Council should be maintained as a body for consultation over*

⁴ Beside the Baltic states, these areas: Slovenia, Croatia and Albania

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many political and technical issues, other options to upgrade cooperation and to give the relationship increased political and strategic weight should be considered. These options include a formal agreement between Russia and NATO on mutual assistance in security and defense matters.

- *Relations between Russia and the West would benefit from efforts towards arriving at a shared threat assessment. A group of eminent persons could be tasked with preparing a first draft, after which a “Joint Strategic Review Panel”, co-chaired by NATO and Russia, could finalize the work.*
- *NATO members should move to ratify the Adapted Conventional Forces in Europe (“ACFE”) treaty without preconditions and should find a formula to compensate Russia for the increase in the overall ceilings of NATO “treaty-limited items” (“TLI”). The six NATO member states that have not yet acceded to the ACFE treaty should become signatories.*
- *Russia should withdraw from Moldova, should put the disputed ammunition depot under international control (United Nations or the OSCE) and should resume implementation of its obligations under the ACFE treaty – including the flank limitations.*
- *The withdrawal of Russian troops from South-Ossetia and Abkhazia has to be arranged as part of a larger peace settlement under the supervision of the UN Security Council or of the prospective Euro-Atlantic Security Council.*

2. Nuclear Arms Control, Non-Proliferation, and Ballistic Missile Defense

Any attempt to restart the relationship between Russia and the West has to address the interrelated issues of nuclear arms control, non-proliferation policy and ballistic missile defense. This is essential. The nuclear situations in Iran and North Korea now confront the international community with the real prospect of a breakdown of the international nuclear non-proliferation regime on the eve of the 2010 nuclear Non-Proliferation Treaty review conference. Major differences, particularly in U.S.-Russian strategic relations, need to be settled:

- There is a need to define the future role of strategic and short-range nuclear weapons in the arsenals of both Russia and the United States with a view to their commitments under Article VI of the nuclear Non-proliferation Treaty (NPT).
- Russia and the United States need to agree on a new concept of strategic stability, if further reductions in both countries’ nuclear weapon holdings than those already contemplated are to take place.
- Disputes over U.S. missile defense plans need to be addressed.
- The cooperation (or lack thereof) between both states in dealing with problem states such as Iran or North Korea also needs to be addressed.

Strategic Arms Reductions

Since the end of the Cold War considerable progress has been made in reducing the number of strategic offensive delivery systems. In 1985, the total combined nuclear weapons inventory of the U.S. and the Soviet Union stood at 65,000 warheads. Today these holdings have been reduced to a combined total of no more than 5,000 strategic warheads available to both sides.

The United States and Russia need to decide on whether and how to proceed with regard to reductions in strategic armaments. The START I treaty of 1991, which limited the strategic inventories of Russia and the U.S. to 1,600 Strategic Nuclear Delivery Vehicles (“SNDVs”), 6,000 accountable warheads, 4,900 ballistic missile warheads and 1,540 warheads on 154 heavy intercontinental ballistic missiles (“ICBMs”) will expire in December 2009. The START II treaty, which would have further cut the number of nuclear delivery vehicles never entered into force since the Russian *Duma* refused to ratify it. The Moscow Strategic Offensive Reductions Treaty (“SORT”) of 2002 stipulated that both sides would reduce their inventories of strategic nuclear warheads to the level of 1,700 to 2,200 warheads by December 2012. Yet, unlike START II, this treaty had no provisions prohibiting multiple warheads and it had no stipulations dealing with verification. Even so, both sides have abided by the treaty’s provisions and are nearing completion of the implementation of the agreement.

Against this backdrop, Presidents Obama and Medvedev laid the basis for the prolongation and adaptation of the Strategic Arms Reduction Treaty (START follow-on treaty) during their summit

meeting in Moscow in July 2009. Both sides agreed to negotiate ceilings, which would reduce the number of strategic nuclear warheads to 1,500 and 1,675, and the number of delivery systems to 500 and 1,000, respectively. The prolonged and adapted START treaty would thus be a hybrid treaty, combining provisions on delivery vehicles with limits on inventories of operational nuclear warheads. It will most likely supersede the SORT. It will again have provisions on data exchange, verification, and forms of cooperation regarding implementation. Some problems remain to be solved, however – such as the admissibility conventional, sea-based ballistic missiles, the number of launch vehicles, the admissibility of multiple independently-targeted reentry vehicles (“MIRV”) and the role of missile defense. But it is an encouraging sign that both sides have re-started the process of strategic nuclear arms control.

With the adapted START treaty, the time of bilateral negotiations over strategic offensive nuclear weapons systems may be coming to a close. After the reductions agreed upon by Presidents Obama and Medvedev have been implemented, there may be some possibility for further cuts, but since the nuclear weapons arsenals of Russia and of the United States would then stand at the same level as the nuclear weapons inventories of the other nuclear weapons states taken together, further reductions would have to be agreed upon in negotiations with this larger group of states, including the People’s Republic of China, Great Britain, France, India and Pakistan.

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The Future Role of Nuclear Weapons and the Search for Strategic Stability

Real progress in the U.S.-Russian nuclear relationship depends on both sides' ability to find a new doctrine of strategic stability in order to escape their dependence on the Cold War doctrine of "mutually assured destruction" ("MAD"). This, in turn, has implications for the future of ballistic missile defense.

Twenty years after the end of the Cold War, Russia and the United States are still trapped in a nuclear standoff, with more than two thousand nuclear weapons directed at each other, some on hair-trigger alert or at least on short notice readiness. Strategic stability continues to be perceived as a state of affairs whereby neither side is able to launch a disarming first strike against the other. The levels of nuclear weapons and delivery vehicle inventories envisaged by the U.S.-Russian summit declaration of 2009 constitute the lowest number of strategic nuclear weapons possible while maintaining a concept of strategic stability based on conditions of mutual assured destruction. Under the Cold War concept of "mutually assured destruction", the more nuclear weapons that exist, the greater the strategic stability. Hence, each country directed tens of thousands of strategic nuclear weapons at the other and this guaranteed that no one would contemplate a disarming first strike. Strategic ballistic missile defense was perceived as a destabilizing element within this equilibrium of "nuclear terror." Significant further progress in the area of nuclear arms control, and – because of Article VI of the NPT – in the field of non-proliferation, depends on the ability of both sides to agree on a new concept of strategic stability that would permit further deep reductions in nuclear weapon holdings.

Both President Barack Obama and President Dmitri Medvedev have subscribed to the long-term goal of abolishing nuclear weapons ("Global Zero"). Implementing this vision will critically depend on both sides' ability to reach consensus on a new concept of strategic stability. Any new negotiations on further cuts in the number of nuclear systems should therefore start with a discussion about the role of nuclear weapons in respective military doctrines. Concepts developed during the 1990s on how to move beyond the MAD doctrine, such as "de-alerting" and "virtual nuclear arsenals" could be included in these discussions. De-alerting means that nuclear weapons are taken off of alert status and are stored (together with delivery vehicles) at safe sites (safe against disarming nuclear strikes) from where they can be recovered after a certain time (measured in days or weeks) has elapsed. These "virtual nuclear arsenals" would then form the basis for a new concept of deterrence and strategic stability.

Under conditions of MAD, ballistic missile defense is detrimental to strategic stability. With virtual nuclear arsenals, ballistic missile defense becomes a critical hedge against any attempt at circumventing the de-alerting regime. In such a context, deploying defensive systems backed by survivable inventories of delivery systems and warheads would deter first strikes with nuclear-armed ballistic missiles.

The path to "virtual" nuclear inventories is fraught with difficulties, however. There are technical and security-related reasons that lead many to be skeptical of the feasibility of de-alerting and of contemplating a world consisting of "virtual nuclear arsenals" at all. A couple of almost insurmountable problems would have to be solved, such as how to make de-alerting symmetrical and how to prevent

clandestine re-alerting or circumvention of the de-alerting regime. These are questions that might be studied by U.S. negotiators and their Russian counterparts. They should rank high on the agenda of future negotiations between both governments on strategic arms control, in addition and as a prelude to the discussion about further cuts in nuclear weapon inventories.

