Beyond The Reset:
Forging a New Dynamic in U.S. – Russia Relations

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To whom it may concern,

In the past decade the U.S. has seen its relationship with Russia slowly build and quickly deteriorate a number of times. A number of recent events exemplify this trend--Obama’s work with Medvedev building trust and cooperation, Putin’s re-election in 2012 and subsequent steps away from democracy, Russia’s retaliation against the Magnitsky Act banning U.S. adoptions of Russian children, and the recent dissolution of a joint working group dealing with security issues—and demonstrate the need for new strategic approaches to our relationship with Russia.

In light of these developments, this Task Force has analyzed a number of key policy issues that the U.S. is currently facing, focusing on solutions that will foster cooperation with Russia and other regional actors in regards to mutual interests whenever possible; respect national sovereignty and self-determination; make tactical concessions where diplomatically cooperative means prove unfruitful; and plan for solutions that will have longevity and adaptability in the face of changes on the ground and politically. With these strategies, the U.S. will not only solve real security concerns in the short run, but also establish friendlier long-term cooperation in regions such as the Middle East, the South Caucasus, and Central Asia. This should lead to more constructive and beneficial relationships, economic stability, and prosperity for all countries involved. It is important, however, that policymakers avoid giving the impression of approving Russia’s steps away from democracy or its human rights abuses.

The pursuit of cooperation in the face of opposing interests and ideals, and the maintenance of an economically competitive relationship, is a tightrope of imperatives that the U.S. must walk. If it does not, it risks through its negligence forgoing the chance of a stable and productive relationship with Russia.

Erik Day and Alexa Erickson, editors
Executive Summary

In 2009 President Obama announced a reset of U.S.-Russia relations, which was supposed to improve cooperation and move away from escalating diplomatic tensions. While the reset, so far, has not produced the results desired, it is nonetheless in the interest of the U.S. to cooperate with Russia on a range of issues. At the same time, the U.S. must defend its security interests, sometimes working with Russia and sometimes without it. This report identifies four key areas of U.S.-Russia relations that require attention: trade and energy security, nuclear weapons, global cooperation, and the drug trade in Central Asia. While there are other important issues that could be considered, such as democracy and human rights, these issues pertain to Russia alone, and do not pose an immediate threat to the U.S. Below are the key policies that the authors of this report think are necessary to advance U.S. interests on these issues, while at the same time improving relations with Russia.

Economic Integration and Energy Security

Challenging Russian Dominance of European Energy Markets

Currently, Russia maintains unacceptable influence over several European states by virtue of its export of natural gas. The U.S. should not take a direct approach to helping its allies in Europe with energy security, as this would risk alienating Russia. Some European countries are already on their way in natural gas extraction through hydraulic fracturing, and U.S. firms are well positioned to assist with this. U.S. Congress should also pass the “Expedited LNG for American Allies Act of 2013” and incentivize U.S. firms to export LNG to Europe. Furthermore, the U.S. should lobby the Shah Deniz consortium to construct the Nabucco West pipeline, as this would greatly decrease Europe’s reliance in Russia. Lastly, the U.S. should encourage Europe to adopt a hub-based pricing model.

Increasing Economic Integration with Russia

With Russia’s accession to the WTO in 2012, the Russian market should become much more accessible to U.S. businesses. Furthermore Russia has a growing middle class eager for quality consumer goods which U.S. firms are able to provide. To take advantage,
the U.S. should continue the National Export Initiative started in 2010. The NEI provides export assistance to U.S. firms expanding into international markets. The NEI should be made permanent to provide ongoing export support to U.S. businesses expanding into Russia. In addition, the U.S. should create business liaisons under the NEI to assist with business-to-business disputes between U.S. and Russian companies.

Security Threats: Bilateral and Bordering

On Conventional Arms

The U.S. has a mixed record with Russia on conventional arms. The U.S. has antagonized Russia by implementing the European Antiballistic Missile defense plan. This plan is not likely to be effective in defending U.S. allies in Europe, and the U.S. should consider other options, such as placing its defenses outside of Europe. The U.S. should furthermore continue negotiations in the Arms Trade Treaty (ATT).

Securing Weapons-Grade Uranium and Scientific Knowledge

The United States has had considerable success in the last 20 years in securing Russian Highly Enriched Uranium (HEU). The U.S. should commend Russia on its cooperation in this area and renew the Megatons to Megawatts program, which is set to expire in 2013. The U.S. should also assist Russia with determining the feasibility of converting HEU reactors to LEU (Low Enriched Uranium), in which Russia also has an interest. Furthermore, the National Security Administration should provide data to determine any possible weaknesses of Russian nuclear facilities. The U.S. should also continue assisting Russia in finding employment for its nuclear scientists so that they are not recruited by rogue states.

Loose Nuclear Weapons—A Cooperative Approach

The U.S. must work with Russia on securing nuclear weapons on Russian soil. One of the ways to do this is to propose a replacement to the Nunn-Luger act. Furthermore President Obama should continue his talks with President Putin regarding the reduction of
their nuclear arsenals. The U.S. should also work with Russia to make sure that fissile materials are stored safely.

*The U.S. and Georgia: Opportunities for Russia Engagement*

The United States must keep its commitments to Georgia and help it integrate with Europe. However, in order to avoid alienating Russia, the U.S. should organize talks between the U.S., EU, Russia and Georgia. By having these four-party talks the U.S. would maintain its support for Georgia, but also show Russia that it is treated as an equal by the U.S. and Europe. Furthermore, the U.S. should continue its train and equip program in Georgia, and have a small military presence there to help to do this. The U.S. should not send large amounts of troops to Georgia, however, as this would likely be perceived as a threat by Russia.

*A Cooperative Approach to Addressing Russian Cybercrime*

The U.S. should work with Russia on cyber-security threats. The two should create a bilateral committee to address this issue. The goal of the committee should be to foster trust and cooperation. It should include members of the National Cyber Investigative Joint Task Force and its Russian counterparts. Once the committee is formed it should focus on increasing transparency and information sharing, as well as cooperation on combating cyber crime. The committee should also set norms for cyber behavior. Overall, the committee should be a vehicle that drives the two countries in realizing mutual interests on cyber security.

*Establishing Cooperation Regarding Third Parties*

*Planning an Internationally Recognized Democratic Government in Syria*

The main policy goal for the U.S. is to ensure the stabilization of Syria to prevent the use of chemical weapons by the Assad regime and to prevent the country from becoming a haven for Al-Qaeda or other extremist groups. The U.S. should support a multilateral effort to resolve the conflict in Syria. As Russia has leverage with the Syrian regime, its cooperation is necessary. The U.S. should begin by holding multilateral talks with Russia...
and the Arab League, in order to work toward a strategy that satisfies all parties involved. The U.S. should focus on post-conflict reconstruction and stabilization in Syria, and not on direct intervention against Assad.

As in Syria, Russia may possess important leverage with Iran, which can assist the U.S. in advancing its interests. Both the E.U. and Russia support preventing Iran from acquiring nuclear weapons. Because sanctions on Iran limit its ability to export oil, Russia can gain market share at Iran’s expense, providing Russia with an incentive to support ongoing sanctions. The U.S. should use the sanctions as a bargaining chip agreeing to lift sanctions if Iran allows IAEA inspectors into their facilities. If Iran refuses to allow IAEA inspectors, which is likely, the U.S. should toughen the sanctions even more.

*Are Sanctions Alone Enough?*

It would be in the interest of the U.S. to improve relations between Turkey, Armenia, and Azerbaijan. Armenia currently has poor relations with both of the abovementioned countries and views Russia and Iran as its strongest allies. The U.S. should focus on working with Russia to improve relations between Turkey and Armenia. This would be key to potentially resolving the Nagorno-Karabakh dispute between Armenia and Azerbaijan. The U.S. and Russia should work together as mediators on these talks.

**Drug Trafficking in Central Asia**

*The United States, Russia, and the Eurasian Drug Trade*

The U.S. should begin drafting a counter narcotics initiative; the two agencies that should be responsible for this are the Bureau of International Narcotics and Law Enforcement Affairs through the State Department and Russia’s Federal Service for the Control of Narcotics. The U.S. should reiterate that due to the 2014 withdrawal date in Afghanistan, crop eradication is unlikely to be an effective policy, as it will only strengthen extremist groups in the region. The U.S. and Russia will need to determine the scope of their cooperation and their financial commitments to reducing drug trade in Afghanistan.
and Central Asia. Two potential strategies include incentivizing farmers to move away from opium production, and joint U.S.–Russian–Afghan Special Forces teams. The U.S. and Russia should focus on assisting Afghan troops in combating opium production. Once there is significant progress made in Afghanistan, the U.S. and Russia can focus on dismantling drug trade networks throughout Central Asia.

*Drugs Trafficking and State Functionality in Central Asia*

As Leo Tolstoy wrote in Anna Karenina, “all happy families are alike; all unhappy families are unhappy in their own way.” The situation is similar in Central Asia with regard to drug trafficking: each country has its own set of problems that need to be addressed. Some of the ways in which the U.S. could assist Central Asian states are to provide economic aid, train counter-narcotics agents, help implement addiction prevention programs, and help countries in the region work together to dismantle criminal networks. While regional cooperation will be an important part of the solution, it is necessary for the U.S. and Russia to work with each country in solving their individual problems.
Maintaining Economic Competition
While Improving Trade Relations:

Introduction

With Russia’s recent acceptance into the WTO and expansion into world markets, the U.S. can see a new, strong competitor entering the world economy and a unique window of opportunity for greater economic integration with Russia. At the same time, the U.S. has an interest in helping former Soviet republics preserve their independence from Russia. It is important, as the U.S. explores this fragile relationship, to prevent the domination of energy markets by Russia while simultaneously encouraging closer economic ties with Russia. Increased cooperation between U.S. and Russian firms, along with their governments, will lead to increased trade and greater consensus on political and security issues through improved communication channels. Unfortunately, strategies to achieve these seemingly disparate goals are difficult to develop.

In this section, Sam Freedman analyzes the Russian domination of European energy markets as a case study of ways to challenge Russian economic influence indirectly through competitive economic practices, focusing on ways for the U.S. to utilize economic incentives to convince key players in energy production to act in a way that benefits its interests. Ksenia Khalturina discusses ways to improve the ability of U.S. businesses to profitably expand their influence in Russian markets, incorporating strategies that could increase transparency in Russian economic institutions and ease economic and political tensions.

These papers, taken together, demonstrate the essence of what this Task Force has tried to advocate: that the U.S. should employ strategies that involve increased cooperation with Russia, but maintain competition and an awareness of U.S. interests, while avoiding the impression of supporting of the Putin regime.
Introduction:

Russia’s position as the main supplier for European energy has given it significant power in Europe’s energy market and has enabled Russian companies to influence European policies. This is damaging to U.S. interests because it gives Russia, which has opposed a number of U.S. policy objectives, influence over key allies. This essay will explore the history of oil and gas in Russia, analyze U.S. interests pertaining to it, and discuss options and form plans to achieve these U.S. interests.

Background:

Russian Energy Production

The Russian Federation is a major player in world energy markets. Russia is the world’s second largest producer and exporter of oil, the largest exporter of natural gas, it has the largest proven natural gas reserves in the world, and it has the second largest coal reserves in the world (Ellman 1). Statistics indicate that “most of Russia’s 60 billion barrels of proven oil reserves are located in Western Siberia” (Gelb 4). These huge reserves made the Soviet Union a major world oil producer in the 1980’s, reaching levels that rivaled Saudi Arabia.

The collapse of the Soviet Union and the ensuing economic contraction in Russia forced oil exports to drop from 12.5 million barrels per day in 1988 to less than 6 million barrels per day in 1998 (BP, 105). Concurrently, “between 1989 and the mid-1990’s Russia’s GDP fell by more than 40%” (Ellman 19). However, following the mid-1990’s the relatively low value of the ruble, an improved investment climate, steadily rising oil prices, and increased oil output propelled the Russian economy into the 21st century.
Table 1: Oil and Gas Sector: % of GDP Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector</td>
<td>9.7</td>
<td>13.2</td>
<td>47.9</td>
<td>34.9</td>
<td>24.8</td>
</tr>
<tr>
<td>Gas Sector</td>
<td>-3.6</td>
<td>-9.0</td>
<td>1.7</td>
<td>5.9</td>
<td>-0.8</td>
</tr>
<tr>
<td>Oil &amp; gas sector</td>
<td>6.1</td>
<td>4.2</td>
<td>49.6</td>
<td>40.8</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Table 2: Government Budget Revenues from Oil and Gas Sector (% of GDP)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Sector</td>
<td>3.2</td>
<td>5.8</td>
<td>5.6</td>
<td>5.6</td>
<td>5.9</td>
</tr>
<tr>
<td>Gas Sector</td>
<td>1.9</td>
<td>2.0</td>
<td>2.5</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Pipeline Transport</td>
<td>0.5</td>
<td>1.0</td>
<td>1.1</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Oil &amp; gas sector</td>
<td>5.6</td>
<td>8.7</td>
<td>9.2</td>
<td>8.1</td>
<td>8.2</td>
</tr>
</tbody>
</table>

*Role of Hydrocarbons in the Russian Economy*

Since the collapse of the Soviet Union, Russia’s economy has relied heavily on oil and gas exports. “The share of oil and gas in Russia’s GDP has increased... from 12.7% in 1999 to 31.6% in 2007” (EIU 4). Russia is currently competing with Saudi Arabia as the world’s largest oil producer. However, Saudi Arabia has significant excess capacity and could ramp up production dramatically while Russia is producing oil at the limit of its current capacity. Furthermore, the energy-rich West Siberian fields from which Russia gets most of its oil have been declining since 2007. The EIA graph on the right indicates that Russia’s oil production growth is beginning to slow and might begin sloping downward unless Russia can locate and develop additional energy reserves (EIA).

In 2011, Russia exported 7.2 trillion cubic feet of natural gas. The state-run Gazprom dominates the Russian natural gas industry, and “it controls nearly 90% of Russian gas production and over a quarter of the world’s reserves of natural gas. Its impact within Russia is even more significant. It is the single largest contributor to the Russian government’s budget, providing about 25% of tax receipts, accounting for 80% of Russia’s total natural gas output” (Woehrel 2). Therefore, Gazprom is not only essential for the
Russian gas industry; it is also an essential component of the Russian government’s revenue. Furthermore, Gazprom also directly controls 65% of Russia’s proven reserves with additional reserves being controlled by Gazprom through joint ventures (EIA). Another key component of the Russian natural energy industry is the endemic waste in the system. According to satellite data collected from the U.S. National Oceanic and Atmospheric Administration (NOAA) and the World Bank, Russia flares between 15 and 50 billion cubic meters of gas annually as a result of inefficient oil extraction (Farina 25). The amount of natural gas waste by Russia in a year is almost equal to the amount of gas exported yearly by Algeria, the world’s 7th largest exporter (CIA Factbook).

Existing Russian Pipelines

State-run Transneft and Gazprom dominate Russia’s extensive domestic distribution and export pipeline network. Transneft transports about 90% of all oil produced in Russia while Gazprom has complete or partial ownership of the nine major natural gas pipelines in Russia, seven of which are export pipelines (EIA).

Table 3: Major Russian Oil Pipelines

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Owner</th>
<th>Transit Countries</th>
<th>Capacity (bbl/day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Druzhba</td>
<td>Transneft</td>
<td>Belarus, Poland, Germany, Ukraine, Slovakia, Czech Republic and Hungary</td>
<td>2.0 million</td>
</tr>
<tr>
<td>Baltic Pipeline System</td>
<td>Transneft</td>
<td>Belarus, Latvia and Lithuania</td>
<td>1.5 million</td>
</tr>
<tr>
<td>The North-Western Pipeline System</td>
<td>Transneft</td>
<td>Belarus, Latvia and Lithuania</td>
<td>300,000</td>
</tr>
<tr>
<td>Tengiz to Novorossiysk Pipeline</td>
<td>Transneft (31%)</td>
<td>Kazakhstan to Russia</td>
<td>700,000</td>
</tr>
<tr>
<td>Eastern Siberia-Pacific Ocean</td>
<td>Transneft</td>
<td>Russia to China</td>
<td>1.6 million</td>
</tr>
</tbody>
</table>
Table 4: Major Russian Gas Pipelines

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Owner</th>
<th>Transit Countries</th>
<th>Capacity (Cubic Feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unified Gas Supply System</td>
<td>Gazprom</td>
<td>Russia</td>
<td>2.2 trillion</td>
</tr>
<tr>
<td>Yamal-Europe</td>
<td>Gazprom</td>
<td>Belarus, Poland and Germany</td>
<td>1 trillion</td>
</tr>
<tr>
<td>Blue Stream</td>
<td>Gazprom &amp; BOTAS</td>
<td>Russia to Turkey</td>
<td>560 billion</td>
</tr>
<tr>
<td>North Caucasus</td>
<td>Gazprom &amp; SOCAR</td>
<td>Georgia and Armenia</td>
<td>350 billion</td>
</tr>
<tr>
<td>Yamburg-Uzhgorod</td>
<td>Gazprom</td>
<td>Ukraine, Germany, Italy and France</td>
<td>700 billion – 1 trillion</td>
</tr>
<tr>
<td>Gazi-Magomed-Mozdok</td>
<td>Gazprom</td>
<td>Azerbaijan to Russia</td>
<td>200 billion</td>
</tr>
<tr>
<td>Nord Stream</td>
<td>Gazprom (51%)</td>
<td>Russia to Germany</td>
<td>1.9 trillion</td>
</tr>
</tbody>
</table>

These pipelines are the physical evidence of Russia’s domination of the European energy market. They enable Russia to exert a substantial amount of influence over key U.S. allies in Europe.

*European Union & Russian Gas*

Russia is currently the dominant supplier of natural gas to the European market. Of the 7.1 trillion cubic feet of gas exported by Gazprom in 2010, almost 55% went to Europe, 28% went to the Commonwealth of Independent States, and the remainder went to Turkey, non-EU countries in Europe and Asia (Ratner 9). Russia’s “National Security Strategy to 2020” document states that the resource potential of Russia is one of the factors that has “expanded the possibilities of the Russian Federation to strengthen its influence in the world arena” (Ratner 11). It is a clear statement by Putin that Russia can and will continue to use its oil and gas resources to assert itself in geopolitics. The document also states that
Russia is hoping to reduce their dependency on the European market by increasing exports to Asia until the Asian market accounts for 20% of total exports. To that end, Gazprom has been trying to enter the Chinese market, but this effort has been largely unsuccessful because the Chinese government does not want to pay the same price that European consumers pay. As Russia has attempted to limit its dependence on European consumers, the European Union is attempting to diversify its energy supplies away from Russia. The E.U. has pursued a number of ways to limit Russia's energy influence. One of the tools at the E.U.’s disposal is its enforcement of the Third Energy Package, which “bars companies from controlling both the production of energy supplies and their transport and distribution” (Nichol 31). Gazprom has lobbied for an exemption, and Russia has threatened to bring the issue before the WTO. One of the key reasons Europe is attempting to diversify its supply is a series of worrying energy disruptions caused by political disputes between Russia and its neighbors.

**History of Russian Energy Disruptions**

In the mid- and late 2000’s many European countries suffered unexpected energy cut offs as a result of confrontations between Russia and the transit states Ukraine and Belarus. In Ukraine, disagreements over Ukraine’s debt to Gazprom and the price of natural gas led to Russia cutting off supplies. At the time, Ukraine was the transit hub for 80% of Europe’s natural gas (Ratner 12). In 2010 and 2011, disagreements between Russia and Belarus over gas prices, transit rates, and debts owed by Belarus led to temporary reductions of oil supplies.

In order to defuse European worries about energy disruptions, Russia began planning additional pipelines to circumvent Ukraine and Belarus. This culminated in the completion of the Nord Stream pipeline, which has the capacity to transport 1.9 trillion cubic feet of natural gas directly to Germany (Ratner 12). Furthermore, Russia began construction on the South Stream pipeline in December 2012, which aims to provide gas to Europe via Bulgaria, Serbia, Hungary and Slovenia and is a direct response to the Southern Corridor pipeline.
South Corridor Pipelines

Because Russia has so much influence in the European energy market, a wide consensus has emerged that Europe needs to diversify its energy supply. To that end, the E.U. and the U.S. have encouraged further development of Caspian Sea and Central Asian energy resources. In 2005, the governments of Azerbaijan, Georgia, and Turkey opened the Baku-Tiblisi-Ceyhan (BTC) pipeline, which carries oil from the Caspian coast into Europe with a capacity of 1 million barrels per day (Warren). Running parallel to the BTC pipeline is the South Caucasus Pipeline (SCP), which has the capacity to carry 706 billion cubic feet of natural gas. Both of these pipelines carry energy resources produced by the Shah Deniz consortium, which controls the oil and gas reserves beneath the Caspian Sea. The consortium, which is partially owned by National Iranian Oil Company, has received exemptions from sanctions on Iran due its strategic importance. Exports from Azerbaijan via the Shah Deniz consortium represent one of the only ways that European countries can import non-Russian gas in a cost effective manner.

There are a number of pipeline proposals currently being evaluated by the Shah Deniz consortium to expand exports to Europe. As of June 2012, the consortium announced that it had narrowed down its options to two pipelines – the Nabucco West pipeline and the Trans-Adriatic Pipeline (TAP) (Nichol 14). The Nabucco West pipeline would transport gas from Turkey to Austria via Bulgaria, Romania, and Hungary. The Trans-Adriatic Pipeline proposes to carry gas from Turkey to Italy via Greece and Albania. The consortium is expected to come to a decision by mid-2013 (Nichol 15).
The Nabucco pipeline proposed to carry Shah Deniz gas from Azerbaijan through Georgia, Turkey, Bulgaria, Romania, and Hungary to a major distribution hub in Austria. The Shah Deniz consortium indicated that this pipeline was not economically viable and asked the Nabucco corporation to submit a new design. The revised Nabucco West option proposes to carry gas from the Turkish-Bulgarian border through Romania, Hungary, and Austria. The Shah Deniz consortium indicated in late 2012 that it would decide between Nabucco West and the Trans-Adriatic Pipeline by June 2013.

Shale Reserves

The development and improvement of hydraulic fracturing technologies has had a disruptive effect on the natural gas industry. “Over the last decade, U.S. shale gas production has increased 12-fold and now comprises about 25 percent of total U.S. production” (Newell 12). This increase in production has put the U.S. in a position where, in a few years, it could become a major natural gas exporter. According to the EIA, “30% of domestic gas production growth [currently] outpaces 16% domestic consumption growth”
(Newell 16). As this trend continues, net imports will continue to fall until the U.S. may have a domestic surplus of natural gas and will need to begin exporting that surplus elsewhere.

In Europe, environmental concerns around water safety and potential earthquakes have led to a more cautious approach to hydraulic fracturing, particularly in Western Europe. France has a national ban on hydraulic fracturing. Germany has put a hold on the practice pending environmental studies and the creation of a legal framework. The U.K. recently approved exploratory shale gas extraction wells in late 2012, but placed stringent controls on the practice to prevent pollution of the water supply.

In April 2011, the U.S. Energy Information Administration did a preliminary assessment of shale reserves outside the U.S. The assessment found significant shale reserves around the world that had the potential to permanently alter the global energy landscape. The table below shows the recoverable shale gas resources among countries that import a significant amount of gas from Russia.

**Table 5: Shale resources in Europe**

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (tcf)</th>
<th>Consumption (tcf)</th>
<th>Imports (Exports)</th>
<th>Russian Gas Consumption</th>
<th>Proven Natural Gas Reserves (tcf)</th>
<th>Recoverable Shale Gas Resources (tcf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>0.03</td>
<td>1.73</td>
<td>98%</td>
<td>16.7%</td>
<td>0.2</td>
<td>180</td>
</tr>
<tr>
<td>Germany</td>
<td>0.51</td>
<td>3.27</td>
<td>84%</td>
<td>37.9%</td>
<td>6.2</td>
<td>8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.79</td>
<td>1.72</td>
<td>(62%)</td>
<td>8.1%</td>
<td>49</td>
<td>17</td>
</tr>
<tr>
<td>Norway</td>
<td>3.65</td>
<td>0.16</td>
<td>(2,156)</td>
<td>0.0%</td>
<td>72</td>
<td>83</td>
</tr>
<tr>
<td>U.K.</td>
<td>2.09</td>
<td>3.11</td>
<td>(33%)</td>
<td>0.0%</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Poland</td>
<td>0.21</td>
<td>0.58</td>
<td>(64%)</td>
<td>63.1%</td>
<td>5.8</td>
<td>187</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.03</td>
<td>1.24</td>
<td>98%</td>
<td>46.2%</td>
<td>0.2</td>
<td>15</td>
</tr>
<tr>
<td>Ukraine</td>
<td>0.72</td>
<td>1.56</td>
<td>54%</td>
<td>64.0%</td>
<td>39</td>
<td>42</td>
</tr>
<tr>
<td>Lithuania</td>
<td></td>
<td>0.1</td>
<td>100%</td>
<td>100.0%</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>0.48</td>
<td>0.95</td>
<td>50%</td>
<td></td>
<td>2.71</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: EIA

The table shows that France, Germany, Poland, Turkey, and Ukraine have the potential to significantly reduce their dependence on Russian gas if they chose to embrace
hydraulic fracturing. Among the countries listed above, only the U.K. and Poland have begun utilizing hydraulic fracturing to increase natural gas production.

**Pricing Structure: Spot vs. Oil-Indexed**

The two most common mechanisms used to price natural gas are oil-indexation and hub pricing. Oil-indexation, which ties gas prices to the spot price of oil, is the dominant mechanism for pricing natural gas in Europe and Asia and is strongly supported by Russia and Gazprom (Melling 83). “A contrasting mechanism based on hub pricing and traded markets developed in the U.S. and has spread to continental Europe via the U.K.” (Melling 6). The bulk of Russian gas exported to Western Europe is contracted under long-term agreements indexed primarily to gas, oil, and heavy fuel oil (Melling 79).

The graph on the right illustrates the differences in gas pricing among European countries. Since 2009, European gas prices have been trending downwards due to persistent oversupply. This trend has been worrying for Gazprom customers with long-term oil-indexed contracts. Because of the structure of these contracts, Gazprom’s customers will be forced to pay above-market prices for their natural gas until the contract expires or the oversupply trend ends. This creates an incentive among gas consumers to move towards the spot price model. Furthermore, the proliferation of liquefied natural gas (LNG) has enabled gas producers to ship their gas to the most advantageous markets (Melling 123).
LNG for NATO Act:
On January 31, 2013 Senators John Barrasso, Jim Inhofe, and John Cornyn introduced the “Expedited LNG for American Allies Act of 2013” which would enable the U.S. to export natural gas to NATO allies on favorable trading terms. The bill is currently in the Senate Banking, Housing, and Urban Affairs committee for review. As it stands, natural gas exports require approval from the Secretary of Energy, even if the importing country is a free trade partner (Barrasso 1). The proposed bill would require the Secretary of Energy to approve the export of natural gas to all NATO allies and Japan. Furthermore, the bill would also require approval of natural gas exports to any country if the Secretary of Defense and the Secretary of Energy agree that exporting gas to that country would further U.S. national interests. This bill would enable the U.S. to leverage increased natural gas production to assist its allies around the world.

U.S.-Russia Bilateral Relations on Energy
The U.S. and Russia are currently engaged in an energy working group within the U.S.-Russia Bilateral Presidential Commission. According to their joint action plan for 2012, the group focuses on projects related to electrical energy efficiency and curbing greenhouse emissions. There is a proposed initiative to partner with VNIIGAS, Gazprom’s research arm, to identify and recover unconventional gas reserves (Joint Report 22). However, the group makes no mention of negotiating with Russia on the issues of pipeline planning or European energy security.

U.S. Interests:
In a testimony before Congress, Special Envoy for Eurasian Energy, Richard Morningstar stated the three main components of U.S. Eurasian energy strategy: (1) encouraging the development of new oil and gas resources while promote efficiency and conservation of existing resources, (2) encouraging the development of a balanced and diverse European energy strategy with multiple sources and multiple routes to market and (3) foster economic growth among Caspian and Central Asian countries by helping them
find new routes to market (Morningstar 13). Simply put, stated U.S. interest in the region is to expand the supply of energy coming from the Caspian Sea and Central Asia, to limit Russia's influence over Europe by increasing energy diversity and to foster autonomy and independence among former Soviet states by allowing them to capitalize on energy flowing through the region.

With regards to which pipelines further U.S. interests most effectively, former Senator Richard Lugar argues that, “although the U.S. interest does not lie with the completion of the Nabucco West pipeline per se, Nabucco West offers the most meaningful advance in two key objectives: prompt delivery of gas to multiple allies in desperate need of diversification and scalability to accommodate larger gas supplies to the region in the future” (Energy and Security from the Caspian to Europe 20).

Finally, many of the corporations that provide the technology and expertise that develop energy resources and construct pipelines are U.S. corporations. The United States has an interest in ensuring that U.S. firms and not their competitors in Russia or China carry out the development of future energy resources.

Options:

In attempting to limit Russia's influence in the European energy market, the United States has a number of policy options.

The U.S. could lobby the E.U. to adopt policies that would further U.S. interest. This would include changing their pricing mechanism, importing U.S. LNG, and the adopting of hydraulic fracturing to develop shale reserves. The potential benefits of this are the universal adoption of the hub pricing model which would encourage a more competitive and market-oriented natural gas pricing structure. Also, imports of American LNG would help diversify Europe's energy supplies, as would the adoption of hydraulic fracturing techniques. However, there are also a number of potential negative consequences. The perception that the E.U. is rejecting Russia in favor of the U.S. could precipitate more energy interruptions and harm Europe's relationship with its main energy supplier. Also,
any environmental disasters stemming from hydraulic fracturing would be blamed on the U.S. and would limit U.S. influence in energy negotiations in the region.

The U.S. could engage Russia in bilateral diplomatic discussions about energy related issues to find common ground and resolve long-standing disputes. This option would allow the U.S. and Russia to directly address the issue of energy diversity in Europe and find common ground on how best to supply the European market with gas. However, the interests of the two countries are so diametrically opposed on the issue of energy that a direct forum could become a source of conflict rather than cooperation.

Finally, the U.S. could operate unilaterally to further their interests in the region by lobbying for the construction of Nabucco West and exporting U.S. LNG directly to Europe. This option enables the U.S. for further its interests with the most speed and effectiveness. Constructing additional pipelines would reduce Gazprom’s monopoly on power in Europe and would limit Russia’s freedom to act by reducing government tax receipts. Furthermore, it would send a clear message to Russia that it cannot use energy policy to influence geopolitics without a response from the United States. This option carries the consequence of heightening tensions with Russia and making cooperation very unlikely. Also, the U.S. would have to bear the capital cost of increasing LNG export capacity, which might increase domestic natural gas prices.

**Recommendations:**

Given the deteriorating nature of U.S.-Russia relations, the United States should approach this issue cautiously. In recent months, both Russia and the United States have withdrawn from bilateral working groups. Therefore, the United States should not rely on direct diplomatic means to achieve their policy objectives. The topic of oil and gas pipelines is too sensitive for both countries to address directly through bilateral discussions. The United States should avoid engaging with the European Union countries directly on developing their own natural gas resources. As the U.K. and Poland begin to extract their shale gas resources and techniques become more environmentally friendly, E.U. countries will begin to reevaluate their stance of hydraulic fracturing. If this occurs, the United States
should encourage cooperation between European and American natural gas firms. This would involve the creation of a State Department working group focused on shale energy extraction by sharing technology and best practices for safely developing shale energy resources.

Congress should pass the "Expedited LNG for American Allies Act of 2013" and provide tax incentives for gas companies to increase LNG export capacity but it should not force U.S. companies to export LNG if it is not commercially viable. Currently, the most profitable market for LNG is Asia, but increasing export capacity would allow the U.S. to provide Europe with emergency gas supplies in the event of another supply disruption like those in the late 2000's.

The U.S. should appoint a new Special Envoy for Eurasian Energy who can lobby the Shah Deniz consortium to pursue the Nabucco West pipeline, as it is most advantageous to U.S. interests in the region. The U.S. should offer and provide investment capital if the consortium chooses the Nabucco West pipeline. Congress should also make the offer that if the consortium decides on Nabucco West, it will provide a tax break for U.S. companies working on the pipeline in order to bring the overall cost down and improve return on investment for the consortium. If that fails, the U.S. should apply diplomatic pressure on the Azeri government to assert their influence over the consortium. As a last resort, the U.S. could utilize the threat of inclusion in Iranian sanctions to make them reconsider, but this would likely have negative externalities that would outweigh the benefits.

Finally, the U.S. should lobby the E.U. to universally adopt the hub-based pricing model for natural gas. This would move Europe towards a more market-based gas pricing system and would limit Gazprom’s influence in Europe. Furthermore, a hub-based pricing model would serve to equalize European gas prices.
Increasing Economic Integration with Russia
by Ksenia Khalturina

Introduction:

Since the dissolution of the Soviet Union in 1991, the United States and the Russian Federation have developed minimal economic integration. Economic relations between the two countries began to take shape in the early 1990’s and continued to slowly expand throughout the early 2000’s. Although each country is considered an economic giant in its own right – both are members of the G8 and G20 world summits - prominent financial analysts generally acknowledge that the U.S. and Russia’s economic integration is far from full capacity, leaving much room for improvement (Aslund, and Hufbauer, 7). Despite Russia’s slow progression toward market-based capitalism, there has been a dual unwillingness to “unfreeze” economic relations since the end of the Cold War, providing a bleak outlook for future mutual cooperation on political and security issues.

Fortunately, Russia’s recent accession into the World Trade Organization (WTO) provides opportunities for increased economic integration, specifically, potential for the U.S. government to assist U.S. businesses to participate more freely in Russia’s markets by; 1) providing incentives, such as increased funding, grants for U.S. businesses to enter Russian markets under the National Export Initiative (NEI), 2) opening dialogue between U.S. and Russian firms, 3) building partnerships between U.S. and Russian companies especially in key industries like IT and energy, and 4) extending support to U.S. businesses via business liaisons and conflict resolution forums upon entering Russian markets. Time is of the essence, however, as Russia’s adherence to WTO standards regarding market access, including reduced and non-discriminatory tariffs, will quickly attract foreign competitors. If they act quickly, U.S. firms, bolstered by funding and development support from the U.S. government, can claim first mover advantage in the untapped sectors in Russia’s market. Ideally, increases in cooperation between U.S. and Russian businesses, along with their governments, will lead to a stable business infrastructure and lead to
greater consensus on political and security issues through improved communication channels.

This chapter will briefly overview Russia’s post Cold War economic transitions, as well as assess the U.S. – Russian economic relationship during this period in order to highlight the significance of Russia’s WTO membership. Subsequently, U.S. interests in Russia’s accession will be detailed, followed by the prospective options for the U.S. to capitalize on Russia’s status in a timely manner. After considering the options, the final portion of this chapter will focus on a concrete recommendation to successfully address the opportunity at hand.

**Background:**

Prior to the end of the Cold War, the United States and Soviet Union had virtually no economic involvement, due in part to the hostile, anxiety-ridden relations of the two countries, as well Russia’s economic self-isolation. The Soviet Union began reforming its economy in the eighties, as part of Gorbachev’s Perestroika, a plan aimed at increasing market liberalization and transparency, installed largely in response to the increased global economic integration occurring virtually everywhere except the Eastern bloc. (Bialer and Mandelbaum, 10). The Soviet leadership’s consciousness of global economic integration signaled its “recognition that it is impossible for socialist countries to develop in isolation from the outside world” (Anikin, 4). Unfortunately, Gorbachev’s political and economic reforms came too late, as the fatal weaknesses of the Soviet economy were irreversible. Ultimately, the decentralization, and open market reforms failed because they were slow to take effect within the crumbling Soviet economy, and because of the general non-conformity stemming from the public’s distrust of Soviet officials (Anikin, 8). Once the Soviet Union divided and Russia became its own entity in 1991, the Russian government faced the immense task of rebuilding nearly all of its economic operations from the ground up.

During this time, Russia experienced dramatic changes and crises that both weakened and strengthened its economy. Though the fall of communism ushered a
deathblow to Russia’s centrally planned economy, the process toward free markets occurred slowly and faced ongoing financial crises (Aslund, and Hufbauer, 7). From 1992 to 1998, the Russian government attempted to restructure its economy to support a free market system, allowing increased privatization. However, reforms were undermined by rampant corruption that weakened the revival of Russia’s economy, devalued the ruble, and led to a financial crisis in August 1998 (Library of Congress, 8).

Although progress toward integration began in 1991 with the Bilateral Trade Relations Agreement, the basic agreement that fostered open trade relations between the two countries by establishing most favored nation benefits, economic activity between Russia and the U.S. remained stagnant (Aslund, and Hufbauer, 2). Illustrative figures from the U.S. Census Bureau regarding bilateral trade show that, in 1992, Russia’s imports of U.S. goods totaled approximately $2 billion (all figures in USD), whereas Russian exports to the U.S. were at $481 million (U.S. Census Bureau). Six years later, despite the Russian financial crisis, Russia’s imports from the U.S. increased to $3.5 billion, while Russian exports to the U.S. expanded to $5.7 billion (Census Bureau). Though such figures appear to show progression toward integrated markets, the growth was a marginal fraction of U.S. global trade activity in 1996, which amounted to $682.1 billion in exports and $795.3 billion in imports (U.S. Census Bureau). Table 1.1. depicts U.S. – Russia bilateral trade relations in comparison with U.S. trade with the world. Trade relations remained stagnant over three decades due to limited U.S. market access in Russia, discussed in greater detail in the coming sections.