Another major problem for nuclear arms control is posed by the fact that nuclear weapons still play an important role in Russian military doctrine. While the U.S. military increasingly relies on conventional strategic weapons as the primary means by which to achieve its military goals, the importance of nuclear forces in Russian strategy has actually increased. For Russia, nuclear weapons compensate for conventional inferiority with regard to Western forces and serve as a hedge against a nuclear build-up by China, India and others. This approach applies even more to tactical nuclear weapon systems. Whereas Russia sees tactical systems as central to its military strategy, for the United States these weapons have taken on an almost exclusively political utility as part of a concept of extended nuclear deterrence in Europe. This asymmetry between the U.S. and Russia needs to be addressed. A case can be made for linking nuclear and conventional arms control. If the CFE-related recommendations made earlier in this report were agreed upon and were implemented, Russia should be able to reduce its reliance on nuclear weapons and scrap its holdings of tactical and theater nuclear weapons systems.

The other nuclear weapons states (China, United Kingdom, France, India, and Pakistan – amongst others) can be integrated into this nuclear disarmament process only once Russia and the United States have found a new form of agreement on

doctrine, strategic stability and a concomitant reduction and virtualization of their offensive weapons, including non-strategic weapons. Nonetheless, a number of steps can already be taken in order to boost confidence in the nuclear non-proliferation regime and to prepare for further nuclear arms reductions:

- A freeze on existing nuclear arsenals as part of a joint declaration by all other nuclear weapons states to be made after a START follow-on agreement has been concluded;
- A freeze on further production of weapons-grade, fissile material which could be followed by an international convention banning the production of fissile material for weapons purposes;
- A global INF treaty, i.e. a treaty banning possession, production and employment of intermediate-range nuclear forces;
- A political process by which the Comprehensive Test Ban Treaty (“CTBT”) gradually enters into full force.

Missile Defense

Ballistic missile defense (“BMD”) will become an integral part of any future debate about strategic stability and arms control. U.S. plans to install a ‘third site’ in Poland and the Czech Republic to help defend against future Iranian nuclear-armed missiles were met with open criticism by Russian authorities and with muted criticism by many European governments. The Russian government argued that this site might forebode a shift in U.S.

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strategic doctrine away from mutually assured destruction towards nuclear superiority. Some European governments argued that BMD should be dealt with within NATO's consensus decision-making process and not through bilateral negotiations between Washington and individual European capitols. For them, the focus on measures to counter a still remote threat (nuclear-armed, Iranian, intercontinental, ballistic missiles) instead of the more imminent danger of Iranian, nuclear-armed, intermediate-range missiles also set the wrong priority.

In September 2009, U.S. President Obama decided to partially reverse the BMD plans of the administration of President G. W. Bush. The new U.S. policy now aims to establish an effective system to protect European and U.S. installations against the possibility of attack by Iranian intermediate-range missiles. Proven technologies such as the SM-3 interceptor and the forward-based Army Navy/Transportable Radar Surveillance system could be deployed within the next two years as part of this effort. The new BMD architecture no longer requires a single, large, fixed European radar such as the one planned in the Czech Republic and removes the need for ground-based interceptors in Poland.

The change in U.S. policy was an important reconfirmation of the absence of any intent on the part of the U.S. government to change the strategic nuclear equation in its favor in a unilateral fashion; it thereby paves the way for more constructive U.S.-Russian discussions about BMD. Attention can be directed to other issues such as the potential future common threat posed to the U.S., Russia and Europe by Iranian and North Korean nuclear-armed ballistic missiles. In August 2009 Russia announced that it would deploy the S-400

“Triumf” air defense system close to the North Korean border in reaction to North Korea's missile tests. To move forward in this field, Presidents Obama and Medvedev issued a “Joint Statement on Missile Defense Issues” at their July 2009 meeting and agreed to conduct a joint assessment of ballistic missile challenges in the 21st century. The NATO-Russia Council was also set to restart its discussion of missile defense cooperation.

The Obama administration's reconfirmation of the absence of any U.S. intent unilaterally to change the strategic nuclear equation in its favor may have removed an important psychological hurdle in U.S.-Russian strategic relations. If so, this development may help both sides reach agreement on the future mixture of offensive and defensive systems (i.e. a new concept of strategic stability), which will become increasingly intertwined as warhead levels decrease. This, in turn, should rebound to the benefit of Russia's immediate Central and East European neighbors who have strong reservations about Russia's current levels of nuclear armament.

Nuclear Non-Proliferation Policy

Increased cooperation between Russia and the United States is urgently needed in order to keep the global consensus on nuclear non-proliferation alive. Article VI of the nuclear non-proliferation treaty obliges the two superpowers to reduce and ultimately eliminate their nuclear weapons holdings. In light of the acquisition of nuclear weapons by Israel, India, Pakistan and North Korea and the imminent acquisition of nuclear weapons by Iran, Russian and U.S. implementation of the obligations undertaken under article VI has become more

important in order to stem the further erosion of the international nuclear non-proliferation regime. The progress both governments have made in the field of strategic arms control should ease the considerable task of making the next review conference of the NPT in 2010 a success.

But going ahead with arms control and disarmament proposals won't be enough to secure the survival of the NPT. Iran's nuclear program and the problems posed by North Korea are perhaps the single most important challenges to the post-Cold War international security order that have emerged and they need to be addressed. Because of these programs' wide-reaching implications for strategic stability in the Middle Eastern and East Asian theaters, deeper cooperation between Russia, the United States and Europe in the area of nonproliferation is imperative. How the three sides work together on the issue of Iran's nuclear program will be defining for the future of the nuclear non-proliferation regime. Iranian possession of nuclear weapons or even Iranian possession of a "break-out capability" would deal the nuclear Non-Proliferation Treaty a serious blow and would change the strategic balance in the Middle East region fundamentally.

The international community and the majority of Iran's regional neighbors have repeatedly voiced their serious concern over Iran's nuclear program. Since March 2006, the United Nations Security Council, acting under its authority under chapter VII of the UN Charter, has demanded that Iran cease all of its enrichment and reprocessing related work, all heavy water-related projects, and the relevant research and development activities until international doubts concerning the peaceful character of Iran's nuclear program have been clarified.

While Western states have been extremely alarmed

by the Iranian nuclear program and have repeatedly urged tough sanctions if Iran continues with its policy of ignoring the relevant resolutions of the UN Security Council, Russia so far has shown a rather relaxed attitude towards Iran's nuclear and missile programs. While the Russian government seems not to be interested in Iran becoming a nuclear weapons state, Moscow is not very worried about this prospect either. The negative consequences of Iran's nuclear program for the NPT regime so far have not been an issue of relevance in the Russian debate. The role of Iran as a strategic partner of Russia in the field of trade and energy has been stressed instead. Hence, Russia's readiness to impose stringent and effective sanctions against Iran, or even to apply military pressure, has been extremely low.

This Russian attitude has encouraged the Iranian leadership in their determination to defy the resolutions of the UN Security Council and to continue with their nuclear weapons and missile acquisition programs. Once again, as in other, similar cases (Iraq, North Korea, or Bosnia-Herzegovina), the authority of the United Nations is at stake and the Russian penchant to view these cases primarily from the perspective of geopolitics and pure national interest rather than from the standpoint of collective security and international order has aggravated the crisis and is undermining the authority of the UN.

During September and October 2009, Russian declaratory policy with regards to Iran underwent some change. Russian military authorities seemed to regard the Iranian missile threat with growing suspicion. Russian politicians also seemed to recognize that the Iranian nuclear program is of utmost concern for states in the Middle East as well as the wider international community. The UN Se-

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curity Council Summit of 24 September 2009 also confirmed that the Security Council has primary responsibility in addressing the threats posed by the Iranian nuclear weapons acquisition program and its concomitant delivery system development program.

To restart relations between Russia and the West in the nuclear nonproliferation area, Moscow will need to revise its “relaxed” attitude to the Iranian nuclear program and join the West in applying the logic of collective security to this case. Much could be gained if the Russian government were unequivocally to join the Western states in confronting the Iranian leadership with the threat of serious consequences (such as a ban on the sale of refined products and other important items) if Iran is not ready to halt its enrichment programs, disclose the full extent of its nuclear program and resume implementation of the additional protocol of the nuclear Non-Proliferation Treaty. Without such a shift in Russia’s policy towards the Iranian nuclear program, any effort towards restarting Russia’s relationship with the West will be hobbled. Russian cooperation in preventing Iran from acquiring nuclear weapons is indispensable.

The picture with regard to North Korea is similar, although in this case China comes in as an important, additional actor, if not the most important one. North Korea has been defying the international nuclear order since the early 1990s. In this case, Russia has often sided with China in preventing the imposition of sanctions that could become too burdensome for North Korea’s leadership. Fear of a collapse of North Korea and of a resulting reunification of Korea has been the guiding line of Chinese and Russian policy. Inadequate attention appears to have been paid to the possibility that the North Korean nuclear weapons program may lead

to nuclear armament in some form on the part of South Korea and Japan. This, in turn, would have significant negative strategic implications for both Russia and China in their East Asian border areas. Much could be gained if Russia could be convinced that it might be useful to relinquish its current geopolitical line and side with the Western powers by taking a more collective approach to security in this area as well.