<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>2002</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Trade with Russia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Exports to Russia</td>
<td>2,112.5</td>
<td>2,396.9</td>
<td>10,668.3</td>
</tr>
<tr>
<td>U.S. Imports into Russia</td>
<td>481.4</td>
<td>6,870.1</td>
<td>29,273.5</td>
</tr>
<tr>
<td><strong>U.S. Trade with World</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Exports</td>
<td>448,163.5</td>
<td>693,104.0</td>
<td>1,547,137.4</td>
</tr>
</tbody>
</table>
At the beginning of the 21st Century, Russia appeared to flourish, achieving a steady growth rate due to its abundant natural resources and high world oil prices. As the world’s leading producer of primary energy, Russia's GDP increased an average of 6.9% annually between 1999 and 2008 (Nichol, 26), “with one eighth of the world crude output (exceeding even Saudi Arabia) and almost one-fifth of world natural gas output (Aslund, and Hufbauer, 10).” Russia’s vast oil supply enabled economic growth and a rise to international prominence. Unfortunately, Russia’s heavy reliance on oil also created turmoil during the global financial crisis of 2008 when world oil prices plummeted, exposing the weaknesses of the Russian economy (Aslund, and Hufbauer, 10). The crisis was a warning for Russia to diversify its economy, expand its markets, seek foreign investment to revitalize its aging infrastructure, and achieve acceptance into the WTO.

Russia’s accession to the WTO took two decades due to slow democratic transition, political instability, and disagreement among WTO members regarding its admittance. Initially, Russia applied for accession to the General Agreement on Tariffs and Trade (GATT) in 1993 and, in 1995, when GATT was replaced by the WTO, Russia’s application was automatically transferred (Nichol, 27). Political and economic instability throughout the 1990’s resulted in little progress in accession to the WTO until the early 2000’s when WTO members advanced negotiations regarding Russia’s admission. (Aslund, and Hufbauer, 1). However, additional obstacles arose, including a new set of WTO conditions governing tariffs and market regulation, resulting in lengthy and complex negotiation between the WTO and the Russian government. Negotiations slowed even further due to condemnation of Russia’s invasion of Georgia in 2008, and again in 2010 with the establishment of the Russia-Kazakhstan-Belarus Customs Union (Aslund, and Hufbauer, 3). Agreement was finally reached in August 2012, and Russia was no longer the largest economy outside the WTO. (Nichols, 25).

NOTE: All figures are in millions of U.S. dollars on a nominal basis (U.S. Census Bureau).
Members of the WTO enjoy the fruits of trade liberalization, successful integration into the world economy, and increased growth rates. Notably, WTO members have “managed to increase their average growth rates from 2.9 percent per year in the 1970s to 5 percent in the 1990s” (Idaeva, 8-9). For Russia too, membership should result in economic growth in the coming years, including modernization of its economy, increased foreign direct investment to revive its antiquated infrastructure, and new opportunities to advance trade with other members.

U.S. Interests:

In the past, U.S. businesses faced many barriers when seeking to enter Russian markets, including corruption, inflated tariffs, rigid sanitary restrictions, and government bureaucracy. In an attempt to retain a government monopoly in certain industries, as well as protect domestic markets from increased competition, Russia often excluded U.S. service providers from many sectors or created barriers that made conducting business cost prohibitive (ITA). Furthermore, Russian market rules and regulations are unclear and constantly change. The absence of regulatory transparency in Russia’s markets deters many U.S. businesses. Another obstacle to U.S. business expansion into Russia is the protectionist measures enacted by the Russian government to protect domestic markets. For example, in 2008, Russia adopted unilateral trade restrictions in response to the economic and financial crisis to protect their domestic industry (European Trade Commission, 8). Fortunately, Russia’s WTO status requires it to remove barriers that will improve market conditions for U.S. businesses.

Most importantly, Russia’s WTO status requires it to reform its trade laws and practices to comply with WTO rules. The measures include, “nondiscriminatory treatment of imports of goods and services; binding tariff levels; ensuring transparency when implementing trade measures; limiting agricultural subsidies; enforcing intellectual property rights for foreign holders of such rights; and forgoing the use of local content requirements and other trade-related investment measures” (Nicols, 27). Russia’s commitments to WTO standards assure consistency and equal access for formerly hesitant
U.S. businesses interested in entering Russian markets. Moreover, the WTO requires tariff levels that will ensure better market access for U.S. goods and safeguards, in turn potentially boosting trade between the U.S. and Russia. In the past, for example, Russia’s strict sanitary regulation of meat prevented high quantities of U.S. meat exports to Russia. Standardized regulation of agricultural products and fewer restrictions on U.S. meat and poultry will likely double U.S. meat exports to Russia (Aslund & Hufbauer, 38). Furthermore, with decreased tariffs, U.S. exports of goods and services will benefit from a level playing field and could potentially double (Aslund & Hufbauer, 4). The WTO estimates that “Russia’s bound tariffs will drop from 13.2 to 10.8 percent in agricultural products, from 6.5 to 5.2 percent in chemicals, from 9.0 to 7.1 percent in oilseeds and oils, and from 8.4 to 6.2 percent for electrical machinery” (WTO). In order to facilitate a smooth transition for Russia’s domestic producers, Russia may take a few years to successfully bind and adhere to these tariffs. However, currently, there are other commitments that U.S. firms will be able to capitalize on, such as transparent market rules and regulations, allowing for an easier entry into Russian markets.

In addition to lower tariff barriers, Russia’s regulations will become clearer and market rules more predictable. Under the WTO, “Russia is obligated to apply WTO rules on transparency, including formal establishment of notice and comment procedures for proposed measures affecting trade in goods, services and intellectual property and requirements to provide decisions in writing and new rights of appeal” (ITA, 1). Market transparency decreases the level of risk businesses undertake when entering Russia, and allow for easier access without the former hoops and hurdles.

Russia’s newly favorable economic climate presents a massive opportunity for the U.S. to increase its exports to Russia, which will result in U.S. business expansion, increased employment opportunities domestically, and an overall improved economic relationship. Currently, Russia’s trade with the EU accounts for forty-nine percent of its global trade (see Table 1.2). Meanwhile, Russia’s imports from the U.S. account for a miniscule 4% of its overall imports. With Russia’s economic reforms, “if U.S exports to Russia were to rise to the average for large economies, they could more than triple” (Aslund & Hufbauer, 17).
Additionally, Russia’s middle class, which grew significantly in the past decade and currently accounts for thirty percent of its population, presents an attractive market for many U.S. businesses that seek to export consumer goods and services (Aslund & Hufbauer, 13). A higher demand for consumer goods literally caused a massive shopping center to “sprout out of a cucumber field on the edge of Moscow and became, its owners say, larger than the Mall of America” (Kramer). In addition to being large, Russia’s middle class spends around sixty percent of its pretax income on retail purchases (Kramer). Such consumer spending estimates indicate a demand and market in Russia for high-quality western goods and services. Russia’s compliance with WTO regulations and its growing middle class equate to prospectively high profits for U.S. firms entering Russia’s market.

For U.S. businesses entering Russia, concern remains over a lack of diversification of Russia’s economy that could lead to instability in the market place, or worse, financial collapse. Russia’s reliance on “oil and other energy resource exports make Russian trade vulnerable to the volatility of international commodity prices” (Cooper, 22). Instability within the Russian economy could create a ripple effect within the global economy, as seen in the 2008 financial crisis. WTO membership is a turning point for Russia, providing the opportunity to create new market sectors to ward off economic vulnerability, further integrate itself into the global economy, and strengthen existing relations with its trading partners. Economic integration between the United States and Russia will lead to more
transparent and cooperative relations, in turn facilitating a progressive dialogue for reaching consensus on international conflicts. Russia’s WTO accession provides the United States a unique opportunity to develop its diplomatic relations with Russia through an economic reset.

Options:

The scope of U.S.-Russian economic integration is contingent upon how the U.S. government pursues the prospective alliance, and the timeliness of its efforts. The United States government needs to expand its trade promotion efforts in Russia to boost sales of U.S. goods by providing financing and logistical support, as well as increasing its diplomatic ties and dialogue with Russia. Historically, the United States government has played a modest role in identifying and exploiting market opportunities, leaving that task to the private sector (Card, 55). For smaller U.S. exporters and businesses, a significant barrier to entering foreign markets is a lack of information regarding “market research, challenges obtaining export financing, strong competition from foreign companies, and obstacles thrown up by foreign governments” (NEI, 1). In 2010, the Obama Administration announced the National Export Initiative, a federal commitment to assist U.S. businesses to expand overseas; the ultimate goal is to double U.S. exports by 2014 (NEI, 1). The NEI provides valuable information for U.S. businesses including industry specific exporting guidance and consumer analysis reports, and should continue the regularly updated flow of information, as well as issuing formal press releases to make known its availability.

Although the overall level of funding for U.S. businesses rose under the NEI, given the scope of opportunity presented by Russian trade liberalization, the U.S. government can allocate more available financial resources to focus on growing U.S. business in Russia. Despite a significant increase in U.S. government export financing from $14 billion in 2008 to $25 billion in 2010 under the NEI, less than 2% of U.S. capital goods exports receive financial assistance from the Export Credit Agency (ECA), the institutional financial intermediary between foreign governments and U.S. exporters (Card, 56). Guaranteed financing will provide U.S. firms with a competitive advantage over foreign competitors
that are not financially prepared to expand into Russia’s markets. Moreover, U.S. government provision of guaranteed export finance assistance, including loans and grants, to U.S. businesses eager to expand into Russia, could boost U.S. exports to Russia, as well as create new jobs in the U.S.

In addition to increased export funding, the U.S. should seek to strategically fund partnerships in key industries, such as high technology and energy, in order to encourage collaboration between U.S. and Russian firms and stimulate innovation within industry sectors, leading to future business partnerships. Numerous opportunities exist, for example, the Skolkovo Institute for Science and Technology. Skolkovo is a high technology area being built in Moscow, intended to further the education development and commercialization of new technologies, often regarded as Russia’s attempt to replicate Silicon Valley (The Moscow Times). Skolkovo is also an example of Russia’s efforts to reform and diversify its economy. The institute received generous funds from numerous U.S. companies, specifically General Electric, Microsoft, Cisco, IBM, and Intel (Skolkovo Investors, 1). These and other U.S. companies work collaboratively with Russian businesses to develop new, improved technology in various sectors including IT, energy efficiency, biomedicine, space, and nuclear technology. The partnerships require significant investment, an area where the U.S. government can assist companies by providing funding.

Additionally, the Skolkovo Institute is the home to Skoltech, a private graduate university, which aims to catalyze research, teaching and innovation around pressing global issues (MIT News, 1). In 2011, MIT partnered with the graduate university to develop the graduate programs and facilitate intellectual exchanges (MIT News, 2). Such partnerships enable further integration between U.S. and Russian markets, however, it is costly and requires a steady stream of financing. Creating grants for universities interested in partnering with Russian institutions will create incentives for further partnerships and facilitate greater intellectual and cross-cultural exchanges.

Unfortunately, U.S. businesses attempting to enter the Russian market also face the task of establishing and maintaining growth in a foreign market, often facing confusing regulatory hurdles. It is in the U.S.’s interest to provide overseas assistance for U.S.
exporters and businesses it finances by opening business liaison offices in Russia. U.S. liaisons would assist U.S. companies transitioning into Russian markets, guiding them through regulatory compliance issues, distribution, and marketing strategies, as well as performing the role of mediator between U.S. and Russian firms and government should conflicts arise. Such liaisons would act in an official capacity, on behalf of the U.S. government, to ensure that Russia’s government and business officials would hesitate to ignore their participation. Access to business liaisons will expedite business transactions and will be more effective than business support systems provided by U.S. embassies and the WTO. Furthermore, in support of U.S. businesses expanding into Russian markets, the U.S. government could create a dispute resolution forum in which businesses can address grievances and conflicts that arise with their Russian counterparts. Although such forums exist within organizations such as the WTO, the process to resolve conflicts is longer because of limited resources and typically the WTO focuses on larger conflicts between members, rather than individual businesses.

U.S. firms are hesitant to enter Russian markets because of the ongoing perception of corruption in Russia. Creating an open dialogue between the United States and Russian governments on trade and market integration is imperative to economic cooperation. By increasing its trade missions to Russia, the U.S. government can discuss the possibilities of increased trade between the two countries, and dispel the perception of a corrupt Russia domestically. Detailed reports of the U.S. trade missions will be posted on the NEI and other U.S. exporting websites. Publications will increase awareness among U.S. businesses cautious to enter Russia’s markets. In addition to creating the image of a less corrupt Russia, increased U.S. presence to promote U.S. business in Russia is an important indicator to the Russian government that the U.S. appreciates the value of Russia’s improved economic climate.

**Recommendations:**

The options presented in the prior section are all viable, however some options will yield greater benefits than others. Historically, Russia’s market regulations blocked
increased economic ties with the U.S. Under the veil of the WTO, the U.S. can push for more business with Russia. However, in order to do so, the U.S. government needs to go further than the current NEI programs to facilitate the initial flow of U.S. businesses into Russian markets. The U.S. can instigate the initial rush by continuing the NEI initiative and make its resources permanently available to U.S. exporters and firms and expand its support to include business liaisons and conflict resolution forums.

As mentioned, the NEI initiative was created to promote U.S. trade overseas, with the goal of doubling U.S. exports by 2014 (ITA). In the first four months of the implementation of the NEI, through trade missions, increased export financing, and enforcement of trade rules, U.S. exports grew by seventeen percent (ITA). Given the success over such a short period of time, the NEI is proving to be a valuable and useful tool in increasing U.S. exports. By institutionalizing the initiative as a permanent informational and monetary resource specifically for U.S. exporters and companies eager to expand into Russia’s markets, the U.S. can use the NEI as a means to market integration. Furthermore, in order to keep businesses informed, the U.S. should regularly update information detailing Russia’s markets and economy through the NEI. The continued and permanent availability of such resources will lead more U.S. businesses to expand into Russia, in turn creating stronger economic ties.

Under the NEI, the U.S. government can fund and establish U.S. business liaisons and conflict resolution centers in Russia, staffed with bilingual employees that possess a strong understanding of Russian culture and business practices. Once U.S. business activity in Russia increases, continued U.S. support through business liaisons will enable successful transition and allow for U.S. businesses to pave the way for other companies by building strong business relations and strengthening business infrastructure. Conflict resolution forums will expedite business transactions by solving smaller scale issues between U.S. and Russian firms.

It is important for the U.S. government and businesses to act upon the current opportunity as market voids will quickly be filled by competitors. The financial funding provided in the short term will allow U.S. businesses to enter the newly opened Russian market, which will, in turn, create long-term business relations that will inevitably yield
monetary returns. Establishing overdue economic ties with Russia could provide a foundation for improved diplomatic relations and greater consensus regarding international security and political affairs.
Security Threats, Bilateral and Bordering: Introduction

The security threats the U.S. faces in Russia and the surrounding regions are varied and broad, ranging from loose nuclear weapons—the remnants of the Cold War and the dissolution of the Soviet Union—to the modern-day insidious threat of cyber warfare and terrorism. In light of these threats, the U.S. has reinvigorated its efforts to foster a stable, cooperative relationship with Russia. However, these efforts have done little to alleviate Russian distrust of the U.S. over the years, a distrust that has recently festered and intensified. The U.S., at least in Russia’s view, seems to act hypocritically, proclaiming its desire to build a stable relationship and further arms control measures, yet establishing missile defense interceptors in Europe. Russia’s fear is not alleviated in the least by perceived NATO encroachment on its western border.

How, then, can these two states build a stable relationship? What actions can the U.S. take? Both states need to take further measures, and as the following chapters show, there are many avenues that both sides can take. Securing loose nuclear weapons and fissile materials continues to be a key U.S. security interest, but by itself, arms control and reduction will not create trust. This report emphasizes that the U.S. can still obtain its objective of arms control while establishing trust through programs it has not yet implemented, or through re-evaluating current plans. Technology sharing, employment of Russian physicists, and the mixing of Highly Enriched Uranium (HEU) and Low Enriched Uranium (LEU) are beneficial to both parties. In addition, the development of updated multilateral and cooperative agreements (such as a new Nunn-Lugar agreement) would create the transparency and trust necessary, in the long run, to combat the arms trade and the rise of cyber warfare. The U.S. and Russia need not be limited to cooperation in the arms control field. With cybercrime becoming increasingly prevalent and cyberwarfare a looming threat, the U.S. has expanded Cyber Command (USCYBERCOM) to counter attacks on domestic networks as well as increase offensive capabilities. However, because some
cyber criminals are directly supported by the Russian government, the only viable option is to convince Russia itself to cease support. An avenue that this chapter examines is a multilateral cooperative program similar to the Nunn-Lugar Agreement, but instead focused on and intended for cybercrimes. Continuing tension in South Ossetia also provides a template for U.S.-Russian cooperation. U.S. involvement on this issue would not only preserve the U.S.’s influence in Georgia, which is high in priority, but also create the political stability that Russia desires. Though U.S. security interests are no longer limited to the threats of nuclear weapons, and though confronting these issues may appear daunting, the following chapters prove that cooperation is a powerful and successful means to combat a broad range of issues.
On Conventional Arms
by Lauren Price

Introduction:

The United States and Russia continue to disagree on conventional arms control issues, poisoning bilateral relations and fueling global security threats. In response to perceived NATO encroachment on its borders due to the antiballistic missile system in Europe, Russia has taken steps to expand its military power, raising concerns about a potential race for conventional weapons. This threat is magnified by the stalling of further nuclear arms reductions beyond the conditions of the New START and the deterioration of the Treaty on Conventional Armed Forces in Europe, which deals with conventional arms control and encourages transparency and military cooperation. Furthermore, Russia alienates the U.S by continuing to deal weapons to aggressive, proliferating states like Syria. The United States should aim to defuse the threat of Russian militarization and improve diplomatic relations in the pursuit of military cooperation and future disarmament by attempting to renegotiate the aforementioned CFE treaty and restructure NATO's European antiballistic missile system to appease Russia. Additionally, the U.S. should pursue universal standards for the conventional arms trade by participating with Russia and the United Nations to negotiate the Arms Trade Treaty.

Background:

While the U.S. and Russia view some ongoing legislation on arms control as progressive, most notably the New Strategic Arms Reduction Treaty (New START), other efforts have faltered or failed, like the Treaty on Conventional Armed Forces in Europe (CFE). The CFE began to disintegrate in 2007 when Russia withdrew its cooperation, claiming that NATO states’ refusal to ratify the reworked 1999 CFE treaty posed a security threat to its interests; the U.S. followed suit, making previously transparent military operations, in Russia’s view, opaque. Disputes surrounding the CFE treaty and a NATO
initiative to construct an antiballistic missile system in Europe have escalated to the point that Russia seems to be engaged in a competition for military predominance with the U.S. and NATO, a competition that threatens to turn into a weapons race reminiscent of the Cold War.

Despite the breakdown of the CFE and negative developments following NATO’s plans for a European antiballistic missile defense system, a handful of other treaties aiming to promote military cooperation and transparency uphold the precedent for mutually beneficial and trusting relations between the U.S. and Russia. For example, being politically bound by the Vienna Document, Russia and the U.S. may conduct inspections, evaluations, military facility visits, and attend armament and equipment demonstrations. Under the Open Skies Treaty, unarmed reconnaissance flights are allowed over participating states’ territories. Russia also continues to abide by the 1987 Intermediate Range Nuclear Forces Treaty (INF), “which prohibits ground-launched ballistic and cruise missiles with ranges between 500 and 5,500km” (“Arms Control and Proliferation…”). The UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons (SALW) was adopted in 2001. Its purpose is to advocate the “destruction of weapons that were confiscated, seized, or collected, and [encourage] international cooperation and assistance to strengthen the ability of states [to identify and trace] illicit arms and light weapons” (“Small Arms and Light Weapons and Mine Action”). The SALW, in particular, marks an important milestone as evidence of the U.S. and Russia’s shared belief that illicit small arms and light weapons have “a negative impact on international peace and security, [facilitate] violations of international humanitarian law and human rights, and [hamper] economic and social development” (“NATO’s Role in Conventional...”).