If they chose to act together, Russia and the West could improve the effectiveness of the global nuclear non-proliferation regime considerably. One place to start might be to embrace NATO Secretary General Anders Fogh Rasmussen’s proposal that a joint assessment of global proliferation trends, risks and challenges take place within the NATO-Russia Council.

In summary, the Aspen European Strategy Forum recommends:

- *The United States and Russia conclude a follow-on treaty to the START I treaty.*
- *Any new negotiations on further cuts in the number of nuclear systems should start with a discussion about the role of nuclear weapons in respective military doctrines. Future deep cuts in U.S. and Russian strategic arsenals depend on finding consensus on a new concept of strategic stability, which moves beyond the Cold War logic of mutually assured destruction. In the longer-term, “virtual nuclear arsenals” could form the basis for a new concept of deterrence and strategic stability.*

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- *Bilateral negotiations on further strategic arms reductions should be complemented by international initiatives involving the other nuclear weapons states such as: a freeze on existing nuclear arsenals; a freeze on further production of weapons-grade fissile material, which could be followed by an international convention banning the production of fissile material for weapons purposes; a global INF treaty, i.e. a treaty banning possession, production and employment of intermediate-range nuclear forces; and a political process by which the Comprehensive Test Ban Treaty (“CTBT”) gradually enters into full force.*
 - *Both sides should reach an agreement on the future mixture of offensive and defensive systems (i.e. a new concept of strategic stability), which will become increasingly intertwined as warhead levels decrease. This, in turn, should redound to the benefit of Russia’s immediate Central and East European neighbors who have strong reservations about Russia’s current levels of nuclear armament.*
 - *Without more extensive cooperation on the Iranian nuclear program, efforts to restart the relationship between Russia and the West will be hobbled. To achieve this Moscow should revise its “relaxed” attitude to the Iranian nuclear program and join the West in applying the logic of collective security to this case. Much could be gained if the Russian government were unequivocally to join the Western states in confronting the Iranian leadership with the threat of serious consequences (such as a ban on the sale of refined products and other important items) if Iran is not ready to halt its enrichment programs, disclose the full extent of its nuclear program and resume implementation of the*
- additional protocol of the nuclear Non-Proliferation Treaty.*
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3. Other Areas of Cooperation

Apart from strategic arms control and nuclear non-proliferation, there are a couple of areas where Russia and the West as a whole have broad common interests and where existing cooperation could be expanded. These include joint approaches in confronting Islamic extremism and the field of maritime security. A common approach towards dealing with the Arctic Sea is also needed.

Confronting Islamist Extremism

The struggle against terrorism, more specifically Islamist extremism, has been an area of intense cooperation between Russia and NATO. In 2004 a NATO-Russia “Action Plan on Terrorism” committed to do everything needed to fight all forms of terrorism. Both sides announced that they “will spare no efforts in the NRC and other appropriate fora to protect our citizens, to pursue our shared objective of bringing to justice the perpetrators, organizers, instigators and sponsors of terrorist acts, to cut off the channels of financing terrorist activities, and to defeat the scourge of terrorism”. This cooperation has been very successful to date. It involves intelligence sharing, cooperation on armaments and technology aimed at responding to terrorist threats, common efforts towards air security, cooperation in the destruction of excess munitions, small arms and light weapons, cooperation in developing effective control over transfers of man-portable air defense systems and, last but not least, combined efforts to promote stability in and around Afghanistan. Given the fact that the threat of terrorism is constantly changing, the NATO-Russia “Action Plan on Terrorism” needs to be updated.

Joint approaches to Afghanistan are the most promising and most important area for cooperation between Russia and the West when it comes to confronting Islamist extremism. The history of Russian cooperation with the West, however, has proven to be quite mixed over time. It was on Afghanistan, in the Fall of 2001, that U.S.-Russian security and intelligence cooperation probably reached its high point in the post-Soviet period. The Russian government at that time fully supported the U.S.-led international coalition’s efforts to defeat the Taliban. U.S.-Russia cooperation in Afghanistan in 2001 even sparked unprecedented discussions in Russia about a much broader and deeper security relationship between Moscow and Washington. The international coalition succeeded too quickly in unseating the Taliban to allow for a more institutionalized security relationship to develop. The Bush administration’s decisions in the Fall of 2001 to go through with the second round of NATO enlargement, including the Baltic States, as well as to withdraw from the ABM treaty were received by the Kremlin as signaling that, despite Russian cooperation on this key security challenge, the United States would continue on policy paths in other areas that Moscow had long held to be against its interests. Political and security elites in Moscow were deeply disappointed that the Bush administration did not appreciate their cooperation and failed to take Russian interests into account.

Since that time, the attitude of Russia vis-à-vis U.S. military involvement in fighting Al-Qaida and the Taliban in Afghanistan has been marked by contradictory elements. On the one hand, the Russian government has been concerned about the spread of militant and violent Islamic extremism, be it in Afghanistan, Iraq, Iran or Chechnya and, hence, has no interest in seeing the U.S. forces suffer a defeat. On the other hand, Russia sees the

presence of U.S. forces in Central Asia as a threat to its security interests, and as a development that constitutes a kind of Western encirclement of Russia.

This ambiguity still persists. During the first half of 2009, a couple of positive trends emerged in the area of cooperation with Russia on Afghanistan. There were indications that the agreement with Bishkek of June 2009, whereby the U.S. regained access to the Manas airbase in Kyrgyzstan, was supported by the Russian government. Moreover, an agreement reached at the July 2009 U.S.-Russia summit now allows for the overflight of U.S. lethal materials over Russian territory. In the first months of 2009, agreements with relevant countries, including Russia, for overland ground transport of non-lethal goods were also reached. The Northern Distribution Network (“NDN”) covers two routes to Afghanistan – the North through Latvia, Russia, Kazakhstan and Uzbekistan, and the South through Georgia, Azerbaijan, Kazakhstan and Uzbekistan. By the end of September 2009, about three hundred containers per week were moving along these main supply routes (“MSR”), and the Pentagon expects this traffic to grow to five hundred containers per week by the end of the year. About forty percent of the transport of non-lethal goods to U.S. forces will pass via these main supply routes. This is an important success story, and Russia’s cooperation has been essential.

Afghanistan is also important for cooperation in the fight against drug trafficking. Afghanistan is the world’s largest producer of heroin and about one fifth of the output is smuggled to Russia and elsewhere in Europe through the Central Asian republics. The illicit drugs that are smuggled through the rugged and porous borders of Central Asia

pose a serious threat to the internal stability of Russia and Europe. In Russia, for instance, up to six million persons take drugs on a regular basis and ten thousand people die annually because of drug consumption. NATO and Russia have already agreed on a couple of measures to fight drug trafficking within the framework of the Action Plan on Terrorism, among them are: an enhanced information exchange among NRC member states on the threats posed by the Afghan narcotics industry and trade; national and multilateral efforts aimed at addressing those threats; and joint training initiatives in NRC member states, aimed at strengthening the capabilities of Afghan and transit route states’ border guard and counter narcotics units. In 2005, the NRC reached an agreement with the United Nations Office on Drugs and Crime (“UNODC”) on cooperation in training law enforcement officers in Central Asia and Afghanistan.

This kind of cooperation should be scaled up, in particular with regard to training for Afghan policemen and law enforcement officers. In July 2009, Presidents Medvedev and Obama agreed to increase joint efforts to stem the export of opiates from Afghanistan. Victor Ivanov, head of the Russian Counter-Narcotics Agency traveled to Washington in September 2009 to meet with his colleagues in the U.S. government in order to advance this cooperation.

Maritime Security

In July 2009, diplomats from NATO and Russia met to discuss ways of cooperating in the battle against pirates off the coast of Somalia. Since that meeting, a debate has set in which demonstrates

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that NATO and Russia can cooperate within the framework of NRC on such important issues. Both Russia and NATO member states have an interest in providing security for commercial vessels to the Indian Ocean and have dispatched naval ships to the region. While Russia was not ready to operate under NATO leadership, it was ready to coordinate its activities in the region with NATO and the EU. It would be useful to expand on this cooperation and even to conduct joint exercises and training missions, possibly under Russian leadership. Since there is no international legal framework for dealing with maritime piracy, it also might be expedient to think about a joint NATO-Russian initiative to create a specific international court for dealing with cases of maritime piracy. A broader effort to improve maritime security in the Gulf of Aden, which is an international waterway that provides the key link between the Mediterranean Sea and the Indian Ocean, is also needed.

Beyond these suggestions, NATO and Russia might ponder a long-term solution for Somalia, since the lack of functioning state structures in that country feeds not just piracy but also terrorism and migration. While this might imply intervening onshore militarily in order to destroy pirate and terrorist networks, it would also entail efforts aimed at state building and reconstruction in one of the most difficult areas of Africa, where one failed attempt at intervention already took place in 1992. Whether NATO member states and Russia will (and should) be willing to shoulder this Herculean task remains questionable. At the same time, the European Union would be well advised to examine carefully the role European fishing fleets have played in undermining regional stability through illegal, unregulated, and unreported fishing in the waters off the Somali shores.

Arctic Security

The Arctic Sea is an area with the potential for conflict between Russia and the Western nations, but it could also be turned into an area where cooperation is sought in order to solve disputed claims by legal means. Russia opened the competition over Arctic resources through two expeditions, which were meant to underpin its territorial claims. These steps have created concerns among Northern littoral states, particularly Norway, but also Canada and the USA. It is of some comfort that Russia is seeking to go the legal route in order to make its claims by submitting documentary evidence to the United Nations. Western governments should communicate to Russia that any conflicts in the Arctic Sea area must be addressed by resorting to legal means under the United Nations Convention on the Law of the Sea (“UNCLOS”). Since the UNCLOS does not present ways and means to settle every conflicting claim to maritime areas, it might be advisable to launch a multilateral negotiation forum leading to a treaty which would settle the status of the Arctic in a comprehensive way similar to the Antarctic Treaty of 1959.

In summary, the Aspen European Strategy Forum recommends:

- *Expanding cooperation between Russia and the West on Afghanistan so as to end Russia's policy of ambivalence between avoiding NATO's failure in Afghanistan and uneasiness about Western troop presence in Central Asia.*
 - *Scaling up cooperation in fighting drug trafficking in Afghanistan, in particular with regards to training for Afghan policemen and law enforcement officers.*
 - *Expanding cooperation in the area of maritime security to include joint exercises and training missions. Further, a joint NATO-Russian initiative to establish a specific international court for dealing with cases of maritime piracy could be launched.*
 - *NATO and Russia might even ponder a long-term solution for Somalia, since the lack of functioning state structures in that country feeds not just piracy but also terrorism and migration.*
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Integrating the Russian and Western Economies

Given the increasingly inter-connected nature of the global economy, any attempt to reset the relationship between Russia and the West has to include economic relations. In this area, one might expect more win-win outcomes to emerge than in the field of security policy. However, as recent years have shown, economic relations in the field of energy supply have held more potential for stirring up discontent than they have for peaceful cooperation. It is here, that another opportunity exists to “push the reset-button”.

Economic cooperation between Russia and Europe is particularly important. Russia’s ambitious economic goals can only be achieved in close cooperation with Europe. In September 2007 the Russian Ministry of Economic Development and Trade published the “Concept of Long-term Socioeconomic Development of the Russian Federation” (the “Concept”). The ultimate goals of the Concept are for Russia to become one of the world’s top five economies; to establish Russia as a leader in technological innovation and global energy infrastructure; and to establish Russia as a major international financial centre as well. While these goals were always ambitious and look less realistic in the wake of the global economic downturn, their thrust and means of implementation illuminate the pivotal role that Europe will play for Russia’s further modernization. Europe, on the other hand, needs Russia as a supplier of natural gas and oil as well as a market for its manufactured goods and services; it also needs Russia as a place to make foreign direct investments. Conversely, there is a strong interest in Europe to attract Russian investment as well.

A powerful complementarity already exists between Russia and Europe in economic relations. In 2007, the European Union comprised fifty-three percent of Russia’s export market, and fifty-two percent of Russia’s imports came from EU countries. Russia is the European Union’s third-largest trade partner. Economic cooperation between the EU and Russia is built on converging interests. Western Europe needs markets for high-value-added products to boost its own stagnating economic growth, while Central and Eastern Europe also sees Russia as an end market for finished industrial goods and relies on Russia for the great majority of its energy supplies. In order to exploit its comparative advantage in raw material and energy supplies, Russia – for its part – needs unfettered access to European and North American end markets. Russia also requires access to Western technology and capital in order to modernize the country’s resource extraction infrastructure and to diversify the country’s economy away from over-dependence on oil and gas.

The Energy Sector

In principle, the EU and Russia fit very well together in the field of energy relations. Looking at the crude oil and the natural gas sector they could form an ideal partnership, even if their interests as exporters and importers do not always coincide. Russia is interested in security of demand while Europe is interested in security of supply. Hence a symbiotic relationship built upon Europe’s interest in secure energy supply and Russia’s interest in revenues from sales to Europe is a real possibility. However, due to political factors, this partnership has eroded over the past ten years and has turned into a rather adversarial relationship. In order to

avoid further damage, a new start is overdue in this field. It may be necessary to rethink the basic elements of the energy relationship, including even the possibility of negotiating a new energy charter between Russia and the EU or revising the existing one.

According to the International Energy Agency (“IEA”) World Energy Outlook, global primary energy consumption will grow by fifty per cent during the period until 2030. By 2015, it will increase by twenty-five percent. Developing countries will contribute more than seventy per cent to the increase in consumption; China alone will be responsible for thirty percent. This will mean stronger pressure on markets both for crude oil and natural gas and it will entail greater risks for buyers as well as for suppliers of fossil fuel resources. Due to geographic proximity, Russia and Europe have complementary features:

- Russia is (after Saudi Arabia) the second largest producer of oil; it produces almost ten million barrels per day (or almost five hundred million tons per year), of which it exports two-thirds. It has large untapped reserves of oil, most of them in Siberia. Hitherto, however, only a tenth of this region has been explored geologically. Moreover, oil production in the Russian part of the Caspian Sea has not even started yet.
- Europe consumes almost fifteen million barrels of crude oil per day, of which almost fourteen million barrels have to be imported. Currently, Russia is the largest source of imported oil for the EU (almost thirty percent), followed by Norway. While the level of European consumption will increase only incrementally during the next ten to fifteen years, the EU will have to shift its sources of crude oil imports because the Nor-

wegian oil fields will become exhausted. Increasing the share of Russian oil is the most reasonable approach, because alternative sources will continue to be located in politically unstable areas.

- Russia currently produces about six hundred billion cubic meters of natural gas per year, of which it is currently able to export one third. Russia has estimated natural gas reserves of almost fifty-eight trillion cubic meters, which amounts to almost one third of known global reserves. Most of these reserves have not been tapped so far.
- The EU consumes around five hundred billion cubic meters of natural gas per year and this consumption will rise by at least fifty per cent by the year 2020. While imports make up sixty per cent of today’s consumption, this share will increase to almost eighty-five percent by the year 2020. Imports from Russia today make up almost thirty per cent of the EU’s total imports; this share could increase due to geographical proximity.
- Russia and the EU are already connected through a network of pipelines for both crude oil and natural gas. These networks need major maintenance capital expenditure investments and, hence, create incentives on both sides to cooperate and to create an environment of stable mutual expectations. Of Russian oil exports to the West, fifty-eight per cent pass through pipelines. All of Russia’s gas exports are transported through pipeline systems.

Europe is currently and will remain central to Russia’s energy market. The probability of major energy trade between the United States and Russia

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for at least the next decade remains low, as Gazprom has not been very active in developing liquefied natural gas (“LNG”) supplies. It is also hard to imagine Russia diverting significant energy supplies towards China in the next decade.

While energy relations between Russia and the EU were looked upon with great optimism at the start of this decade, a rather sober assessment has since come to prevail. Instead of deeper cooperation, disputes over investment projects, transit rights and pipeline projects have grown. Many observers are already talking about a new geopolitical competition over energy resources in Central and Eastern Europe and Central Asia. This development has to be seen against the backdrop of major strategic decisions that have been taken and the consequences that have flown from them.

The most important strategic decision in this regard was the Russian state take-over of the largest companies in the Russian energy sector - namely in the field of natural gas and oil production, starting in 2003. The most well-known case was the takeover of YUKOS, the largest company in this field, by the Russian state. By asserting control over companies in the energy sector, the Russian government not only succeeded in making huge windfall profits from the recent surge in oil prices, it also established itself as a major player in the field of energy supply. In 1998, Russia’s international foreign currency reserves amounted to only USD 8 billion. Today, Moscow disposes of approximately USD 400 billion. Moscow has also repaid all of its international debt ahead of schedule. The energy sector is responsible for twenty-five percent of GDP. Oil and gas make up two thirds of Russian exports.