The New START not only presents an example of successful arms control negotiations between the United States and Russia, but also a stalemate in terms of arms reductions until the CFE is renegotiated. Both states signed and ratified the New START treaty by February 2012. The treaty requires that by 2018, both countries downsize their deployed strategic warheads arsenal to no more than 1,550, in addition to their deployed inter-continental ballistic missiles, submarine-launched ballistic missiles, and nuclear-capable bombers to no more than 700 (“Putin, Obama Agree to Continue Dialogue on
Missile Defense”). Despite the U.S.’s desire to continue discussions of disarmament, including conventional weapons, Russia has declined to further arms reduction negotiations until the U.S. “changes its stance on the global deployment of U.S. missile defenses, especially in Europe” (“U.S. Missile Defense Plans Hinder New Arms Cuts”).

The United States and Russia cooperatively pursued the goal of conventional arms reduction until the CFE treaty collapsed in 2007. Twenty-two states, including the United States and the Soviet Union, signed the CFE in November 1990 with the intent to “eliminate... the Soviet Union’s overwhelming quantitative advantage in conventional weapons in Europe by setting equal limits on the number of tanks, armored combat vehicles, heavy artillery, combat aircraft, and attack helicopters that NATO and the Warsaw Pact could deploy between the Atlantic Ocean and the Ural Mountains” (Kimball). The treaty was initially successful, with Russia destroying or withdrawing hundreds of battle tanks, armored combat vehicles (ACVs), and heavy artillery from Moldova and arguably withdrawing its military forces from the base in Gudauta, Georgia by 2001 (“Russia Finishes Weapons Reductions in Moldova”). Russian authorities claimed that those who remained stationed in Georgia were only peacekeepers.

By 2007, Russia was pushing for the CFE Treaty to be replaced by the 1999 Adapted CFE Treaty, but NATO Allies conditioned its ratification on Russia’s withdrawal of all military personnel from Moldova and Georgia, which Russia refused to do. Instead, Russia renounced the CFE treaty entirely from December 2007, claiming that its national security was jeopardized by the failure to implement the 1999 Adapted CFE Treaty (“Arms Control and Proliferation Profile: Russia”). The 1999 Adapted CFE Treaty would replace bloc-to-bloc and zonal limits on conventional weapons with national and territorial limits, and would force Estonia, Latvia, Lithuania and Slovenia, four new NATO states that never ratified the original treaty, to accept conventional arms limits (Collina, The Conventional Armed Forces...).

The negotiations that commenced over the next four years emphasized the importance of “host-country consent” and uninterrupted compliance with the old CFE Treaty. United States Secretary of State Hillary Clinton said in April 2011 that “to make progress on CFE issues, Russia must be willing to talk to its neighbors about its equipment
and forces in disputed territories’ and ‘must be completely transparent about its military forces” (Collina, CFE Treaty Talks). In the end, no progress was made. In November 2011, the U.S. stopped fulfilling its own duties to Russia under the CFE Treaty; namely, sharing military data and barring inspections of U.S. military bases (Kimball). Later, in December 2011, U.S. officials stated that it would resume its obligations in tandem with Russia. The current fear is that “if the CFE Treaty ultimately collapses, Russia will increase its reliance on tactical nuclear weapons to defend itself from what Moscow now sees as NATO’s conventional superiority in Europe” (Collina, CFE Treaty Talks).

NATO’s plan to build an antiballistic missile system uncomfortably close to Russia’s borders propagates this image of “conventional superiority.” Although participants in the NATO Chicago Summit of May 2012 reiterated their commitment to conventional arms control and jointly “expressed determination to preserve, strengthen and modernise the conventional arms control regime in Europe,” they stipulated that the collective defense of the Allies in light of contemporary security threats (mainly Iran’s proliferation of ballistic missiles) necessitated the construction of a missile defense system to protect NATO European territories (“Summit Declaration on Defence Capabilities: Toward NATO Forces 2020”). By the Summit meeting, an Interim Capability for missile defense had been achieved; the U.S. intended to “contribute the European Phased Adaptive Approach”; and the Alliance was singularly dedicated to “build a truly interoperable NATO missile defense capability based on the Active Layered Theatre Ballistic Missile Defence command and control network as the enabling backbone” (“Summit Declaration...”).

Russia responded to the development of the missile defense system by demanding a formal security guarantee from the United States; when the U.S. offered only an unofficial promise that the project was not aimed at Russia, Russia retaliated by increasing its defense budget, investing in research and development of weapons technology, and collaborating with other countries to increase its military capabilities. The Moscow Times reported that by 2020, Russia is expected to spend around 20 trillion rubles ($662 billion) on defense, and Putin’s command will update 70 percent of the military’s weaponry (Bratersky). In January 2013, Russia’s defense industry purportedly planned to create an agency like the U.S.’s Defense Advanced Research Projects Agency (DARPA) (Bratersky).
Moscow also announced in 2012 that it had successfully tested an intercontinental ballistic missile capable of overcoming the U.S.’s defenses and plans to build a hypersonic cruise missile with India (“Arms Control and Proliferation…”).

In this context, one treaty with the potential to alleviate tensions surrounding conventional arms sales is the Arms Trade Treaty (ATT). In December 2006, the United Nations General Assembly requested that member states individually submit reports on “the feasibility, scope and draft parameters for a comprehensive, legally binding instrument establishing common international standards for the import, export and transfer of conventional arms” (“A/RES/61/89”). UN member states still failed to finalize negotiations of the ATT. The UN Conference on the ATT will reconvene in March 2013 for further discussion and negotiation. In the meantime, Russia’s refusal to cease transferring conventional arms to Syria resulted in the U.S. banning weapons imports from Russia for fiscal year 2013 under the National Defense Authorization Act (Taylor).

**U.S. Interests:**

It is in the U.S.’s interest to cooperate militarily with allies and partners to strengthen security while reducing cost and its weapons arsenal. NATO allies acknowledge that arms control, disarmament, and non-proliferation remain the foundation of its work; however, the threats of conventional attack in a world of regional conflicts and increasing defense spending, military capabilities, and proliferation of weapons by unfriendly, opaque regimes drive NATO (and the U.S.) to reinforce its own defensive capabilities. Nevertheless, NATO stipulated that it “will continue to seek security at the lowest possible level of forces,” a sentiment that the U.S. probably shares, not least of all because of significant budgetary constraints in the current global recession (“Summit Declaration…”). Mindful of this, NATO favors deterrence as a military strategy to combat global security threats; allies rely on collective defense and interoperability to improve security while simultaneously reducing defense expenditures (“Summit Declaration…”).

It is in the United States’ interest to defuse the threat of Russian militarization in order to avoid a conventional arms race. Realizing that Russia and the U.S. “collectively
control over 90 percent of the world’s nuclear weapons, and Russia... is a permanent member of the UN Security Council, a member of the G8 and G20, a key player in the Quartet on Middle East peace, the P5+1 talks on Iran, and the Six-Party talks on North Korea,” improving relations with Russia and cooperating to boost global security is of insurmountable importance (Bureau of European and Eurasian Affairs).

Finally, the U.S. has, under President Obama, expressed an interest in disarmament, demonstrated by its participation in initiatives like the New START. Nevertheless, new threats and challenges highlighted by ongoing regional conflicts (particularly in the Middle East) have placed collective defense and security at the forefront. Ultimately, this may serve to inspire cooperation and join the interests of the United States and Russia.

**Options:**

The U.S. has the option of renewing CFE Treaty negotiations. As a tool to promote transparency and military cooperation on top of conventional arms control, it is highly desirable. Its renewal will also defuse the threat of Russian militarization, as Russia will not feel as antagonized by militarily advanced NATO states. As recently as 2010 at the Chicago Summit, NATO reaffirmed its dedication to the CFE. The U.S. would therefore benefit from revisiting negotiations.

However, the sticking point of negotiations around the CFE treaty is the U.S.’s refusal to ratify the 1999 Adapted CFE Treaty on the grounds of Russia’s military occupation of Georgia until 2008 and Moldova, which continues. The U.S. and NATO could again demand the immediate withdrawal of Russian troops from Moldova in exchange for their ratification of the Adapted CFE Treaty. This method, however, has not succeeded in the past. It is therefore not the most viable option for the CFE Treaty’s restoration. Another option is for the U.S. to simply suggest renewed compliance with the original CFE Treaty, leaving negotiation of the Adapted Treaty for a future date. While this method failed in the past, it has not been proposed since the U.S. ceased carrying out its treaty obligations to Russia in 2011. Renewed permission to conduct on-site inspections and exchange of
military data might be attractive enough for Russia to agree to return to the CFE Treaty. However, this would leave Russia’s security concerns ultimately unaddressed.

Alternatively, the U.S. could permanently abandon the CFE Treaty with Russia and attempt to establish a different framework towards military transparency. However, any replacement treaty is unlikely to succeed with the shadow of the failed CFE Treaty hanging over it, along with Russia’s continued occupation of Moldova. The U.S.’s most promising option to revitalize the CFE Treaty is to concede that Russia may keep a reduced number of “peacekeeping” troops in Moldova and gradually withdraw its presence in exchange for the U.S. and other NATO states’ ratification of the Adapted CFE Treaty. If Russia is willing to do this, the U.S. should encourage other resisting NATO states to ratify. This would fulfill both the United States’ and Russia’s long-term objectives and thus presents a progressive option they could agree upon.

The U.S. would also benefit from increased military cooperation with Russia. Interoperability, earlier identified as NATO’s preferred means of strengthening defense, would benefit the U.S. by building trust with Russia and reducing the cost of defense. The cost-effectiveness and increased security would make increased military cooperation agreeable to Russia, although some Russian politicians argue over whether militarization will stifle or stimulate the Russian economy (Ponomaryov). Degrees of interoperability have already been achieved by certain partnerships, such as the NATO-Russia Council (NRC). The focus of military-to-military cooperation up to this point has been on the areas of “logistics, combatting terrorism, search and rescue at sea, counter piracy, military academic exchanges and theatre missile defence/missile defence”; plus, “regular reciprocal military visits are conducted, focusing on practical operator-to-operator contacts” (“NATO-Russia Council Practical Cooperation Fact Sheet November 2012”).

The U.S. and NATO have the option of actively involving Russia in the development of the antiballistic missile defense system in Europe, on which they agreed at the Lisbon Summit in November 2010. NATO expressed at the May 2010 Chicago Summit that it would, “in a spirit of reciprocity, maximum [transparency,] and mutual confidence… actively seek cooperation on missile defense with Russia…” making further cooperation an attainable goal.
However, there is negative discourse regarding how deeply Russia ought to be involved, as “NATO insists there should be two independent systems that exchange information, while Russia favors a joint system with full-scale interoperability” (“U.S. State Department Urges Russia to Cooperate on Missile Defense”). President Putin expressed his own inflexibility regarding the matter in 2012: he wants Russia to help build the system, manage it, assess threats, and make decisions about its use (“Putin Pessimistic on Missile Defense Problem”). U.S. Ambassador to Moscow John Beyrle replied in January 2013 that the U.S. proposes an information exchange system that would entail “an exchange of technology as well as two command centers aimed at tracking missile launches all over the world and analyzing possible threats” (“NATO's Missile Defense Program to be Fully Operation in 2018”).

If the U.S. and NATO choose the route of involving Russia more deeply in the European antiballistic missile system project, they must decide to what extent to involve Russia. The major benefit of two independent systems is that the threat of a potentially hostile Russia stealing NATO states’ military secrets is effectively nulled. The major benefit of a joint system is that it would build a relationship of transparency. In the short-term, increased confidence and transparency will offset the threat of Russian militarization; in the long-term, confidence and interoperability raises the possibility of Russia making technological gains.

Increasing cooperation on this project will serve the additional purpose of assuring Russia that the “European missile defense cannot and will not undermine its strategic deterrent” (“U.S. State Department Urges...”) However, if the U.S. declines increased cooperation, it could lower tensions with Russia to a lesser extent by extending an official assurance of Russia’s security. The U.S. and NATO have the option of offering a security guarantee to Russia to neutralize the threat of the perceived offensive. Russia has demanded that the U.S. provide legally binding assurances that the missile shield will never be used against Russia. The consequences of withholding a security guarantee and excluding Russia from participating in the project include Russia’s militarization and the further deterioration of diplomatic relations.
Conversely, the U.S. and NATO have the additional option of abandoning the development of the missile defense program altogether. The U.S. invested in the program largely to protect against Iran’s potential ballistic missile threat, but critics in the scientific community doubt whether the defense system would be effective in the event of an attack. The National Research Council suggests that the limitations of the U.S.’s domestic antiballistic missile defense program and current technology are crippling and ought to be prioritized over the European missile defense system. It concluded that a strong defense system built in the U.S. would be more effective than Europe’s Phase 4 long-range missile defense component, which was designed primarily to protect the U.S. (“Report Recommends Cost-Effective Plan to Strengthen U.S. Defense Against Ballistic Missile Attacks”). If the U.S. chose to discontinue its development of the European ABM defense system, it could instead redouble its efforts to improve the effectiveness of its own program to counter long-range missiles. From Russia’s viewpoint, an antiballistic missile defense system situated on the east coast of the United States is far less threatening than one in Europe, and would relieve tension (Collina, Some See Chance). The improved effectiveness of an antiballistic missile defense system developed and implemented domestically instead of in Europe increases the favorability of this option.

Finally, regarding the conventional arms trade, the U.S. has the option of continuing to participate in multilateral negotiations at the UN for the Arms Trade Treaty, which would establish universal standards for weapon transfers, thus promoting peacekeeping and region-stabilizing objectives; unite Russia and the United States in the pursuit of these goals; and ideally unite them against deviant states. The downside is that multilateral negotiations will take more time, as member states of the UN (including the United States and Russia) have variable opinions on what constitutes an irresponsible, dangerous state. However, the alternative, which is for the U.S. and Russia to come to a bilateral agreement about arms trade restrictions, is unlikely because their political relations with some regimes including those in the Middle East are traditionally very polarized, so they are unlikely to reach a consensus on this issue of responsible arms dealing.
**Recommendations:**

The U.S. should suggest reopening negotiations of the CFE, and offer to ratify the 1999 Adapted CFE Treaty on the condition that Russia gradually decreases its military presence in Moldova.

Realizing that Phase 4 of the European ABM defense plan is predicted to be ineffective in defending the U.S., unnecessary to defend NATO allies in Europe, and most disagreeable to Russia, the U.S. should not pursue this plan. Instead, the U.S. should invest in the research and development of a more effective domestic ABM system. The Missile Defense Agency should employ a team of scientists to improve the effectiveness of missile defense systems, much like the Midcourse Space Experiment or the High-Altitude Observatory 2. A third site should be built in the U.S., as it would be more effective and less geopolitically threatening to Russia. The number of domestic strategic interceptors in the U.S. should not exceed 50-100, however, in concurrence with recommendations from Russian analysts (Collina, Some See Chance).

The United States should continue to participate in negotiations on the Arms Trade Treaty. If the U.S. and Russia both implement the treaty, it might successfully alleviate tension born of the U.S.’s disapproval of some of Russia’s trade partners, and vice versa. In order to avoid further deterioration of U.S.-Russian relations and Russia's militarization, the U.S. should demonstrate more flexibility towards Russia while increasing military cooperation, trust and transparency. The U.S. should be prepared to make some concessions to Russia before it can make any more progress towards increased global security. Ultimately, increased transparency and military cooperation is required and a universal standard for the conventional arms trade is highly desirable to improve relations with Russia, increase the potential for a strengthened mutual strategic deterrent, avoid devolution into a polarized rivalry, and further goals of disarmament and conventional arms control.
Securing Weapons-Grade Uranium and Scientific Knowledge

By Erin Rayl

Issue:

Proliferation of stockpiles of weapons-grade Highly Enriched Uranium (HEU), the product of decommissioned Russian nuclear warheads, threatens the United States and its allies. Unsecured HEU is as concerning as the proliferation of traditional “loose nukes” because a few pounds of HEU is all that is needed for a rogue state to produce their own nuclear weapon and is easier to conceal. The U.S. is concerned that HEU will fall into the hands of states like Iran and North Korea or be purchased by terrorist networks. As such, it is in the U.S.’s interest to ensure the continued down-blending of excess HEU in Russia and other post-Soviet states, in addition to protecting HEU holding facilities. In many ways the proliferation of knowledge can be equally detrimental to the safety of the U.S. Unemployed Russian nuclear scientists threaten to provide rogue states or terrorists, willing to employ them, with the knowledge to create nuclear weapons and/or enrich uranium to weapons-grade levels. These Russian scientists had extensive access to Russia’s nuclear enrichment facilities and have the ability to share this information. As Russia continues to reduce the amount of HEU it has stockpiled, the number of scientists needed to care for the stores will also be reduced. Their future employment is a security concern for not only Russia, but for the United States and the rest of the world. This chapter therefore recommends that the U.S. continue down-blending HEU and work with Russia to aid unemployed nuclear scientists.

Background:

Following the dissolution of the Soviet Union, the United States, in cooperation with the Russian government, made numerous treaties to protect enriched uranium. One of these agreements established a program titled “Megatons to Megawatts”, which both the
U.S. and Russia successfully implemented. Through the decommissioning of nuclear warheads in compliance with multiple U.S. treaties, Russia has accumulated substantial amounts of highly enriched uranium. The program specifies that over the next twenty years, the United States will purchase Low Enriched Uranium (LEU) from Russia made from mixing LEU and HEU together, thus creating commercially viable uranium that can be used in nuclear power plants. The program stipulates that 500 metric tons of Russian HEU be down-blended to LEU by the end of 2013. As of December 2012, 472.5 metric tons of HEU, the equivalent of 18,889 nuclear warheads, have been eliminated (USEC). When the Megatons to Megawatts program expires, the United States Enrichment Corporation (USEC) plans to continue purchasing LEU from Russia’s commercial enrichment facilities through 2022 in order to ensure supplies of LEU to nuclear power facilities. While ensuring a continued supply of LEU for nuclear power reactors is important, purchasing from Russian commercial facilities is less than ideal as it provides the same economic benefit to Russia without the United States gaining the security of a decreased HEU supply. A renegotiation of this program, even on a smaller scale, will be an important part of any fissile material negotiations between Russia and the U.S. Additional programs exist that are designed to care for nuclear scientists who were unemployed due to the fall of the Soviet Union. Budget cuts throughout the federal government threaten the continuation of these programs. It is important that these programs continue, as they are not only looking after past Soviet scientists, but will also be responsible for the employment of scientists who are recently unemployed, or will soon be unemployed, due to reductions of HEU stockpiles. In order to combat proliferation, the United States Department of Energy (DOE) founded the Nuclear Cities Initiative along with the Initiatives for Proliferation Prevention (IPP).