Another important event was the Kremlin’s decision to end its subsidies to the CIS countries via cheap natural gas and crude oil. This decision was taken after the Orange Revolution took place in Ukraine at the end of 2004. The decision led to a row between Russia on the one side and the Ukraine and Belarus on the other. The latter tried to use their leverage as transit countries in order to negotiate the most profitable solution for themselves. Ukraine thought itself to be in a good position: it is the transit country for forty-two percent of all Russian crude oil exports and for sixty-eight percent of Russia’s exports of natural gas. The resulting disputes over transfers of gas and oil has brought about two major supply crises, so far. The crises led to major interruptions in supply in Central and Eastern European states in the Winter of 2005-2006 and in the Winter of 2008-2009. Both sides acted in a manner that seriously shattered EU confidence in their reliability. Russia has been trying to avoid Ukraine and Belarus as transit countries since 2005 by striking deals for gas pipeline routes that take a Northern or a Southern detour (North Stream and South Stream). Russia struck a deal with then German Chancellor Gerhard Schröder in 2005 on a North Stream pipeline through the Baltic Sea that would circumvent Ukraine, Belarus and Poland; it caused a major disagreement between Germany on the one hand and Poland, the Baltic States and Sweden on the other.

The controversies surrounding the interruption of gas supplies through Ukraine in 2005-2006 and 2008-2009 and concerning the North Stream project have obscured an underlying structural problem: the growing strain between supply of and demand for Russian gas. Gazprom’s production has been stagnant for years, while demand for Russian gas both abroad and at home is steadily

rising. All production increases after 2000 have come from independent Russian gas companies, and they are increasingly constrained or nationalized. Russia obviously has a business strategy that calls for reliance on Central Asian reserves in the near- and mid-term in order to maintain supply rather than making massive investments in developing new gas fields.

In the oil sector a similar trend has set in. The production of crude oil has grown since 1999, but the rate of growth has declined since 2004. In 2008 the upstream production of crude oil fell slightly, mainly due to lack of investment in the exploration of new fields. Western analysts and experts see this as another example of the detrimental consequences of nationalizing energy production in Russia.

The consequence of stagnating production in Russia has been a growing competition over the energy resources of the Central Asian states (Kazakhstan, Turkmenistan, Uzbekistan, Azerbaijan), which have increased their upstream activities at rates of ten to twenty per cent per year during this decade. These states want to enter European markets, and have been confronted with Russian attempts to buy up all of their production, because Russia wants to be the sole provider of oil and gas to Europe. While this might make business sense, Russia's policy has created deep mistrust both in EU capitals as well as in the Central Asian states. The building of the Baku-Ceyhan pipeline (that avoids Russian territory) by a U.S.-led international consortium was an early reaction. But European firms are also increasingly looking for cooperation opportunities in upstream activities in Central Asia – where they face growing interest on the part of China in these same resources. The EU is planning to construct a pipeline skirting Russia

that would allow the transfer of natural gas from Kazakhstan and Turkmenistan to Europe (Nabucco). Russia, for its part, has reacted by striking a USD 3.5 billion deal with China that involves planned deliveries of natural gas to China. This deal, however, puts additional stress on Russia's ability actually to produce all the gas it wants to export.

A geopolitical competition over the control of energy supplies to Europe has been unleashed, which might have detrimental consequences for all sides involved. The issue is whether Russia will control the oil and gas pipelines running from all of the states of the former Soviet Union to Europe. Besides building the Northstream and the Southstream pipelines, the Kremlin is trying to thwart alternative pipeline routes that bypass Russia. In essence the competition is whether European countries will build the Nabucco and Transcaspian pipelines to supply Europe with gas from the Caspian Basin or whether Gazprom's South Stream pipeline project through the Black Sea to Italy will out-compete Nabucco in transferring the same energy resources to the same European markets. The stakes are high on all sides involved and the risk that major investments in pipelines and infrastructure might turn out to be economic failures is considerable. In July 2009 European states signed an agreement to build the Nabucco pipeline by 2014. In August 2009, Russia and Turkey signed an agreement that would clear the way for construction of the South Stream pipeline.

The Energy Charter of 1991 and the related Energy Charter Treaty ("ECT") of 1994 were the first victims of this geopolitical competition. The Energy Charter seeks a balanced framework for cooperation in the energy sector; it addresses the concerns of countries endowed with natural re-

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sources as well as those of energy-importing countries. The provisions of the Energy Charter Treaty focus on protecting foreign investments, on ensuring non-discriminatory conditions for trade in energy resources, on reliable cross-border energy transit, on dispute resolution procedures between participating states and/or investors and states, as well as on promoting energy efficiency. The ECT will help energy producing states protect their interests downstream, and help energy-importing countries gain protection for their outward energy investments; it also contains mechanisms to promote security of supply. The ECT will also ensure reliable transportation of energy exports to consumers. Russia signed the ECT in 1994 but has refused to ratify it so far, although Russia did say that it was prepared to accept provisional implementation of the ECT. On 30 July 2009 Russian Prime Minister Vladimir Putin announced Russia's abrogation of the ECT and terminated Russia's provisional implementation of the treaty. There are four main reasons behind Russia's actions:

- Russia considers the ECT unbalanced and biased towards the interests of energy consuming countries.
- Russia is reluctant to cede control over its transit network to international supervision, as stipulated in the Energy Charter.
- Russia requires Western consumer markets be opened for Russian companies (downstream), if Russia, in turn, is to be required by the West to allow stronger investments by EU companies in the upstream sector in Russia.
- Russia requires a more effective monitoring and early warning mechanism to prevent export in-

terruptions such as those that occurred in early 2006 and early 2009.

It is thus high time to turn a new page in this important area as well. In recent years talks between Russia and the EU on the subject of the Energy Charter have focused on Moscow's demand to incorporate the interests of producer states more firmly in the revised charter. Meanwhile the EU has also arrived at an internal understanding that an altered Energy Charter should seek a compromise between the interests and tasks of the producers and consumers and should also include transit states.

Any durable solution has to be based on the Energy Charter Treaty; however, negotiations that will reopen basic elements of the ECT are unavoidable. The ECT has to become more balanced and it has to become more specific in many instances. The treaty needs provisions that enable and protect international commercial investments in both the upstream and the downstream sectors and its existing dispute resolution mechanism should be revised. The treaty should also establish more specific rules for the transit of natural gas and crude oil through pipeline networks. The main problem here is that Russia is unwilling to accept the same rules for itself as a transit state as it is asking Ukraine and Belarus to accept. These and other problems can only be solved as part of a major compromise. A number of possible political initiatives could advance the negotiating process by helping to change the overall strategic landscape in the energy sector:

- The EU, Russia and the United States could jointly develop a plan for the modernization of Siberia as a practical tool both for achieving the goals of an energy alliance, but also for achiev-

ing the diversification of the Russian economy – a matter of long-term, common strategic interest to both Russia and the West.

- Europe and the United States could take part in Russia's energy efficiency program, with particular emphasis on natural gas. Today, Russia consumes more gas than seven of the world's biggest economies combined: China, India, Japan, Britain, Germany, France and Brazil. Just a ten percent savings would set free enough natural gas to satisfy the demands of France, a twenty per cent savings would satisfy the demands of Germany. Such cooperation could also be extremely helpful in meeting the goals of the UN Framework Convention on Climate Change ("UNFCCC") and the Kyoto Protocol.
- The EU could be tasked to devise a European Energy Solidarity Pact, by which Western European countries can to assist Central and East European states, which are heavily dependent upon Russian gas and oil deliveries, in times of crisis. Such a pact must be underpinned by investing in pipelines and by enlarging existing gas and crude oil reserve capacities.

Trade Relations

Oil and gas trade is simply a special case of the broader topic of trade relations between Russia and the West. Both sides have a strong interest in building vital trade links. Some form of integration of the Russian Federation into the European Union, for example, would provide Russia with reassurance when it comes to Moscow's access to energy end-markets and to vertical integration opportunities. Conversely, it would also provide the

West with the prospect of secure end markets for finished goods and leverage by which to bring Russia into a rules-based regime.

"Increasing global competitiveness" is a frequent phrase in the Concept referred to above, which acknowledges the fact that, as an integral part of the global economy, Russia's industry faces competition on a global scale. Unfortunately, Russian "competitiveness" has always been relatively weak, and despite Russia's announced ambitions it continues to weaken. Deeper economic integration between the European Union and Russia is the best means to reverse negative trends in Russian competitiveness. The highest level of integration between the European Union and Russia would be a Free Trade Area ("FTA"), an idea that was conceived and incorporated into the Partnership and Cooperation Agreement ("PCA") in 1997. The Europeans continue to view an FTA as a means to link rewards to performance, but Russia has not been so enthusiastic.

The precondition for the commencement of FTA talks is Russia's accession to the World Trade Organization ("WTO"). This has not been an easy step for Russia, requiring implementation of numerous commitments made in bilateral negotiations which will have very real effects on its economy and be especially painful in the short term as many industries face increased foreign competition. Russian leaders have criticized the U.S. for constantly erecting new political hurdles to Russia's accession to the WTO. Judging from the negotiating record, this criticism is not without justification. However, it is regrettable that Russia did not conclude its WTO negotiations before the onset of the current economic crisis; free trade agreements are always more difficult to sell politically when domestic industries are already suffering.

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This is not to imply that there will be no adverse consequences or that the pains that Russian industry will experience in the short term should be underestimated. The heart of any FTA between the EU and Russia would be a reduction of tariffs on manufactured goods. Taking into consideration the fact that EU-Russia trade is based on each side's comparative advantages (commodities for Russia and manufactured goods for the European Union), this would benefit the EU and to some extent disadvantage Russia. But over time these short-term losses will be compensated by increased efficiency, competitiveness and diversification of Russian industry.

To further integration with the European Union, Russia's second-best option to an FTA is joining the WTO and continuing to be a beneficiary of the EU's Generalized System of Preferences ("GSP") – its present course. In addition, continued negotiations of Russia's membership in the Organization of Economic Cooperation and Development ("OECD") will entail further liberalization including concessions by Russia, but, again, increasing competitiveness is the critical condition for successful Russian development.

While integration with the West is and has been Russia's primary goal, the projected breakdown of Russia's trade by major partners (EU, CIS, and Asia) suggests a modest shift away from the West towards Asia and the Commonwealth of Independent States. In 2006, fifty-nine percent of Russian exports were destined for the EU, sixteen percent went to Asia, and fourteen percent went to the CIS. In contrast, the EU share of total exports in 2020 is expected to decline to forty-six percent of total exports, while the share of both Asia and the CIS is to increase to about twenty percent each. CIS and Asian countries are seen as potentially large

and increasing markets for Russian exports, especially high technology "innovation goods". However, as the composition of Russia's imports is heavily tilted towards machinery, the EU will continue to be the primary supplier of such goods and the key to Russian economic modernization.

Four concrete steps might be considered as part of an effort to improve trade relations between Russia, the United States and Europe and to accelerate eventual closer Russian integration with the EU:

- Russia, the EU and the United States might consider further expanding joint projects including: dismantling visa barriers, allowing skilled Russian workers to move more readily to Europe or the United States; expanding academic exchanges, allowing Russia to build human capital that has had access to the technologies that the country will need to modernize and diversify its economy; and establishing a free trade zone, short of full EU membership, similar to the arrangements entered into by Sweden and other countries, before their full accession to the European Union.
- Russia, the European Union and the United States might also consider taking joint steps in the area of climate control and environmental protection. An "ecological compact" might allow the parties to tackle and meet joint challenges and develop joint policy options within the framework of the Kyoto process.
- Europe and the United States may want consider whether their countries and economies are really best served by having an effective global duopoly in the area of large commercial aircraft production. Russia has a deep reservoir of experience and expertise. Opening Western end

markets to the Russian commercial aviation industry might result in more efficient U.S. and European aircraft industries, diversification of the Russian economy and a true incentive with which to keep Moscow interested in further cooperation.

- Finally, the European Union may want to consider creating a mechanism for economic negotiations with Russia that is not dependent upon achieving consensus among all twenty-seven member-states. In order to expedite moves to integrate Russia into the West economically, the European Union might decide to delegate responsibility for negotiating with Russia to a “core group” of states in which Central and Eastern Europe and the Baltic states were adequately represented.

Foreign Direct Investment

Because legal redress for foreign investors acting within the Russian legal system is not fully assured, and the capital requirements are so huge, Russia is likely to need access to foreign capital in order to modernize and diversify its economy for the foreseeable future. On the other hand, Russia aspires to become a financial center in its own right, and certainly has amassed significant currency reserves during the recent upswing in oil prices. Targeted action in the foreign direct investment area may be another means by which to provide inducements to Moscow to move to a more cooperative mode of behavior with the West.

The West will also continue to play the key role as a source of Russia’s foreign investment in general and Foreign Direct Investment (“FDI”) in particular. Europe will continue to increase its share, while there may be a drop in investment from countries with taxation policies that are currently favorable, such as Cyprus and Luxembourg. The future role of Japan is less clear. According to the aforementioned long-term Concept, Russia prefers investment from the rest of Asia, North America, and Western Europe instead. As Russia’s current account is expected to continue to deteriorate, it is Europe and the United States that will most likely meet Russia’s growing needs for investment.

The following concrete steps might be considered in order to improve the investment regime in Russia and assist Moscow in its efforts to develop an international financial center:

- A coordinated and intensified effort by the EU commission, the U.S. Department of Justice and Russian authorities aimed at implementing a streamlined Russian commercial dispute resolution mechanism.
- An intensified series of exchanges between senior- and mid-level regulatory staff (e.g. from the FSA, BaFin, the SEC and the FKTB) designed to ensure training, the transfer of knowledge and the construction of lasting institutional ties among regulators in Russia and the chief Western markets.
- A joint FSA, BaFin, and SEC task force on minimum, mutually recognized listing standards, designed to reduce the cost of access to capital by Russian companies and to promote Moscow as an international source of capital.

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- A parallel joint task force designed to agree on minimally acceptable mutually recognized accounting standards, intended to facilitate Russian companies' access to international capital.
- *Russia, the EU and the United States should consider further expanding joint projects including: dismantling visa barriers; expanding academic exchanges; and establishing a free trade zone, short of full Russian EU membership.*

In summary, the Aspen European Strategy Forum recommends

- *The Energy Charter Treaty needs provisions that enable and protect international commercial investments in both the upstream and the downstream sector and the treaty's existing dispute settling mechanism should be revised. The ECT should also establish more specific rules for the transit of natural gas and crude oil through pipelines.*
- *The EU, Russia and the United States could jointly develop a plan for the modernization of Siberia as a practical tool both for achieving the goals of an energy alliance, but also for achieving the diversification of the Russian economy – a matter of long-term, common strategic interest to both Russia and the West.*
- *Europe and the United States could take part in Russia's energy efficiency program, with a particular emphasis on natural gas.*
- *The European Union could be tasked with devising a European Energy Solidarity Pact, by which West European countries can assist Central and East European states, which are heavily dependent upon Russian gas and oil deliveries, in times of crisis.*
- *Russia, the European Union and the United States might also consider taking joint steps in the area of climate control and environmental protection.*
- *Europe and the United States may want consider whether the opening of their end markets to the Russian commercial aviation industry might result in more efficient U.S. and European aircraft industries, diversification of the Russian economy and a true incentive with which to keep Moscow interested in further cooperation.*
- *The European Union may want to consider creating a mechanism for economic negotiations with Russia that is not dependent upon achieving consensus among all 27 member-states.*
- *Investment might be supported by a couple of steps such as efforts by the EU commission, the U.S. Department of Justice and Russian authorities aimed at implementing a streamlined Russian commercial dispute resolution mechanism. Increased exchanges between senior- and mid-level regulatory staff might also be helpful. Further, efforts towards arriving at minimal, mutually recognized listing standards, designed to reduce the cost of access to capital by Russian companies and to promote Moscow as an international financial center might also be considered. Measures to facilitate Russian companies' access to international capital could also be envisaged.*

CONCLUSIONS

This report has tried to set out the problems that have caused the relationship between Russia and the West to deteriorate in a systematic way; it has also outlined possible ways by which to overcome differences in many areas. Whether efforts towards rapprochement between Washington and Moscow as well as between the West and Russia will be successful depends on domestic developments and on success or failure in dealing with critical policy issues. Iran, Afghanistan, nuclear disarmament and missile defense, conventional arms control and institutional arrangements are among the most important policy issues. The most fundamental problem is that Moscow and Western capitols do not view their interests as fully aligned on these key issues.