Officials at the DOE state that “the Nuclear Cities Initiative (NCI) enhances global security by promoting economic opportunities and social support for displaced scientists, engineers, and technicians in the Russian nuclear weapons complex” (Nuclear Cities Initiative). The USSR created “Closed cities” to house nuclear scientists and their supporting staff, all of whom were not allowed to leave. These scientists were unemployed upon the fall of the USSR. The proliferation of nuclear knowledge that these scientists
could offer anyone willing to give them a job was the reason for the creation of the NCI (Nuclear Cities Initiative). These countries, such as Iran and North Korea, threaten to provide economic incentives to Russian nuclear scientists. Due to diminishing nuclear needs, Russia does not have enough jobs to offer its nuclear scientists, and “also has determined its nuclear complex should be re-configured to a smaller size and that this objective requires creating alternative peaceful employment opportunities for many of the weapons scientists, technicians, and engineers who would be displaced by this process” (Nuclear Cities Initiative).

The IPP Program Objective aims to find employment for these scientists. The objective of this program

“Is to divert scientists, engineers, and technicians in the Newly Independent States (NIS) of the former Soviet Union from activities related to Weapons of Mass Destruction (WMD) to peaceful research, development and commercial activities. This nonproliferation program endeavors to create long-term, nonmilitary opportunities for former weapons researchers by developing high-technology spin-offs from these skilled scientists’ capabilities” (Argonne National Laboratory).

The high-tech spin-offs have been fairly successful to date. As more reactors are converted to LEU reactors and others close entirely, these newly unemployed scientists must be found alternative employment.

The U.S. is also interested in assisting Russia in converting some of an estimated sixty HEU research reactors to LEU research reactors. At the 2012 Seoul Nuclear Security Summit, Russia stated that they, in cooperation with the U.S., are “assessing the technical and economic feasibility of converting from HEU to LEU six research nuclear reactors in the Kurchatov Institute National Research Center, Moscow Engineering and Physics Institute, Research Institute of Atomic Reactors, and Tomsk Polytechnic University. The decision on the actual conversion will be taken after the additional assessment of its economic effect” (Kremlin). A step that the United States and Russia have taken together is the repatriation of HEU. Since the creation of the program in 2002, “604 kg of fresh and 986 kg of irradiated
HEU have been repatriated from 14 countries. [Russia] now plan[s] to repatriate the fuel from Vietnam, Ukraine and Uzbekistan” (Kremlin). The United States, in turn, has plans to repatriate some of its stored stockpiles of HEU.

**U.S. Interests:**

On June 25, 2012, President Barack Obama declared a “national emergency” to deal with the threat of HEU that Russia has accumulated in the decommissioning of nuclear warheads. Obama went on to state that “A major national security goal of the United States is to ensure that fissile material removed from Russian nuclear weapons pursuant to various arms control and disarmament agreements is dedicated to peaceful uses, subject to transparency measures, and protected from diversion to activities of proliferation concern” (Obama). The U.S. is more concerned with the prospect of rogue states and/or terrorist organizations procuring HEU than it is with Russia possessing fissile materials. This provides a common interest for Russia and the U.S., as Russia is also threatened by terrorism. The Megatons to Megawatts program defends these interests as it continues the reduction of HEU in Russia’s possession, while providing LEU for commercial activities.

Russia, like the United States, has HEU placed in research facilities throughout the world, including Vietnam, Uzbekistan and the Ukraine. U.S. interests lie in securing HEU held by third parties, particularly when a shift or coup in these states could lead to more unsecured uranium which might then end up in the wrong hands. Encouraging Russia to remove HEU from these states helps ensure against proliferation.

As joint U.S. and Russian programs continue to reduce HEU, more scientists become unemployed. Stopping proliferation of nuclear weapons by ensuring that a large group of highly intelligent men and women do not become desperate enough to find alternative employment is important. Enemies of the U.S., often deemed “rogue states,” have much to gain from hiring highly trained nuclear scientists. While it is impossible for Russia and the U.S. to prevent all nuclear scientists from leaking sensitive intelligence, the steady employment of these individuals is the surest way to prevent them from defecting. Because of the U.S.’s activities in converting HEU to LEU in Russia, jobs that were required to
maintain the HEU will soon be less available. It is through employment of these scientists that the U.S. secure this technology.

**Options:**

Given the current downturn in U.S.-Russian relations, diplomatic tools that Russia views as negative, such as economic sanctions or trade restrictions, may only serve to exacerbate the situation and should be used as a last resort. As such, the U.S. must be careful of creating a negative negotiating environment. Bilateral agreements in which Russia and the U.S. both commit to action in their dealings with HEU are more likely to succeed at the negotiation table. Russia and the United States are both removing fissile material from regions overseas in The Programme on the Repatriation of Fresh and Irradiated HEU. This program, developed to return HEU held in foreign locations to Russia and/or the United States is starting to be implemented in both countries. As a gesture good faith that may also ease tensions, the U.S. should commend Russia for its continued efforts in this endeavor, particularly for its future goals in securing fissile material in Ukraine, Uzbekistan and Vietnam.

Russia is currently considering the “technical and economic feasibility” of converting six HEU research reactors to LEU research reactors (Kremlin). It would benefit the U.S. to encourage this move. As Russia certainly has the technical capability to undertake this task, the U.S. should provide economic support, paying for the conversion and purchasing the down-blended HEU that results from decommissioning the HEU reactor. These conversion costs can be included in the sale of down-blended uranium. Russia’s willingness to consider downsizing its research reactors will largely depend on the U.S. making a viable economic case. As Russia declared their “intention to develop nuclear power as a strategic direction for the development of the country” (Kremlin), the U.S. should encourage them to undertake a strategic review of their research-reactor needs, taking into account their future plans for nuclear power. As research reactors are used to train future nuclear power plant operators as well as test designs of new reactors, and given that nuclear reactors require LEU to produce power, such a study will prove that
most, if not all, of Russia’s HEU research reactors could be shut down or converted to LEU. As one of the most successful programs in downgrading HEU, the renewal of the Megatons to Megawatts Program should be a priority for the United States. The U.S. should first negotiate a higher purchasing price for the down-blended uranium. Should this prove to not be enough incentive for the Russians, offering to purchase down-blended plutonium, which has no commercial value, in addition to down-blended uranium may serve to provide needed funds to the Russian government and convince them to renew the program for another 20 years. USEC has shown interest in purchasing commercially made low enriched uranium from Russian suppliers. The United States should also consider an offer where the U.S. will downblend a certain percentage of HEU to match Russian downblending.

Taking into account the dangers of proliferation, coupled with the large amount of weapons-grade fissile material Russia possesses, the U.S. should be prepared to inform Russia that the United States and its allies will need to find alternative sources of commercially viable uranium if the uranium that Russia is selling ceases to contain downblended HEU. This, in addition to a higher purchasing price, will demonstrate the importance of the renewal of this program to Russia.

The U.S. has several policy options to address the unemployed nuclear scientists. Current programs such as the NCI and IPP have trained many nuclear scientists from the 1990’s. Given this historical success, the U.S. can open up these programs to more scientists as they begin to look for alternative work. These programs should also be applied to the Uzbeks, the Vietnamese and the Ukrainian scientists that are caring for Russian highly enriched uranium. Working with Russia to create a smooth transition will be essential to the security of these newly jobless nuclear scientists. While across the board spending cuts are looming in Washington and excess spending being reduced or eliminated, it is imperative that nuclear proliferation protection does not fall victim to congressional budget cuts. Intelligence on the numbers of Russian scientists and post-soviet scientists who may be looking for work elsewhere is still unknown. As such, the United States should request that the CIA gather information on the topic to better understand the scale of the problem and the finances that will need to be allocated to prevent nuclear knowledge
proliferation.

**Recommendations:**

Commend Russia for their actions in securing overseas HEU material to build camaraderie and help define a common goal. Russia has achieved a lot of progress in nuclear disarmament. Doing this will demonstrate to Russia that its actions do not go unnoticed by the U.S. Actions, not simply words, are needed to build good will. Russia should know that any progress made on their part will receive reciprocal concessions or trust on the part of the U.S. These showings of goodwill do not necessarily need to be nuclear related. An invitation for Russia to join large scale war games shows a willingness to share some of the U.S.’s military techniques and technology. Additionally, the recent meteor strike in the Urals has made Russia extremely concerned about threats from space. The United States has the most advanced meteor detecting telescope systems in the world that actively tracks multitudes of asteroids in the galaxy. By offering to share this technology, participating in the creation of a global meteor defense network and, if necessary, providing financial assistance in the implementation of this network, the U.S. and Russia are building goodwill and attaining much-needed leverage in disarmament discussions.

Encourage an assessment study of future Russian nuclear needs as defined by Russia’s goal for more nuclear power from LEU reactors. In the Seoul conference, Russia stated it needed to conduct an assessment study of future Russian nuclear needs (Kremlin). This is something that the U.S. must encourage. Nuclear power reactors do not require weapons-grade uranium to produce power. Any assessment study will prove this and further verify that nuclear power needs do not require large stockpiles of HEU. The U.S. should provide technical assistance as necessary to make Russian conversion from HEU research reactors to LEU reactors “technically feasible”. Russia has further stated in Seoul that they need to determine whether conversion of their HEU research reactors to LEU research reactors is “technically feasible”. As the U.S. is fully aware that this is indeed feasible, it should provide assistance as needed to begin the conversion of the HEU
reactors. Conversion of these research reactors means that the need for stockpiled HEU is negated and this dangerous weapons-grade uranium can be downgraded and sold commercially. The U.S. should also provide economic incentives to Russia to make the conversion of HEU research reactors to LEU reactors. Economic feasibility is relatively easy to overcome with grants or stipends allocated for assistance in reactor conversion. Furthermore, the U.S. should work to renew the Megatons to Megawatts program by agreeing to a higher purchasing price, purchasing additional commercial materials, and/or mutual down-blending. The Megatons to Megawatts program is set to expire in December 2013. When it does, the steady reduction of weapons-grade uranium will cease. Renewal of this program as it is currently written is unlikely given that Russia’s current need for such an agreement is very different than it was in the early 1990’s. A new agreement with Russia may be reached through a variety of concessions on the part of the United States. Simple financial incentives may be enough to convince Russia to renew the agreement. Should this prove to be ineffective, there are other steps that can be taken. Purchasing 100% commercially enriched uranium, in addition to smaller amounts of down-blended uranium will still allow a decrease in HEU stockpiles.

Offering to down-blend portions of U.S. HEU is also feasible, though Russia may see this as competing with its own commercial sales of LEU. After a simple renewal of the agreement or paying more for the same amount of uranium, the ideal solution for the United States would be to buy the down-blended fissile material made with lower concentrations of HEU. This would still provide the United States with commercially viable uranium while ensuring the continuation of HEU stockpile reduction at a regular pace. As a last resort, ceasing to purchase Russian commercial LEU without downblended HEU could provide the economic persuasion needed to revise and resign the Megatons to Megawatts program. The continued funding of programs designed to ensure that the Russian nuclear scientists are employed is a top priority. As such, despite the threat of budget cuts, congressional support for continued funding for scientists in the program and additional funding for future candidates is needed to provide the greatest security to the United States and its allies.
The U.S. should direct the NSA to assess facility security and form a task force to determine the best way to approach the Russians about any weaknesses that are found. The security of this HEU, while it is waiting for down-blending is also of concern. By directing the NSA to collect satellite imagery and other SIGINT of these facilities, the U.S. will be able to ascertain whether or not each facility is capable of safely holding HEU. A task force can be formed to determine the best way to alert the Russians of any problems that are found and assist in any way to help consolidate the remaining HEU into secure locations.

The U.S. should increase wages to scientists with inflation and cost of living to maintain competitive salaries. While salaries of scientists in the U.S. program are already higher than most of the populace in Russia, the U.S. does not want rising prices to affect the quality of life of these scientists.
Loose Nuclear Weapons—A Cooperative Approach
by Anna Macdonald

Introduction:

This chapter analyzes the issue of loose nuclear weapons in Russia and their implications on U.S. security. The U.S.’s security interests would benefit from securing loose nuclear weapons and fissile materials to prevent them from falling into the possession of terrorist organizations and rogue states. The U.S. and Russia both benefit from cooperating in these efforts, especially in the context of North Korea and the prevention of its nuclear program. Through examining past efforts to secure loose nuclear weapons, this chapter recommends using joint U.S.-Russian diplomatic actions to combat North Korea's weapons program and establish the basis for an agreement to replace the expired Nunn-Lugar Cooperative Threat Reduction program. The new program would include uniform conditions for both the U.S. and Russia in order to create an equal partnership as opposed to a hierarchical relationship. The policy suggestions outlined in this chapter are sensitive to the current, rapidly deteriorating U.S.-Russian relations.

Background:

The dissolution of the Soviet Union in 1991 led to the daunting question of how to address the masses of loose nuclear weapons and fissile materials in the former Soviet states. Sources indicate that “the total size of the Soviet tactical nuclear weapons arsenal has never been precisely known, but it is believed that some 15,000-30,000 tactical nuclear weapons were stationed in fourteen of the Soviet Union's fifteen constituent republics in 1991” (Allison, 4). Although the former Soviet Republics possessing the largest volume of weapons—Ukraine, Belarus, and Kazakhstan—complied and returned weapon to the Russian Federation, unaccounted fissile material still remained in these countries and in Russia itself (“Council on Foreign Relations”).

The U.S. and Russia have been in partial cooperation over nuclear nonproliferation since the dissolution of the Soviet Union. However, recent U.S. interactions with Putin's
administration have led to concerns regarding a cooperative future. An example of Russia's recent reluctance to cooperate with U.S. nonproliferation and security efforts is Russia's cessation of support for the Nunn-Lugar program. The program successfully dismantled a large amount of Soviet nuclear weapons and materials, while costing only a miniscule percentage of the U.S. Defense Department resources (Lugar, 5). An important element of Nunn-Lugar, however, is that former Senators Sam Nunn and Richard Lugar sponsored the program at a time when Russia was weaker than at present. Russia viewed its compliance as being reliant on the U.S. to ensure the security of regions that had only recently come to be under its jurisdiction.

Additional reasons for Russia’s disenchantment with nuclear cooperation initiatives are related to conflicting interests. In terms of geopolitics, interaction with Iran is a point of contention for the U.S. and Russia. Although Russia has been careful not to express blatant alignment with Iran in light of the international community’s condemnation of Iran’s nuclear program, Russia certainly does not view Iran in the hostile way that the U.S. does. This can be attributed to the fact that Iran, a growing regional power, is an important geopolitical partner for Russia. Iran, in this sense, balances out the expansion of Turkey and the increasing U.S. military and political presence in the Black Sea/Caspian region and Middle East, in addition to simultaneously containing Sunni Wahhabism’s incursions in the North Caucasus and Central Asia. Russia also views Iran as the dominant regional power that can spread its influence in the Caucasus, Central Asia, and the Persian Gulf (Blank, 40).

The main issues surrounding the threat of loose nuclear weapons in Russia have historically been related to either the storage of nuclear weapons at poorly secured research institutions or the transportation of nuclear weapons and/or materials. The dissolution of the Soviet Union spread nuclear material across many non-state controlled institutions, and such valuable materials could easily fall into the wrong hands due to a lack of adequate security measures. The Rosatom Nuclear Energy State Corporation is responsible for dismantling a large portion of Russia’s stockpile of nuclear weapons, and thereby has a large amount of weapons-grade fissile material in its inventory (Allison, 21). Rosatom officials assert that its nuclear power plants are secure due to the presence of the
Internal Troops of the Ministry of Interior of Russia and their being under constant video surveillance ("Rosatom").

Although the safety of weapons-grade materials at Rosatom’s nuclear power plants has improved since the early days of the Russian Federation, the risk of internal corruption remains; however, the prospect of this occurring is more likely at research institutions than at Rosatom’s plants or the Russian Ministry of Defense’s stockpile. In a publication from the Center for Science and International Affairs (CSIA), authors clarify four incorrect assumptions regarding nuclear weapons and materials to stress why the threat of loose nuclear weapons is prevalent. Indeed, once fissile material is available to a given party, “weaponization is easy... transportation [of nuclear weapons/materials] is easy... delivery against the United States is easy [given fluid borders]... [and the] demand [for such materials] exists” (Allison, 12-13).

U.S. Interests:

U.S. and Russian interests diverge on what is most threatening to its security, which affects how each country responds to threats. While the U.S. expresses concern over the “horizontal” proliferation of nuclear weapons (i.e., into the hands of more states), Russia is concerned with the vertical proliferation of weapons (for example a country’s increasing stockpiles) (Blank, 40). Furthermore, proliferation falls fifth below other threats such as NATO expansion in Russia’s defense doctrine (Blank, 36). The U.S. should, however, continue to be wary of continued Russian ambivalence towards Iran’s nuclear program and work to prevent the strengthening of Iranian nuclear capabilities.

Russian and U.S. interests do converge, however, in regards to North Korea’s nuclear program and in preventing a possibly devastating conflict between North and South Korea. Especially in light of the recent North Korean missile launches, it would benefit U.S. and Russian security interests to work at preventing any further North Korean advancements. In order to accomplish this, the U.S. would benefit from maintaining some sort of common ground with Russia in order to prevent the complete deterioration relations. The fairly mutual understanding of non-proliferation efforts has forced a certain degree of dialogue
and cooperation between Russia and the U.S. in the past. Continued efforts to prevent the crumbling of relations will serve as a base to make nuclear nonproliferation efforts viable in the future.

Furthermore, the U.S. is invested in preventing loose nuclear weapons from falling into the hands of terrorist organizations. As is clear from an examination of A.Q. Khan’s expansive underground smuggling network, terrorist organizations can obtain nuclear technology without detection, although it is harder today due to stricter IAEA regulations. Because unsecured nuclear weapons exist in Russia, the U.S. should especially ensure the security of nuclear weapons and fissile materials in order to prevent any of Russia’s weapons from proliferating into the hands of enemies of the state. The U.S.’s security interests would therefore benefit from cooperative efforts to secure loose nuclear weapons and prevent the spread of nuclear technology.

**Options:**

The options that the U.S. has to secure loose nuclear weapons in Russia are contingent on the improvement of relations between the two states. In many cases—such as that of A.Q. Khan—success in the field of preventing widespread nuclear proliferation has depended on “the last line of defense—military attacks, intelligence operations, and cargo seizures” (Albright, 245). Instead, the U.S. has the option to focus on the first line of defense, such as “institutionalized approaches like the Nuclear Non-Proliferation Treaty, domestic and international trade controls, diplomacy, corporate vigilance, and international inspections” (Albright 245). There are three key steps that fall in line with the “first line of defense,” including “implementing universal laws and norms against nuclear smuggling [via the NPT], establishing more secure nuclear assets [such as government recovery of sensitive materials and information], and working toward earlier detection of illicit trade” that will aid the U.S. in future nonproliferation endeavors (Albright, 247). Following these steps has the potential to better the currently sour U.S.-Russian relationship.
The U.S. and Russia should therefore focus on common interests and implement the steps outlined by Albright. As the U.S. and Russia are members of the NPT and adhere to International Atomic Energy Agency (IAEA) standards, North Korea’s nuclear advancement is an opportunity for cooperation between the two countries. Pyongyang’s declaration of a nuclear launch in February 2013 can be seen as hostile by both Russia in the U.S. Both countries should impede continued North Korean weapons development, reiterate to Pyongyang that any transfer of weapons or technologies outside of their borders will be viewed as hostile by the international community, and impose harsher and stricter sanctions/warnings on North Korea to prevent more nuclear tests (Pollack, 106). If communication and cooperation between Russia and the U.S. can improve through means such as an alliance to combat common threats, another option is a joint program/initiative to thwart proliferation. In this sense, establishing a baseline for cooperation in the short-term through the collective decision to deter North Korean nuclear advancement could serve as a starting point for long-term negotiations regarding future combined initiatives—such as the development of an expansive program combating the threats associated with loose nuclear weapons.

The U.S. should analyze the successes and failures of past programs to improve future initiatives. The Nunn-Lugar Cooperative Threat Reduction program, for example, was an overall successful program. However, various restrictions prevented it from reaching its full potential. It contained two policies that, although well intentioned, were harmful to the cause as a whole. Part of the program stipulates that an “appropriate U.S. agency” conduct inspections that “must take place at some of the most sensitive military and nuclear installations in Russia” (Allison, 133). Russia perceives these inspection policies as threatening to the security of its weapons technologies and ultimately unfavorable. The second policy is highly relevant when considering the possibility for future Nunn-Lugar-esque programs, due to the current turbulent status of U.S.-Russia relations. The amount of Nunn-Lugar assistance per year the U.S. can provide is contingent on whether or not “Russia [meets] a number of conditions, including being committed to complying with all relevant arms control agreements” (Allison, 134). The United States expects Russia to comply with its arms control commitments, but the weak point of this policy is that
destroying Russian nuclear weapons and securely storing Russian fissile material are should be treated independently of whether or not Russia complies with the CFE flank ceilings or reveals all information about its past and present biological weapons program. A theme that these two policies illustrate is the emphasis on U.S. regulation of Russian activities. These policies could be a point of contention in the creation of a future program and should be kept in mind when formulating any new programs.

Government-to-government programs, such as Nunn-Lugar, must be amended to accommodate solutions that are sensitive to current U.S.-Russian relations. Lab-to-lab programs, such as collaborative research projects and joint security measures, could be a promising way to amend the hostile relationship (Allison, 83). The U.S. transportation of warheads—an aspect of arms control that could be funded through a program such as the Nunn-Lugar initiative—is an area that may be perceived by Russia as undermining its capabilities to address its own security needs. It is imperative for any future nuclear security assistance programs that the balance of power is perceived as equal by Russia—more specifically, as an exchange-type relationship rather than a giving-and-receiving type. Export control programs are a similar, potentially sensitive topic in that they involve the U.S. control of Russian assets. The possibility of a reciprocal relationship is more plausible in the field of export controls, however, than with transportation programs.

Finally, programs that deal with confidence building and promoting transparency include “bilateral data exchanges”, “mutual reciprocal inspections”, and “transparency provisions for the plutonium storage facility” (Allison, 114 – 118). Bilateral data exchanges are an important part of any comprehensive nonproliferation program modeled after Nunn-Lugar. This type of exchange – along with reciprocal facility inspections—represents the type of equal partnership that must exist in any future cooperation with Russia. The time has passed when monetary aid was the key to Russian cooperation.

**Recommendations:**

Russia and the U.S. are likely to have similar interests regarding North Korea’s nuclear program. In this sense, North Korea can serve as a platform for cooperation. A
partnership to condemn the behavior of North Korea would satisfy the interests of both the U.S. and Russia. Stephen Blank of the U.S. Army War College’s Strategic Studies Institute discusses how Russia’s lack of control and leverage over North Korea’s behavior is another reason why a partnership with the U.S. would benefit its own interests. This situation also provides the opportunity for confidence building. Once additional cooperation is established, not simply through basic diplomatic meetings and debates, there is an increased possibility for dual-responsibility programs addressing loose nuclear weapons and technology. At a time when the U.S. has an opportunity for collaborating and finding common ground with Russia in regards to North Korea, it is essential that U.S. policy makers establish a short-term agreement in order to make way for the longer-term solution of a dual-responsibility program.

Based on these findings, the State Department should propose a replacement initiative for Nunn-Lugar. The U.S. should abandon the harsh restrictions that hindered the success of Nunn-Lugar in the past, such as the conditions placed on participation. Furthermore, funding for programs must not be assumed to be found in a U.S. foreign aid type project. This will allow for a more equal perception of the program from the outset. If Russia is reluctant to accept or even discuss such a program, the possibility of partial disarmament by the U.S. as a concession or the reevaluation of the anti-ballistic missile plan in Europe should be considered as a bargaining tool.

Continuing with the theme of equal terms and conditions, the program itself should consist solely of mutual transactions. Bilateral data exchanges and reciprocal inspections should be the starting point. A future initiative should incorporate both government-to-government and lab-to-lab efforts by including both bilateral data and technology exchanges between governments and collaborative research efforts and training exchanges between labs (Allison, 80-96). Information exchanges should include information and training sessions on export controls and possibly the creation of a large monitoring system that could consolidate export information from both the United States and Russia in order to better evaluate threats of nuclear smuggling in both areas.

Such an ideal program may seem implausible given the turbulence of recent U.S.-Russian relations; however, if the State Department carefully constructs it in a manner that
is sensitive to Russian interests, it will be viable. Before this program can be entirely implemented, the State Department should look for ways to continue to improve its collaboration and cooperation with Russia. One avenue that may help prevent the complete deterioration of relations is the common threat of North Korea and its weapons program. Another possible solution involves partial U.S. disarmament – a high priority subject for Russia. If some form of compliance between the United States and Russia can be reached over a different element of the nonproliferation cause, then specific programs can be formulated that will adequately address the issue of loose nuclear weapons in Russia.

The U.S. should bring more scientists into the established programs. Many programs set up are designed to maintain the security of scientists who lost their jobs after the fall of the Soviet Union. As Russia continues to down-blend fissile materials, it becomes necessary to provide adequate employment for these nuclear scientists as well. Opening up the programs to additional enrollment will be a key component in the process of decreasing uranium supplies in Russia.

Current numbers of Russian nuclear scientists remain unknown. To accurately assess funding needs and the impact that downgrading HEU reactors to LEU reactors will have on nuclear scientists in Russia intelligence must be gathered on the subject. As such, the Central Intelligence Agency (CIA) must be directed to recruit sources with the appropriate access to gain a better understanding of the impacts our nonproliferation policies. Focusing on Russia and countries where they keep HEU, like Uzbekistan, will provide a more complete picture and assist in establishing more effective policies in the future.
The U.S. And Georgia: Opportunities for Russian Engagement
by Luke Fearey

Introduction:

During the Cold War, U.S.-Russia engagement often took the form of proxy wars, where superpower aggression was played out in a host of smaller, client states. Well into the 21st century, this trend continues to factor into U.S.-Russia relations.

However, continuing with the Cold War mentality is not a requirement. Nor is U.S.-Russian diplomacy a zero-sum game. Proxy interaction between the two governments need not be seen as adversarial, but instead as a platform off of which to further cooperation. One such opportunity is presented in Georgia. The United States maintains economic, political, and security interests in Georgia, which is a state with historical and modern animosity towards Russia. In order to maintain these benefits it is in the United States’ interest to ensure peace between both sides. To do so will require encouraging Georgia to seek an amicable resolution of South Ossetia, while demonstrating to Russia that the U.S. is an honest peacemaker in the region. This paper examines the history of Russia-Georgia relations and U.S. interests in the region in order to form realistic recommendations for U.S. policy makers.

Background:

The South Ossetian War of 1992

The initiation of hostilities in South Ossetia began as hostilities often do, in the aftermath of collapse. As the Soviet Union fell, its republics were largely left to fend for themselves. Challenges included new economic systems, political structures, and diplomatic relations. Additionally faced was the difficulty in ethnic relations in states that were largely a construction of Soviet policies. Regions such as Central Asia were suddenly without the strong guiding hand of Moscow. Without this presence, ethnic groups held together under the Soviet banner began to fragment along pre-Soviet lines. This trend would become a problem for the newly created state of Georgia. Even before the Soviet
Union had collapsed, a separatist movement known as the South Ossetian Popular Front had requested autonomy from the Georgian Soviet Socialist Republic. Such a demand sparked not only political tensions, but aggression along ethnic lines. Both would culminate in a march by 15,000 Georgians on Tskhinvali, the South Ossetian capital (ICG, 3). Georgian indignation was not enough to quell aspirations for autonomy.

The first military conflict between Georgia and South Ossetia came in 1991. Another crucial component to the conflict would come soon thereafter, with direct Soviet involvement beginning in earnest in 1991 (ICG, 4). This involvement took the form of troops from the USSR Ministry of Internal Affairs (MVD) sent to quell violence on both sides. Given South Ossetia’s relations with Russia, however, it was reported that the MVD soldiers conspicuously took the side of the Ossetians. This included harassment of Georgian civilians, as well as extortion in exchange for MVD assistance (Human Rights Watch, 13). In this 1992 HRW report, atrocities are also attributed to the Georgian side, including looting, forced displacement, and executions. If the interviews conducted by HRW are taken as valid, Soviet forces were at best indifferent, and at worst, complicit in the violence occurring.

Eventually, a peace agreement was reached. The Russia brokered Sochi Agreement was signed on June 24, 1992, enacting a series of measures aimed at reducing hostilities. Signed by then Georgian President Shevardnadze and Russian President Yeltsin, the Agreement aimed for a cease-fire by the end of the month. Additionally, it created what would be known as the Joint Control Commission, or JCC. This body was charged with “control over the implementation of cease-fire, withdrawal of armed formations, disband of forces of self-defense, and to maintain the regime of security in the region” (UN.org). The Commission itself was formed by Russia, Georgia, as well as South and North Ossetia. Central to implementing the above goals, a Joint Peacekeeping Force was established using forces from the stakeholders involved.

*Intermediary Period to the 2008 War*

The period after the Sochi Agreement would see Georgia undergo a period of continued political instability. The unrest was directed at the government of Zviad
Gamsakhurdia, who would eventually be unseated in a coup d’état. Due to Gamsakhurdia taking refuge in another breakaway state, Abkhazia, the de facto President Eduard Shevardnadze once again requested Russian assistance in the restive region. This backing would ultimately help secure Shevardnadze’s position as President of Georgia.

The Shevardnadze years would also be characterized by Georgia’s orientation to the West. Georgia would withdraw from the Collective Security Treaty Organization, a CIS security pact, in 1999 (Gahrton, 97). Not long after, in 2002, Shevardnadze announced Georgia’s intention to join NATO in a speech delivered in Prague.

Shevardnadze would hold his position until the 2003 Rose Revolution, when he resigned and was replaced by Mikheil Saakashvili. It was under Saakashvili’s presidency that the South Ossetia issue would come to a head once again. 2004 proved to be an especially challenging year for diplomacy. This year saw Georgian soldiers deployed to controversial border crossings in Ossetia, in response to Russian threats to remove the checkpoints. There were several dangerous escalations of force, with skirmishes between Georgian troops, Ossetian militias, and the Russian forces located in South Ossetia. These escalations of force were accompanied by an equally dangerous increase in rhetoric. In a Tbilisi rally, Saakashvili is quoted as saying “South Ossetia is not a problem between Georgians and Ossetians. This is a problem between Georgia and Russia” (Eurasianet).

While war did not break out in 2004, the underlying issues were far from resolved. The years following the 2004 escalation of tensions would be characterized by several attempts at diplomatic reconciliation. In 2005, U.S. interest in Georgia would be reaffirmed by a visit by President Bush to Tbilisi (Gahrton, 153). This same year a peace plan was offered by Saakashvili, only to be met with a 2006 referendum by South Ossetia reaffirming its independence from Georgia (Congressional Research Service, 3). As a result of Georgian allegations of espionage, Russia recalled its ambassador in 2006, while simultaneously enacting harsh economic sanctions against Georgia (IIFFMCG, 21). While the ambassador would return, and some sanctions would be lifted, these events would be illustrative of the downward slide in Georgia-Russia relations. Following Saakashvili’s re-election 2008, there was initial discussion of improving diplomatic relations. In his inauguration speech, he
discussed a plan to “extend the hand of partnership and cooperation to Russia” (IFFMCG, 29). Given what would occur later that year, it is a plan that never came to fruition.

2008 War and Present Day

Heavy shelling on both sides began in early August 2008, with accusations from both Georgia and South Ossetia as to who fired first. Ground incursions by Georgian troops followed soon thereafter, with reciprocal Russian attacks. The Russian-Ossetian counter offensive would see a push to the Georgian border, accompanied by further shelling (CRS, 7). On August 14 and 15, Saakashvili and Medvedev signed a cease-fire in the presence of both French President Nicolas Sarkozy and Secretary of State Condoleezza Rice. While both the cease-fire and its following agreements ended hostilities, issues such as Russian troop presence remained largely unresolved (CRS, 8).

These unresolved points of contention left Georgia in almost the same state as it was in the early 1990’s. Separatist provinces continue to be of paramount concern to the Georgian government, with only a tenuous peace in place since the 2008 war. While once this conflict could have been described as simply regional, it has taken on much broader implications. In the aftermath of 9/11, the United States enacted two multi-million dollar programs to bolster the Georgian military. The first, known as the Georgia Train and Equip Program, was followed by the Georgia Sustainment and Stability Operations Program. Both would lead to Georgian deployments in support of U.S. military goals in Iraq and Afghanistan.

Given Russia’s own history with Islamic insurgencies in the Caucasus, it would seem likely that a U.S. troop presence in Georgia could be perceived as helpful. This was not the case, as stated by then Russian Foreign Minister Igor Ivanov when he described the possibility that U.S. troops in Georgia could “further aggravate the situation” (Karon). While a U.S. troop presence post-9/11 may have had its benefits, it also inserted America into what is essentially a localized ethnic conflict. Given former President Saakashvili’s close ties to U.S. policymakers, it is possible that this was done intentionally. In a New York Times article written immediately after the 2008 war, U.S. efforts to restrain Saakashvili
are described in detail. Such actions point to a possible eagerness for Saakashvili to utilize the U.S. as a counterweight to the strong Russian presence in the region.

Regardless of Saakashvili’s motives for inviting a U.S. presence, his political power would be lost in the 2012 Georgian elections. These elections would see Saakashvili cede power to billionaire Bidzina Ivanishvili in Georgia’s first democratic elections.

**U.S. Interests:**

Amidst the animosity between Russia and Georgia exists a series of compelling national interests for the United States. These interests have changed, and will continue to change, over time. However, the United States' political, security, and economic interests will be affected by ongoing issues in the Caucasus for the foreseeable future. Points of interest for these categories are largely seen in the United States-Georgia Charter on Strategic Partnership, created in 2009. These areas of importance could be negatively influenced by further conflict between Georgia and Russia.

The U.S.’s political interests in the region are complex. The Caucasus region has historically been dominated by Russian interests. Maintaining Georgia as a staunch U.S. ally could ensure continued American influence in the region. However, by remaining a force in the region, there exists the possibility that U.S.-Russian relations could suffer. Potential Georgian membership in NATO exacerbates this tension.

American security interests are closely tied to these political goals. According to the U.S. military European Command, Georgia is the largest non-NATO troop contributor to the missions in Afghanistan. Additionally, Section Two, Part Three of the U.S.-Georgia charter lists weapons of mass destruction proliferation as an area of interest. Given past smuggling issues in areas such as the Pankisi Gorge, Georgia will likely remain a region of concern to the nonproliferation community.

In addition to political and security interests, there also exist economic incentives for U.S. involvement in Georgia. Prime among these are the energy pipelines that form the “Southern Corridor” of energy in the Caucasus. Furthermore, there are also substantial
trade concerns. According to the Census Bureau, U.S. exports to Georgia totaled USD542.5 million in 2012.

**Options:**

The United States has several options to pursue the easing of Georgian-Russian tensions and fulfillment of U.S. interests.

The first option involves confronting Russian interests and influence head-on. This option would entail working to have Georgia enter NATO, and encouraging Georgia, with its new higher levels of security, to take a more hardline stance on the South Ossetia issue. While this strategy may lead to a more influential Georgia, it would also likely increase regional tensions, potentially even starting a war that the U.S. would be dragged into due to NATO commitments. This would harm U.S. political and security interests.

A second option exists that is more inclusive of Russia and that would likely lead to much greater regional cooperation, which is working with the EU to encourage the process of Russian and Georgian accession into the EU. Per Gahrton, former member of the European Parliament and election observer to Georgia, discusses what incentives exist for Russia to pursue this. One such incentive considered is European Union membership for Russia. According to the European Council on Foreign Relations, the EU is the “main diplomatic broker in the conflict between Russia and Georgia”. If EU membership for both Russia and Georgia were encouraged by the U.S., the EU could assume a more formal role in negotiating a permanent solution. This would solve regional security concerns, but would likely lead to an even greater Russian presence and influence in European markets, which is not in keeping with the political and economic interests of the U.S.

A third, hybrid option is also possible, and that is the potential encouragement of the creation of an EU-mediated working group between Russia, Georgia, and South Ossetia to establish a lasting settlement in the South Ossetia conflict. The EU is seen as the most neutral powerbroker in the conflict, and would likely make more progress than has been made in past efforts without mediation. To ensure the fulfillment of U.S. interests, the U.S.
could encourage an EU based, Georgian-Russian working group while still providing support to Georgia in the security sector. This security assistance could be implemented via a new train and equip program for the Georgian military.

**Recommendations:**

Given Russian sensitivities and U.S. interests, this third, hybrid option is likely the most viable. To achieve this, it would be prudent for the U.S. Department of State to begin actively pursuing one of its already stated goals—aiding “the full integration of Georgia into European and transatlantic political, economic, security, and defense institutions” (U.S. Department of State). This step would best be achieved via the creation of a four-party working group including the U.S., EU, Russia, and Georgia. Given Russian mistrust of NATO intentions, a U.S. encouraged, EU sponsored working group could be seen as a more neutral middle ground. Achieving such a goal would likely require lobbying by the U.S. Ambassador to the EU, William E. Kennard. If successfully accomplished, the U.S. would show its continued political concern for its ally, Georgia. Simultaneously, and perhaps more importantly, the U.S. would demonstrate to Russia that it is considered an equal partner in resolving conflicts of mutual interest. Necessary subjects of discussion would include the future status of South Ossetia, as well as repatriation of Georgian and Ossetian citizens.