It is doubtful whether the metaphor of pushing the “reset” button is very helpful. So far, most of the debate is taking place in the West; it rests on the assumption that one has to be ready to reconsider past policies in a self-critical way. While this kind of debate has been launched in Washington as well as in European capitols, no comparable debate is taking place in Moscow. In Russia the debate still focuses on geo-political approaches to policymaking, on failures the West is responsible for and on the need of others to take Russian security interests seriously. The current consensus among Moscow’s incumbent political elite is one of deep skepticism that the United States and the Western states as a whole are indeed really ready seriously to review their foreign and security policies to take greater account of Russian interests. However, it should be noted that the political leadership in Moscow has sent signals of late that indicate that a shift may be underway. Russia has already moved on the Iranian and the Afghanistan issues. Prime Minister Vladimir Putin’s speech in Westerplatte on 1 September 2009 was an

important step forward for further reconciliation with the Central and East European states. President Dmitry Medvedev’s article on all the weaknesses in Russian political and economic life was a crucial wake-up call for all of Russian society. The President firmly stated that Russia cannot modernize itself outside the international community.

The authors hope that this report will contribute to a more enlightened and self-critical debate in all states, including Russia, and that, in the end, some of the proposals made in this paper will help to restart a constructive relationship between Russia and the West.

KEY TO ACRONYMS USED

ABM	Anti-Ballistic Missile [Treaty]
ACFE	Adjusted Conventional Forces in Europe [Treaty]
ACV	Armored Combat Vehicles
BAFIN	Bundesanstalt für Finanzdienstleistungsaufsicht
BMD	Ballistic Missile Defense
CFE	Conventional Forces in Europe
CIS	Commonwealth of Independent States
CSCE	Council on Security and Cooperation in Europe
CSFP	(EU) Common Security and Foreign Policy
CSTO	Collective Security Treaty Organization
CTBT	Comprehensive Test Ban Treaty
CTR	Cooperative Threat Reduction
CWC	Chemical Weapons Convention
ECT	Energy Charter Treaty
EU	European Union
EU-27	The 27 member states of the European Union
FDI	Foreign Direct Investment
FKTsB	Federal'naya Kommissiya po Tsennym Bumagam
FSA	Financial Services Authority
FTA	Free Trade Area
G7	Group of Seven industrialized nations
G20	Group of Twenty nations
GSP	Generalized System of Preferences
GDP	Gross Domestic Product
ICBM	Inter-Continental Ballistic Missile
IAEA	International Atomic Energy Agency
IEA	International Energy Agency
INF	Intermediate-Range Nuclear Forces
ISAF	International Security Assistance Force [in Afghanistan]
LEU	Low-Enriched Uranium
LNG	Liquified Natural Gas

MAD	Mutually-Assured Destruction
MDR	Missile Defense Review
MSR	Main Supply Route
MIRV	Multiple Independently-Targeted Reentry Vehicles
NATO	North Atlantic Treaty Organization
NDN	Northern Distribution Network
NEST	New European Security Treaty
NPR	Nuclear Policy Review
NRC	NATO-Russia Council
OECD	Organization for Economic Cooperation and Development
OEF	Operation Enduring Freedom [in Afghanistan]
OSCE	Organization for Security and Cooperation in Europe
P5+1	The five permanent members of the UN Security Council plus Germany
PAP	Parallel Action Package
PCA	Partnership and Cooperation Agreement
QDR	Quadrennial Defense Review
SCO	Shanghai Cooperation Organization
SEC	Securities and Exchange Commission
SNDV	Strategic Nuclear-Weapons Delivery Vehicle
SORT	Strategic Offensive Reductions Treaty
START	Strategic Arms Reduction Treaty
SPR	Space Policy Review
TLI	Treaty-Limited Items
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office on Drugs and Crime
UNSC	United Nations Security Council
WTO	Warsaw Treaty Organization

WORKSHOP & CONFERENCE PARTICIPANTS AND AGENDAS

The agenda and list of participants for the two preparatory workshops and final conference of the Aspen European Strategy Forum 2009 are given below. Participation in an event by any given individual does not imply endorsement of the contents of this report, which remain the sole responsibility of the authors.

ASPEN EUROPEAN STRATEGY FORUM 2009
“Russia and the West: Resetting the Relationship”
First Preparatory Workshop
June 9 - 12, Washington D.C.

organized by the Aspen Institute Deutschland in cooperation with the American Institute for Contemporary German Studies and the Aspen Institute Italia

Members of the Delegation

Senator Gary Hart	<i>University of Colorado, Denver</i>
Eckart von Klaeden	<i>Member of the German Bundestag; Foreign Policy Spokesman of the Parliamentary Party of CDU/CSU</i>
Prof. Dr. Joachim Krause	<i>Academic Director of the Aspen European Strategy Forum; Institute for Social Science, University of Kiel</i>
Dr. Andrew Kuchins	<i>Director and Senior Fellow, Russia and Eurasia Program, Center for Strategic and International Studies</i>
Charles King Mallory IV	<i>Executive Director, Aspen Institute Deutschland</i>
Roberto Menotti	<i>Senior Research Fellow – International Programs and Aspenia Editorial Consultant, Aspen Institute Italia</i>
Alexander Rahr	<i>Program Director Russia/Eurasia, German Council on Foreign Relations</i>
Dr. Benjamin Schreer	<i>Deputy Director, Aspen Institute Deutschland</i>
Prof. Dr.h.c. Horst M. Teltschik	<i>Former Advisor to German Chancellor Helmut Kohl</i>
Dr. Jackson Janes	<i>Executive Director, American Institute for Contemporary German Studies</i>
Dr. Gudula Gutmann	<i>Office of MP von Klaeden, German Bundestag</i>

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Program

Tuesday, June 9, 2009	12:15pm	Meeting of the Principals, Chairmen, and Experts
	1:00pm	Meeting with Dr. Ann-Marie Slaughter <i>Director, Policy Planning Staff</i> <i>U.S. Department of State</i>
	4:00pm	Meeting of the Principals, Chairmen, and Experts
	7:30pm	Welcome Dinner <i>Metropolitan Club</i>
Wednesday, June 10, 2009	9:30am	Meeting with Lt. Gen. (ret.) Brent Scowcroft <i>President and Founder, The Scowcroft Group</i>
	10:30am	Meeting with Mr. Gary Samore (NSC) <i>Special Assistant to the President and White House</i> <i>Coordinator for Arms Control and Weapons of Mass</i> <i>Destruction, Proliferation, and Terrorism</i>
	11:30am	Meeting with Senator Richard Lugar <i>U.S. Capitol</i>
	2pm-2:30pm	Meeting with Ambassador Wendy Sherman and Mr. James O'Brien <i>Albright Group</i>
	3:30pm-4pm	Meeting with Ms. Rose Gottemoeller <i>Assistant Secretary of State for Verification and</i> <i>Compliance, U.S. Department of State</i>
	4:30-5:30pm	Meeting with Ms. Julianne Smith <i>Principal Director (Europe and NATO),</i> <i>Office of the Under Secretary of Defense (Policy)</i>

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Thursday, June 11, 2009	9am – 6pm	Conference at AICGS
	9:00	Opening <i>Welcome remarks by Charles King Mallory IV, Lily Gardner Feldman, and Joachim Krause</i>
	9:15	Session 1: Strategic Shifts and Global Balances: How to Rearrange the Relationship Between Russia and the West? <i>Chair: Prof. Dr. h.c. Horst Teltschik; panelists: Dimitri K. Simes (The Nixon Center), Robert Lieber (Georgetown University), Eckart von Klaeden (Member of the German Bundestag)</i>
	10:45	Coffee break
	11:00	Session 2: Arms Control, Nuclear Proliferation, Missile Defense: How to Find New Common Ground? <i>Chair: Prof. Joachim Krause (University of Kiel); panelists: Henry D. Sokolski (Nonproliferation Policy Education Center), Kenneth Luongo (Partnership for Global Security), Christopher A. Ford (Hudson Institute), Dr. Benjamin Schreer <i>Institute Deutschland)</i></i>
<i>(Aspen</i>	13:00	Lunch
	14:00	Session 3: Dealing with Security Challenges in Europe: Do We Need a New Euro-Atlantic Security Architecture? <i>Chair: Andrew Kuchins (CSIS); panelists: Charles Kupchan (Council of Foreign Relations), Kim R. Holmes (Heritage Foundation), Stephen Larrabee (RAND Corporation), Craig Dunkerley (National Defense University), Roberto Menotti (Aspen Institute Italia)</i>
	15:45	Coffee break