The second, security focused aspect of this recommendation would be implemented by the U.S. Department of Defense. Both the Georgia Train and Equip Program, as well as the Georgia Sustainment and Stability Operations Program fall under the DoD. As such, a recommendation for a new train and equip mission should be made to the relevant commander. At present time, this is Admiral Jim Stavridis, head of the European Command, under whom responsibility for Georgia lies. If a third generation train and equip program is instituted, it will demonstrate U.S. attentiveness to its staunch ally. Concurrently, a high level, U.S. military partnership with Georgia could ensure future American ability to prevent Georgian incursions into South Ossetia. Not only would this create stability for our ally, it could additionally mitigate the chances of U.S.-Russian animosity over Georgia. Given
that the 2014 Olympics are to be hosted by Russia in Sochi, a small U.S. military advisory presence could assuage Russian concerns regarding any flare-ups over Georgia’s breakaway states. If this assistance program was framed as such, it could serve as yet another demonstration of U.S. willingness to work with Russia on security issues.
A Cooperative Approach to Addressing Russian Cybercrime
by Dylan Tyne

Introduction:

The threat of cyberattacks and cybercrime to the United States’ national security and private interests presents an ever-growing and insidious danger, which increasingly concerns U.S. policy makers. The Defense Department’s recent expansion of the U.S. Cyber Command (USCYBERCOM), a secret legal review of President Obama’s executive power to conduct cyber warfare, and a recent executive order concerning government and private sector cooperation on cyber issues indicate that U.S. officials view the issue as paramount to U.S. security interests. As Jack Goldsmith of the Koret-Taube Task Force On National Security and Law states, “The United States arguably has more to lose from cyber attacks and exploitations than any other country because it is among the most dependent on the Internet and related computer/communications systems, and has more of its wealth embedded in these systems” (Goldsmith 2), thus making these systems attractive targets for those seeking to harm the U.S. Aggressors can be both state and non-state actors, but the lines between the two are increasingly blurred. The rise of so-called “cyber militias”, or non-state criminal hacking groups that are often co-opted by a state to attack targets of interest, has brought with them a new era of instability, uncertainty and danger to an already complex and insecure cyber world. Richard Andres, a Senior Fellow at the Institute for National Strategic Studies, warns that “although their actions up until now appear relatively benign when compared to kinetic wars, hacker militias probably represent the most serious cyber threat in the world today” (Andres 99). One of the leading employers of these cyber militias is Russia. The danger that these state-employed hacking groups represent to the U.S. and its interests necessitate that the U.S. work with Russia to establish more accountability for the actions of its hackers. In addition, the U.S. should build trust and encourage cooperation on this issue through bilateral agreements that promote transparency and involve common security interests.
Background:

Russia is one of the major epicenters in the world of cybercrime—its crime syndicate controls one third of the global cybercrime market (Kramer and Perlroth), and the country has a history of conducting cyber attacks against other countries. It remains the only country to have conducted a cyber attack and a kinetic attack simultaneously, having performed both against Georgia in the 2008 South Ossetia War. In addition, “Russian ‘hacktivists’ demonstrated their skills in attacking and disabling Estonia’s computer and communications infrastructure in 2007 in a series of incidents described as the world’s first cyberwar” (Gvosdev 173). Furthermore, a serious denial of service (DDOS) attack in 2008 on the U.S. DOD reportedly originated in Russia. Thus, the country has been and will continue to be a source of significant danger to the U.S. and its interests.

The difficulties in combating cyber attacks like the one on the DOD are further compounded by the Russian government’s purported use of criminal hacking groups to carry out the state’s dirty work. The shadowy employment of these groups began with an abundance of skilled Russian hackers. As Valeriano and Maness state in their work “Persistent Enemies and Cyberwar”, Russia has a “highly educated and technically skilled workforce” but “the numbers of jobs that cater to these [cyber] skills are few and far between. Therefore, the combination of few jobs and Russian national pride has created a black market of hacking communities that have a potent ability to inflict damage on states” (146). These hacking communities, increasingly tied to Russia’s expansive organized criminal organizations, have proved incredibly difficult to penetrate and bring to justice. Thus, as Nikolas Gvosdev of the U.S. Naval War College states, “what has appeared to happen is the evolution of a bargain that has been struck between the state and Russia’s class of computer savvy operators; one that no one openly admits to but for which there is compelling circumstantial evidence” (180). It appears that the Russian government has recognized the potential to harness the skills of cyber criminals to disrupt or disable systems of states or groups opposed to Russian interests. In addition, the use of these hackers makes both tracing the source of the attacks and differentiating between third-
party or state sponsored attacks difficult because “While the Russian military and security services are setting up official cyber units, problems with making these capabilities ‘official’ means that the Russian approach, at present, seems to focus on reaching out to skilled hackers” who have an arrangement with the state, creating plausible deniability for their operations (182). Thus, these hackers can a) conduct their attacks without fear of being prosecuted by the government, and b) be actively recruited by the government to carry out attacks on its behalf. Therefore, even if the U.S. caught these hackers, stopping them would be incredibly difficult due to lack of interest on the part of the Russian government and the likelihood that they are being employed by the Kremlin.

Although hacker groups often act in the interest of the host state, they have their own interests, making them dangerous and uncontrollable. For example, in the 2007 Estonian cyber attacks, Russian hackers crashed the government’s communication infrastructure long enough to cause significant damage. These attacks came in the wake of a political dispute between Russia and Estonia, and while no explicit connection between the Russian government and the hackers exists, these attacks were in the interest of the Kremlin. However, attacks on U.S. banks in which large sums of money were stolen, such as in the 2009 attack on Citibank by the Russian hacking group Russian Business Network (Fletcher) were most likely conducted independent of the state. In these attacks and others, one can see a pattern that provides a determinant of whether a government is behind a cyber attack or not - most attacks carried out or encouraged by a state are not monetarily motivated, but are aimed at the disruption of crucial systems, either for political or militarily strategic purposes. On the other hand, when money is stolen, there is a good chance that it was simply an act of cyber crime committed by an independent party. Both are damaging.

Another pattern exists among the cyber weapons utilized in the attacks. Most cases of financial cyber fraud involve the use of malware, or malicious code. These programs allow hackers to access private information and steal funds. However, in the case of attacks aimed at the disruption of websites or infrastructure, hackers commonly utilize DDOS attacks. This involves the hacker(s) utilizing hijacked networks of computers to overwhelm websites with requests, causing a crash.
However, there are notable exceptions to this trend. The most dangerous cyber weapons are malware that are specially designed to infiltrate critical systems and cause catastrophic failure. The Stuxnet worm used against the Iranian nuclear program in 2010 is an excellent example of this. The virus destroyed centrifuges at Iran’s Natanz Uranium enrichment facility (Shalal-Esa) and although it was unsuccessful in significantly setting back Iran’s nuclear aspirations, it effectively demonstrated the potential of such a weapon to wreak havoc. These are the types of cyber weapons that pose the greatest threat to critical U.S. infrastructure. Thus, hackers have a variety of tools at their disposal depending on what they want to accomplish: financial fraud, systems disruption, or destruction and collateral damage.

**U.S. Interests:**

Due to their autonomy and high level of skill, these cyber militias represent a significant threat to the U.S., which is at risk in two critical areas: its finance industry and its government infrastructure. Russian hackers have attacked both in the past with varied success. In these two areas, the threats range from simple financial fraud and monetary theft to compromised national security and the escalation of conflict via cyberspace. Attacks on the U.S. financial industry make up the bulk of Russian cyber criminal activities. These attacks, and others from around the world, take a toll on the economy. The FBI believes that

“over the past five years, estimates of the costs of cyber crime to the U.S. economy have ranged from millions to hundreds of billions. A 2010 study conducted by the Ponemon Institute estimated that the median annual cost of cyber crime to an individual victim organization ranges from $1 million to $52 million” (Snow).

In addition, given that “Russia now hosts 23.2 percent of the world’s malware” (Rapoza), there is a good chance that Russia is to blame for at least a fifth of the total cost to the U.S. economy. In a previously mentioned incident, the Russian Business Network stole tens of millions of dollars from Citibank in 2009 by utilizing particularly malicious malware (Fletcher).
Besides the risk of losing large sums of money, an attack on the U.S. financial industry could have devastating, even crippling, consequences. Hackers can wreak havoc in any number of ways once they have infiltrated secure systems. They could crash websites, steal private information, compromise U.S. citizens’ faith in banks, and generally disrupt the mechanisms of the U.S. economy. They have done so in the past and will undoubtedly do so in the future. The security firm McAfee recently discovered that Russian hackers will likely launch a massive attack on the U.S. financial industry in the spring of this year under the moniker “Project Blitzkreig” (Gayle). If successful, this attack could result in untold millions of dollars in losses.

While the threats to the finance industry are significant, those to U.S. infrastructure and government organs have far more serious implications. Secretary of Defense Leon Panetta recently warned of a “cyber-Pearl Harbor that would cause physical destruction and the loss of life, an attack that would paralyze and shock the nation and create a profound new sense of vulnerability” carried out by “cyber-actors launching several attacks on our critical infrastructure at one time, in combination with a physical attack” (Bumiller). While attacks of this magnitude are more likely to come from states such as Iran, with whom the U.S. is more likely to have antagonistic relations that could escalate into conflict, it is still of significant concern in regards to Russia. “Patriotic hackers” might “attack critical U.S. infrastructure if the United States acts in ways opposed to [the country’s] interest, and reasonable worry exists about whether the government...could constrain their citizens if emotions ran sufficiently high (Andres 100). As one can see from cyber attacks on Estonia and Georgia, there is no lack of these “patriotic hackers” in Russia. Although these hackers collaborate with the Russian government, they are more or less free to attack targets at their own discretion as long as they do not harm Russian infrastructure. Therefore, these groups are effectively loose cannons in the cyber sphere. As Andres states, “in a world populated by cyber-physical control systems... empowering domestic criminal groups to make decisions about the use of cyber weapons is reckless” (99). While Russian hacking groups have yet to launch a cyber attack resulting in severe damage to U.S. infrastructure, they have successfully crashed government websites and stolen sensitive information; for example, they are believed to be behind the 1998 theft of
Global Positioning System software, used for missile-targeting, from U.S. military computers (Heintz).

Options:

Due to the difficulties in combating skilled cyber criminals operating with the tacit support of the Russian government, any policy options will necessarily be focused on motivating Russia itself to stop employing these hackers and crack down on their illicit activities. This will not be possible without acknowledging Russia's own interests, making concessions, and attempting to work cooperatively with the government. A viable option is for the U.S. and Russia to create a treaty on cybersecurity issues.

Russia has repeatedly proposed multilateral cyber arms treaties that mirror existing kinetic arms treaties. More specifically, these treaties would limit or altogether eliminate the use of certain cyber weapons. As Milton Mueller of the Internet Governance Project states, “the big push for cyber-security regulations in the ITRs [International Telecommunication Regulations] is led by Russia”. For example, “since 1998, Russia has supported – and the U.S. has opposed – the development of a treaty that would ban the use of cyberspace for military purposes” (Mueller). Security technologist and author Bruce Schneier suggests treaties that “stipulate a no-first use policy, outlaw un-aimed or broadly targeted weapons, and mandate that weapons self-destruct at the end of hostilities”. As Schneier argues, these treaties are the only way to prevent a costly and destabilizing cyber arms race. If the U.S. and implements this brand of treaties, it would then have the bargaining power to convince Russia to address its domestic hacking problem. However, the U.S. must note that problems exist with this traditional approach. Many U.S. officials believe that Russia seeks to hamper U.S. cyber capabilities through these treaties. Russia views the U.S. as a cyber adversary with significantly more superiority in the field than itself. Thus, Russia is interested in any agreement weakening U.S. cyber capabilities, which would not be favorable to the U.S. In addition, these treaties would be difficult to implement. As James Lewis of the Arms Control Association argues, “a legally binding convention that depends on renouncing first use, that attempts to restrict technology, or
than requires verification of compliance is an unworkable approach for reducing risk to international security from cyberattack” (Lewis). This is due to a few central issues.

First, the difficulty inherent in verifying cyber arms treaties is insurmountable. The success of nuclear arms treaties depend squarely on the ability of one country to ensure that the other is not violating the terms of the treaty. Verification in the cyber world is many times more difficult, given the “close linkage to espionage [that] makes countries reluctant to discuss or even admit they possess cyberattack capabilities” (Lewis). In addition, tracing an attack to its source is a difficult endeavor, as hackers have many tools at their disposal to hide their tracks. Second, it would not benefit the U.S. to relinquish its cyber weapons capabilities. Lewis states, “the importance of information superiority in warfare and the ability to gain real military advantage from the use of informational assets makes digital infrastructures too valuable a target to be declared off-limits or for cyberattacks to be relinquished”. It would not serve U.S. interests to eliminate certain cyber weapons in the absence of verification and reciprocal measures. Finally, given the deniability allowed Russia by its employment of criminal hacking groups and the autonomy they enjoy, a treaty of this nature would not address the threat to the U.S. posed by these groups. Thus, the implementation of a traditional-style arms control treaty is counter to U.S. security interests. However, Lewis goes on to state that:

“Multilateral agreements could increase stability and reduce the risks of miscalculation or escalation by focusing on several specific areas: confidence-building and transparency measures, such as increased transparency in doctrine; creation of norms for responsible state behavior in cyberspace; and expansion of common understandings on the application of international law to cyberconflict, or development of assurances on the use of cyberattacks” (Lewis).

By working cooperatively to develop these kinds of agreements and fulfill them, the U.S. would build trust and mutual understanding with the Russian government. The U.S. and Russia have already made efforts to undertake these kinds of agreements. Since February of 2011, the U.S. and Russia have engaged in bilateral talks on confidence-building measures to prevent cyber conflict between our countries (Farnsworth). Thus,
cooperative agreements are possible and could be effective to build enough trust with Russia to request cooperation in combating malicious cybercrime.

The recently unveiled executive order from President Obama takes an initial step forward in combating cyber threats to the U.S. by mandating the creation of a “‘Cybersecurity framework’ with the private sector to share information on cyber attacks and threats, with the goal to reduce Cyber risk to critical infrastructure” (Wang). This marks the beginning of a much-needed partnership between the government and private sector in defending against cyber crime, given that the latter “runs most of the critical U.S. infrastructure” (Selyukh). However, even if the order results in an effective “framework”, which has yet to be specifically defined as to what it will look like and how it will interact with existing frameworks, the nature of cyber crime and the unique threat posed by the partnership of Russia and its domestic hacking groups means that purely defensive, unilateral measures are not sufficient to adequately combat them.

**Recommendations:**

In order to convince Russia that its criminal hacking groups create instability, to increase the risk of cyberwarfare, and to take action accordingly, the U.S. should propose a bilateral agreement that creates a joint U.S.-Russian committee to address common cybersecurity concerns. While the U.S. and Russia are already involved in bilateral talks on cybersecurity, both sides would benefit from a formal agreement that creates a committee on the issue. This committee should be formed via the State Department and include members of the National Cyber Investigative Joint Task Force (NCIJTF). The U.S. members should be joined by a roughly equal number of their Russian counterparts.

The overarching goal of this agreement, through the committee, should be to foster trust and cooperation between the U.S. and Russia on the issue of cyber security. With improved relations, it will be possible for the U.S. to encourage Russia to impede its burgeoning cyber crime sector and terminate its tacit employment of criminal hacking groups. This committee will be the main vehicle for advancing and addressing the initiatives of the agreement, which should include the following two pillars:
- Increased transparency and information sharing on cyber weapons and capabilities
- Cooperation on combating cyber crime harmful to the interests of both countries involving, among other things, the creation of norms for responsible cyber behavior

The first pillar of the agreement involves increased information sharing concerning cyber capability and addresses cyber attacks on both countries. This would involve not only the continued sharing of “white papers” on cyberwar doctrine (the U.S. has exchanged the unclassified “Department of Defense Strategy for Operating in Cyberspace” in exchange for its Russian counterpart (Lewis)), but a more detailed discussion of capabilities and weaponry. While this element of the agreement should not compromise U.S. national security and classified weaponry, it would constitute the critical first step in a stabilizing discussion concerning each states’ weapons. To this end, the committee should work on creating a cyber hotline that would prevent the escalation of cyber or kinetic conflict. This hotline would create a form of crisis communication concerning serious cyber attacks on both countries. While reducing the risk of accidentally starting a war, the hotline would also be useful in building confidence and trust with Russia. Discussion between the U.S. and Russia on creating a hotline is already underway, so the committee would no doubt be able to build on the current progress.

The committee also addresses the second pillar of the agreement, which includes cooperatively combating cyber crime in both countries. This will necessarily involve not only Russian efforts to combat its domestic cyber crime, but efforts on the part of the U.S. to clamp down on its own cyber criminals. As Goldsmith states,

“The United States is widely viewed as a major source of cyber attacks and exploitations, as well as a major spur to the cyberarms race. We have the biggest private botnets in the world. They are used for cyber attacks and exploitations around the globe, and the government has done practically nothing to clean them up”.

If the U.S. fails to confront the same issues it is asking Russia to address, the Kremlin will view these requests as hypocritical. However, if the U.S. demonstrates good faith by
addressing on its own domestic cyber crime, the Russian government will be more likely to reciprocate.

Once some amount of trust has been formed, the U.S. should be able to pressure the Russian government to make a significant effort in combating its cyber crime and stop employing cyber criminals. Besides encouraging them to find and prosecute the more malignant cyber criminals, the U.S. should suggest focusing on the creation of alternative employment opportunities for hackers, given that it is difficult for people with cyber skills to find legitimate, well-paying work in Russia. This could involve a greater focus on recruiting these individuals into the government cyber security sector through offers of higher pay.

In addition, the U.S. should make efforts to form an agreement outlining responsible cyber behavior. These “norms could provide multilateral understandings on acceptable behavior in cyberspace—explicit norms or obligations that established state responsibility for the private actions of its citizens” (Lewis). As Lewis states, an obligation such as this would remove, for example, Russia’s ability to plausibly deny its involvement in attacks on Estonia on the grounds that it was “patriotic hackers” rather than the government that carried out the attacks. This could provide some motivation for Russia to end its employment of criminal hackers and focus on legitimizing its cyber behavior.

Other norms “could be based on implicit understandings on what constitutes an act of war and on a distinction between defensive actions taken on one’s own networks and defensive actions that involve interfering with the alleged attacker’s networks” (Lewis). This could involve a treaty creating a framework outlining what countries can and cannot do in the cybersphere, similar to the rules laid down in the Geneva Convention.

Above all, the committee should be a forum through which the two parties can bring concerns to the table, can work together to advance mutual interest, and can establish trust. It is important for the two countries to begin a serious discussion on cybersecurity and collaboratively work to resolve conflict. Thus, a joint committee is the most viable vehicle to address cybercrime. If successful, it may not only prove helpful in addressing cybersecurity concerns in the interests of both countries, but also in generally improving the currently frayed diplomatic relations between the United States and Russia.
Establishing Cooperation with Russia
Regarding Third Parties of Concern:

Introduction

A significant challenge to the progress of U.S. interests that frequently graces newspaper headlines today is that of Russian disagreements with U.S. propositions for policies in other parts of the world. These policy differences and struggles exacerbate and prolong concerns of stability, security threats stemming from terrorist organizations, and the process of democratization throughout the world. Such issues stem from differing regional interests, a history of competitive diplomatic strategies, and more recently a significant breakdown of U.S.-Russian diplomatic relations. This section looks at competing U.S. and Russian interests in Iran, Syria, and Azerbaijan and Armenia.

In this section, Patrick Deeny explores ideas for new strategies to ensure that Iran does not obtain nuclear weapons. Madison Campbell analyzes international approaches to the formation a stable democratic government in Syria should the Assad regime fall. Emily Warden explores the often-underestimated importance of the ongoing conflict between Azerbaijan and Armenia. The authors’ recommendations are attempts at finding solutions that will fulfill U.S. security, political, and economic interests with Iran, Syria, and the Caucasus, all the while establishing greater diplomatic cooperation with Russia on matters of security.