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	16:00	Session 4: Energy Security and Climate Change: How to Develop Common Interests? <i>Chair: Charles King Mallory IV (Aspen Institute Deutschland);</i> <i>panelists: Charles K. Ebinger (Brookings Institution), Taiya Smith (Carnegie Endowment), Paul J. Saunders (The Nixon Center), Alexander Rahr (German Council of Foreign Relations)</i>
	18:00	End of session
Friday, June 12, 2009	9am – 2pm	Conference at AICGS
	9:00	Session 5: Dealing with Radical Islam and Islamist Terrorism: Joining Forces <i>Chair: Dr. Benjamin Schreer (Aspen Institute Deutschland);</i> <i>panelists: Frank Cilluffo (Homeland Security Policy Institute), Yonah Alexander (The Potomac Institute), Michele Dunne (Carnegie Endowment), Robert S. Leiken (Nixon Center)</i>
	10:45	Coffee break
	11:00	Session 6: Managing International Relations in the Larger Middle East: How can we Cooperate? <i>Chair: Michael O’Hanlon (Brookings Institution);</i> <i>panelists: Stephen B. Cohen (Brookings Institution), Martin S. Indyk (Brookings Institution), Geoffrey Kemp (The Nixon Center), Keith Crane (RAND Corporation)</i>
	13:00	Lunch
	14:00	End of conference

ASPEN EUROPEAN STRATEGY FORUM 2009
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August 27-28, Berlin

List of Participants

Amb. Anatoly Adamishin	<i>President Euro-Atlantic Association, former Deputy Minister of Foreign Affairs of the Russian Federation</i>
Jüri Arusoo	<i>Counsellor, Embassy of the Republic of Estonia (Observer)</i>
Prof. Dr. Hüseyin Bağcı	<i>Middle East Technical University, Department of International Relations, Ankara</i>
Rakhamim Emanuilov	<i>Advisor to the Chairman of Council of Federation of the Federal Assembly of the Russian Federation</i>
Prof. Mark L. Entin	<i>Head of Jean Monnet Chair, Director, European Studies Institute, Moscow State Institute of International Relations</i>
Dr. Klaus-Dieter Frankenberger	<i>Editor in Chief, Foreign Policy, Frankfurter Allgemeine Zeitung</i>
Weronika Frydryszek	<i>Political Section, Embassy of the Republic of Poland (Observer)</i>
Dr. Gudula Gutmann	<i>Senior Foreign Policy Advisor, CDU-CSU Parliamentary Group, German Bundestag</i>
Dr. Petri Hakkarainen	<i>Second Secretary, Embassy of Finland (Observer)</i>
Prof. Dr. Peter van Ham	<i>Director of Global Governance Research, at Clingendael Netherlands Institute of International Relations, The Hague, and Professor at the College of Europe in Bruges</i>
Prof. Dr. Václav Hubinger	<i>Director, Strategy, Analysis & Project Management Office, Czech Ministry of Foreign Affairs</i>
Prof. Dr. Vladislav Inozemtsev	<i>Professor of Economics, Director, Centre for Post-Industrial Studies (Moscow), Publisher and Editor, Svobodnaya Mysl' monthly</i>
Eckart von Klaeden	<i>Member of the German Bundestag; Foreign Policy Spokesman of the Parliamentary Party of the CDU-CSU</i>
Prof. Dr. Alexander Konovalov	<i>Moscow State Institute of International Relations, President of the Institute for Strategic Assessments</i>
Dr. Michal Kořan	<i>Head of Research, Institute for International Relations, Prague</i>
Prof. Dr. Joachim Krause	<i>Professor of Political Science at the University of Kiel, Academic Director of AESF</i>

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Dr. Heinrich Kreft	<i>Senior Foreign Policy Advisor, CDU-CSU Parliamentary Group, German Bundestag</i>
Dr. Andrew Kuchins	<i>Director and Senior Fellow, Russia and Eurasia Program, Center for Strategic and International Studies (CSIS), Washington DC</i>
Charles King Mallory IV	<i>Executive Director, The Aspen Institute Germany</i>
Dana Marca	<i>Political Counsellor, Embassy of Romania</i>
Andrew Noble	<i>Political Counsellor, Embassy of the United Kingdom (Observer)</i>
Amb. René Nyberg	<i>CEO East Office of Finish Industries</i>
Graham Paul	<i>Counsellor, Embassy of the Republic of France (Observer)</i>
Dr. Marek Prawda	<i>Ambassador of the Republic of Poland to the Federal Republic of Germany (Observer)</i>
Alexander Rahr	<i>Program Director Russia/Eurasia, German Council on Foreign Relations</i>
Prof. Dr. Lothar Rühl	<i>apl. Professor of Political Science at the University of Cologne, former State Secretary, German Federal Ministry of Defense</i>
Claudia von Salzen	<i>Policy Editor, Der Tagesspiegel</i>
Dr. Evgeny Savostiyarov	<i>Head, Stolichnaya (Metropolitan) Oil Company, Moscow, Former Director of the Federal Security Service (Federal'naya Sluzhba Bezopasnosti)</i>
Dr. Benjamin Schreer	<i>Deputy Director, The Aspen Institute Germany</i>
Dr. Christoph Schwegmann	<i>Political Advisor, NATO International Staff, Political Affairs and Security Policy (PASP), Russia & Ukraine Relations</i>
Prof. Dr. h.c. Horst M. Teltschik	<i>Former Coordinator, Munich Security Conference, former Advisor to Chancellor Helmut Kohl</i>
Dr. Oliver Thränert	<i>Senior Fellow, German Institute for International and Security Affairs – SWP, Research Division International Security</i>

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Thursday, August 27	9:00	Opening <i>Welcome remarks by Charles King Mallory IV</i>
	9:15	Session 1: Strategic Shifts and Global Balances: How to Rearrange the Relationship between Russia and the West? <i>Chair: Prof. Dr. Joachim Krause;</i> <i>panelists: Prof. Dr. h.c. Horst Teltschik (former Coordinator Munich Security Conference); Prof. Dr. Vladislav Inozemtsev (Director, Centre for Post-Industrial Studies, Moscow / Publisher and Editor, Svobodnaya Mysl' monthly); Prof. Dr. Peter van Ham (Clingendael Netherlands Institute of International Relations)</i>
	10:45	Coffee break
	11:00	Session 2: Dealing with Security Challenges in Europe: Do We Need a New Euro-Atlantic Security Architecture? <i>Chair: Alexander Rahr;</i> <i>panelists: Amb. Anatoli Adamishin (President Euro-Atlantic Association, former Deputy Minister of Foreign Affairs of the Russian Federation), Prof. Dr. Lothar Rühl (University of Cologne, former State Secretary, Federal Ministry of Defense)</i>
	13:00	Lunch at the Aspen Institute
	14:00	Session 3: Arms Control, Nuclear Proliferation, Missile Defense: How to Find New Common Ground? <i>Chair: Dr. Benjamin Schreer;</i> <i>panelists: Prof. Alexander Kononov (Moscow State Institute of International Relations); Dr. Oliver Thränert (German Institute for International and Security Affairs - SWP)</i>
	15:45	Coffee break

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	16:00	<p>Session 4: Energy Security and Economic Relations: How to Develop Common Interests? <i>Chair: Eckart von Klaeden (Member of the German Bundestag);</i> <i>panelists: Dr. Evgeny Savostiyanov (Head, Stolichnaya (Metropolitan) Oil Company, Moscow); Amb. René Nyberg (CEO East Office of Finish Industries)</i></p>
	18:00	End of session
	19:00	Dinner
Friday, August 28	9:00	<p>Session 5: Afghanistan: How to Join Forces in Dealing with Radical Islam and Islamist Terrorism <i>Chair: Dr. Andrew Kuchins;</i> <i>panelists: Rakhim Emanuilov (Advisor to the Chairman of Council of Federation of the Federal Assembly of the Russian Federation) Dr. Christoph Schwegmann (Political Advisor, NATO International Staff)</i></p>
	10:45	Coffee break
	11:00	<p>Session 6: Summing Up: Where Do We Stand, Where Do We Go? <i>Chair: Charles King Mallory;</i> <i>panelists: Prof. Joachim Krause (Kiel University), Dr. Andrew Kuchins (CSIS), Alexander Rahr (DGAP)</i></p>
	13:00	Lunch at the Aspen Institute
	14:00	End of conference

The Aspen Institute Germany's Founding Director Shepard Stone (1907-1990)



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