These papers provide a good foundation with which we can see the relevance of this report’s overarching strategies of cooperation to today’s most pressing policy issues and the benefits such strategies would confer to the U.S.
Planning An Internationally Recognized Democratic Syrian Government

by Madison Campbell

Introduction:

Currently, the main Arab state of interest to the U.S. is Syria, because of the civil war taking place there between the Assad Regime and the Syrian Opposition Coalition. This civil war has escalated to such an extent that other countries have become involved. The U.S.’s main concerns for Syria lie in its ability to influence other Middle Eastern countries should the country collapse destructively, the potential of Syria becoming a terrorist—particularly al Qaeda—haven, the massive humanitarian injustices that have occurred since the conception of the violence, and most importantly how to build a democratic system in Syria should Assad fall. These reasons have justified international intervention into Syria’s domestic crisis.

The problem is that the U.S. does not want to take the full burden of responsibility for the creation of a stable regime in Syria. The U.S. does not have an excellent track record with becoming the occupier of an unstable country. The U.S. seems to be more than willing to contribute to the cause monetarily, but does not want to be involved militarily or take the full diplomatic responsibility. The U.S. has taken great pains to work through the Arab League and the United Nations in order to not seem like it was planning a U.S. intervention in Syria, but rather was part of an international discussion (Joint UN-Arab League, 1). The goal of the U.S. thus far has been to find international support—primarily in the form of other actors that it can use to do the work on the ground in Syria while keeping face as being an international force of justice. This chapter explores the history of the civil war in Syria, analyzes U.S. interests pertaining to it, discusses options and forms plans to achieve U.S. interests, and argues for the pursuit of an overall policy that would achieve stability in the area along with cooperation with Russia.

Background:
The Assad regime has always ruled with a heavy hand. President Bashar al-Assad, who inherited the regime, seemed to be on the side of Syrian reform in the beginning, but soon after taking power issued a flurry of crackdowns intended to show ultimate force. While not reported much in the U.S., it is known that the regime uses torture and other extremely violent practices in order to subdue any sort of unrest its citizens create. Violent protest in Syria began on March 15, 2011, when residents in southern areas protested the use of torture on a group of students who had drawn anti-government graffiti (Tomasevic, 3). The regime responded with such heavy force that demonstrations quickly spread throughout the country.

Because of the Assad regime’s unwillingness to pursue strategies other than cracking down on its citizens, many opposition forces were created, adding to the violence (Spyer, 1). The situation continued to escalate when the UN finally declared Syria on the verge of civil war. It was not until this point that the opposition forces combined, creating the Syrian Opposition Coalition, recognizing that the opposition would receive no international force should it remain composed of numerous bands of civilian fighters. This coalition was quickly recognized by states such as Turkey, France, and Britain (Diehl, 5).

The coalition also received the U.S.’s mark of endorsement, and negotiations began to get international material support into Syria. Russia has consistently blocked these attempts with its UNSC veto. As of the start of 2013, it is estimated that over 60,000 civilians have died, with more than 3 million displaced internationally and domestically (Tomasevic, 1). The violence has dragged on largely due to the fact that the opposition is too disorganized to gain mass control of Syria, while the government is too weak to stop it completely. This has created a see-saw type of situation, with power balances changing constantly.

The chemical weapons crisis in 2012 created opportunities for cooperation between the U.S. and Russia. This was a time in which intelligence reports showed the Assad regime mixing chemical weapons and loading them onto planes (IISS, 1). Almost unanimously, the international community declared this to be a red line that would cause outside military intervention, and cooperation was seen on a global scale, stopping the deployment of these weapons immediately. It is still very possible that the Assad regime could make one last
ditch effort and use chemical force should his rule face increasingly insurmountable challenges. This fear is still present in the international community and has been a motivator for international cooperation.

On November 11, 2012 the Obama administration formally recognized and endorsed the Syrian Opposition Coalition (Wall Street Journal, 1). While this move was largely expected, as many official statements condemning the Assad regime were released prior, it put a large amount of pressure on the United States. The U.S. has, with its previous occupations and military interventions, set a precedent for itself in global affairs. Often called the “World Police”, the U.S. has set a tone that it will intervene in cases of humanitarian injustices, un-democratic behaviors, and the denial of freedoms to people. The U.S. is now under a sort of unspoken deadline to come up with a transitional plan for Syria.

The U.S. has remained consistent, working through the Arab League and the United Nations to achieve its goals, rather than creating a U.S.-based intervention. It has not provided the opposition any military or weaponry support at the expense of losing moral support of the Coalition, which greatly hoped for the U.S. to intervene on the ground. The U.S. has undertaken a zealous mission of finding a mutual partner to intervene on the behalf of the international community and U.S. interests. The U.S. has taken a strong stance on other countries’ intended participation in the situation, and it does not seem likely that any other actors will become an occupying force themselves.

Russia currently supports the Assad regime, though its position has wavered as complications continue to arise, such as the potential use of chemical weapons—this is something that no country could endorse (El Bahai, 1). Russia has been a lifeline for the Assad regime, reportedly providing weapons as well as diplomatic support in order to keep the regime in place. Russia issued statements that it believed the Assad regime is within its rights as a government in stopping this uprising, and that it is only because of Western influence and intervention that the civil war continues (Tomasevic, 4). Even so, it has consistently expressed that it wishes to find a replacement for Assad himself, and that it is in the international community’s best interest.
This mixed support for the regime lies within Russia’s fear for its own country. The Putin administration, which is widely contested and has been protested for years, could face a similar situation in which civilians create a massive uprising against the government (Grove, 1). Russia is not just supporting the Assad regime, but issuing a statement that if a similar situation happens in Russia, the international community should stay out of it and not intervene.

Recently, however, Russia issued a statement that it would not be willing to support the Assad Regime should the cost be too great, and that it was looking at other options. This shows that Russia’s support is wavering significantly for the Assad regime. Should Assad fall, Russia does not want to lose face in the international community when it has just started to become such a force again. This statement gives strong hints that Russia recognizes Assad’s imminent departure, and that it is looking at being on the winning side of the situation no matter what that may be.

U.S. Interests:

The U.S.’s interest in Syria can for the most part be traced to an interest in stability in the Middle East. When a state becomes dysfunctional and chaotic it tends to trigger that same instability in other areas, which could jeopardize all the efforts the U.S. had made towards Iraq, Iran, Libya, and so forth. The last thing the U.S. wants to see is the Middle East becoming a center of lawlessness (Fantz, 1). The long term threat from this eventuality is that if Syria does not calm down and become a stable state, it has high potential for becoming a terrorist haven, as in the case of Mali. Fighting al-Qaeda is an important U.S. interest, and the Obama administration wants Syria to become stable so as to not encourage the terrorist organization to spread (Diel, 4).

It is also in U.S. interests to act in a way that garners international support and cooperation. Without doing so, differences such as those between the U.S. and Russia will continue to harm the pursuit of U.S. foreign policy goals. The U.S. has received significant criticism for not having consistent foreign policy in the Middle East, particularly during the
Arab Spring, and it is in the U.S.’s interests to manipulate the current situation to form a new image for itself in the international community.

Another more immediate threat to the U.S.’s interests is Assad's potential use of chemical and biological weaponry. This would become an international problem that would not only affect the U.S., but could also trigger the U.S. to have to intervene militarily since the U.S. is an active leader in the nonproliferation and non-use of these weapons.

To add to these concerns, a main fear in giving support to the Syrian Opposition Coalition is the worry that it will turn into a Jihadist group. It would greatly harm U.S. efforts to spread democracy and stability if it were to give aid to the Syrian Opposition Coalition, only to see that group follow the path of the Mujahideen.

**Options:**

The best way to ensure regional stability in the current situation is to form a plan for the creation of a strong democratic government after Assad falls.

The U.S. has three options to choose from to resolve this situation. First, the U.S. can involve itself militarily and become a major player in the Syrian conflict on a purely individual level, and attempt to unilaterally build a new democratic government after Assad falls. This strategy is not in U.S. interests due to the fact that the military route would be likely viewed as negative by the American people and due to the fact that the U.S. would have to spend a lot of money and resources on the situation, which does not necessarily need its involvement. These concerns leave little reason to think that a military route would be the best option for the U.S. to pursue. The recent U.S. attempt to build a stable democratic state in Iraq demonstrates the difficulty of this approach.

The second option that the U.S. has is working through a third party country to help manage the physical, on the ground details. While this option would mean that the U.S. would have to give some sort of concession, such as altering its policy goals or making major compromises diplomatically, it would also mean that the pressure on the U.S. would decrease exponentially. Russia can be seen as an appealing potential partner. The U.S. could work to align its interests with Russia in Syria by forming a partnership in which Russia
provides considerable ground support, while the U.S. provides monetary or similar types of support. But in order to achieve this partnership, the U.S. will need to establish a strong connection with Russia and sway them to support the Syrian Opposition Coalition, something that is more difficult than it looks considering Russia’s regime security concerns should intervention become an international norm. As mentioned above, the Putin administration wants to make it very clear if it is protested heavily in the future, the international community should stay well away from it. As an existential concern, it would be hard to convince Russia to change its stance on this issue.

The third option the U.S. has is to work to draft a new resolution regarding Syria within the UNSC with the explicit purpose of planning the building of a democratic state should the Assad regime fall. The purpose of this resolution would be to bypass current differences on the Syrian conflict in order to plan for a likely eventuality that would be dangerous for all members of the UNSC if they are not prepared for it. In this circumstance, the U.S. would lose even more power to pursue its interests in Syria post civil war, due to the fact that it would have to compromise with not only Russia, but with all of the international organizations in the committee. It may also still be difficult to garner the support of Russia. However, this strategy could be beneficial in a number of ways. Since the Assad regime is likely to fall soon, this option would allow the U.S. to begin fostering international cooperation in a way that would be constructive and viewed well by all interested parties. It is also likely that due to the U.S.’s stance in world politics, most of its interests would be taken seriously, would fit international needs, and would therefore be endorsed and supported by the committee.

Recommendations:

In order to ensure regional stability and develop stronger cooperation with Russia, the U.S. should collaborate with the United Nations Security Council (UNSC) in drafting a resolution regarding a unified plan for Syria should the Assad regime fall. In order for the resolution to pass, it is necessary for the U.S. to gain Russia’s support. One possible method of achieving this is by working with the Arab League member states and
ensuring that the resolution focuses on post-conflict reconstruction in Syria as opposed to the direct removal of Assad from power. This option is the best for the U.S. because it puts less pressure on the U.S. to support the situation militarily or financially and will still likely be a strong option for advancing U.S. interests in the area. Since the U.S. already has an established relationship with both the UN and the Arab League during this conflict, it is safe to say that they would be behind this effort. Still, in order to achieve these goals, the U.S. will need to garner Russia’s support and involvement. This discussion must have a positive environment in which all the parties have an equal voice.

The focus of this resolution should be to incorporate all parties in an attempt at improving cooperation, and planning the building of strong democratic institutions in Syria in a likely and potentially dangerous future scenario—the fall of the Assad regime.

With the UN’s cooperation, the U.S. can expect to see help in three key areas: peacekeeping and security, humanitarian aid and assistance, and economic and social development. These three areas are the key objectives of the UN and ones that the U.S. needs to take into consideration in the formation of the committee’s plans. The UN would be an invaluable resource in post-war efforts. In order for the UN to become involved in a situation, it needs the unanimous vote of the Security Council. This vote has been continuously blocked by Russia thus far, limiting the UN’s ability to become involved in any meaningful way. This is why Russia must be a large part of the drafting of the resolution if the U.S. is to achieve its goals. Russia has expressed considerable interest in becoming the savior of the Middle East in order to improve their global image, and it can look at Syria as the perfect platform on which to begin this mission.

The real work will be in convincing Russia to be a cooperative member. The U.S. should take Russia’s interests and future goals in the Middle East very seriously in order to establish a mutually beneficial partnership. The U.S. should express that, should Russia be willing to be a part of the solution and constructively plan for a transition to democracy in Syria, that it would be willing to promote Russia’s involvement in the media and official statements positively, as well as take considerable compromises towards future U.S. interests in Syria should the regime fall. The U.S. could do this by commending it for its involvement and promoting this new image Russia wants to achieve. In exchange, the U.S.
would have a partner in the situation that it can rely on for political, economic, and military support. The U.S. would likely have to sacrifice being the sole player in Syria in order to gain full Russian cooperation.

This new resolution and plan would be particularly beneficial in post war Syria because it would be an already established international agreement that the new Syrian regime could work through in creating a stable, successful, democratic new country. This multilateral approach would allow the U.S. to be involved without any accusations of “world policing”, or meddling in other countries, which the U.S. has been accused of before to the detriment of its policy goals. The U.S. must be willing to negotiate on its goals for Syria, which means compromising with Russia, the UN, and the Arab League. In doing so, the U.S. will have created a post war, international strategy designed to support the restoration of Syria, fulfilling its main interests.
Are Sanctions Alone The Best Strategy?
by Patrick Deeny

Introduction:

Iranian centrifuges continue to spin at supersonic speeds, enriching uranium and fueling nuclear reactors which create an exceedingly valuable energy source for Iran. However, enriched uranium may also be used to create a nuclear weapon. Iran’s acquisition of such a weapon would be extremely damaging to U.S. interests for a variety of reasons. Most importantly, it would erode the merits of the Treaty for the Non-Proliferation of Nuclear Weapons (NPT), which has allowed many countries to pursue nuclear technology for peaceful energy consumption while preventing them from making weapons grade fissile material. This treaty is of the utmost importance as it has been accepted by the majority of countries and serves as the primary tool in tempering many states’ pursuit of nuclear weapons. If Iran violates the terms of the Non-Proliferation Treaty, the potential of a nuclear arms race in an already fragile Middle East would increase exponentially. Other countries may find it necessary to rebalance their weaponry and also violate the terms of the NPT. This chapter explores the history of U.S. and Russian attempts to prevent such a scenario from unfolding, different methods that have proven successful and futile, and what can be done to further U.S. interests. It focuses on sanctions and the fact that while their success is difficult to measure in the short term, their effectiveness lies in their longevity and comprehensive care for detail. It will demonstrate that preventing proliferation through sanctions is of vital importance to the U.S. as well as Russia.

Background:

History of Russian and Iranian Relations

After the 1979 Islamic Revolution, a decade of hostility followed in which the Soviets invaded neighboring Afghanistan and supported Iraq’s invasion of Iran. In the USSR, concerns arose over the success of an Islamic Republic in the region. It feared that
this type of government would not only lead to more people in the Middle East putting their Muslim ideals over Marxism-Leninism, but that such trends would spread all the way into the USSR (Katz, 55). However, as the 1980s came to a close, several notable changes led to a lessening of hostilities between the two countries. The end of the Iran-Iraq war in 1988, the death of Iran's Ayatollah Khomeini, and the dissolution of the Soviet Union in 1991 presented an opportunity for improved relations between Russia and Iran—and the 1990’s did prove to be a more cooperative decade.

However, “cooperative” is a precarious term as Iran and Russia continued to have differences that still exist today. Most notably in that decade was the 1995 Gore-Chernomyrdin agreement between the United States and Russia in which “Russia agreed to limit the amount of nuclear know-how and weaponry provided to Iran” (Katz, 56). This agreement marked the beginning stages of the nuclear weapons issue that is at the forefront of U.S. and Russian concerns today. Russian non-nuclear arms sales to Iran began in the 1990’s, along with Moscow’s agreement to complete the now notorious Bushehr Reactor. Therefore, although the United States and Russia were able to agree on curbing the spread of nuclear knowledge, Russia’s attitude towards Iran was less hostile than during the Cold War and much friendlier than that of the U.S.

With Putin’s ascension to power in 1999, there were several improvements between Moscow and Tehran. Further arms sales began to Tehran alongside another agreement that the Bushehr nuclear reactor would be finished, a project that Iran had been trying to complete since before the revolution. Particularly to the dismay of the U.S., Putin renounced the five-year-old Gore-Chernomyrdin agreement in 2000 (Katz, 56). Even so, as the nuclear weapons issue became more and more of a concern in the 2000s, Russia attempted to mitigate the issue with a realistic approach. Instead of having Iran enrich uranium itself, Russia offered to supply it with the necessary amount to power its reactors, which would have alleviated concerns over its possible use in weapons (Katz, 56). However, Iran continues to assert its right to enrich some of its own uranium, claiming that it is for peaceful use in its nuclear reactors. This has become a significant disagreement and the main issue of policy debates over Iran. Iran claims to be acting within the guidelines of the NPT, which expressly allows “the further development of the applications of atomic
energy for peaceful purposes” (United Nations). On the other hand, the International Atomic Energy Association (IAEA) has had its share of difficulties in gaining access to Iran’s nuclear facilities, and has found suspect equipment over the years that suggests that Iran is covering up a nuclear weapons program.

Russia has remained unwilling to cooperate with the U.S.’s foreign policy objectives. It has “been much less eager than the United States, Britain, France and Germany to impose sanctions on Iran for not complying with either the [UNSC] or the IAEA on this issue” (Katz, 57). For Russia, this less enthusiastic commitment to sanctions in more recent years can be mainly attributed to its desire to better Iranian relations, especially for economic reasons.

An example of Iranian non-cooperation with Russia is the Bushehr nuclear power plant. Russia would gladly supply enriched uranium for the plant. However, Iran has continued to insist upon enriching its own uranium. The U.S. and its allies see this enrichment as a guise for a secret nuclear weapons program, but Iran still asserts its right to enrich its own uranium and the reactor became operational in 2011.

The Iranian Perspective

Naturally, there is considerable discord between the U.S. and Iranian perceptions of its nuclear program. Internally, Iran’s persistence on furthering its nuclear technology is much less about its possible military applications than about its status in world affairs. In other words, “internal perceptions are influenced by feelings of pride and grandeur, by a deep-rooted ideology of independence and above all by arguments for scientific development in an area that is internationally considered crucial for future energy supply,” (Nikitin 66). As nuclear energy has become an increasingly beneficial energy source, Iranians believe it is elemental to its future stability and sovereignty. It believes that much of the international rhetoric over its pursuit of nuclear weapons serves only to patronize the country and hinder scientific development. Iran looks to the West and sees a nuclear-armed Israel, and to the East sees Pakistan and India. Iran, considering the violent and drawn out wars instigated by the U.S. on either side of its borders, is nervous. With this it becomes easier to understand the Iranian state’s frustration and its perseverance in improving nuclear technologies.
IAEA reports indicate many possible military dimensions to Iran’s nuclear program. Iran is intentionally denying entry to the IAEA to one place in particular, the Parchin site, where requests for access were initially denied. Subsequently, from satellite imagery it appears that many changes have been made here since it became an area of interest, indicating a possible cover-up and general lack of compliance from Iran. From the most recent IAEA report, it explicitly states that the Director General is, “unable to report any progress on clarifying the issues relating to possible military dimensions to Iran’s nuclear programme,” (IAEA, 12).

*Exploring the Effectiveness of Sanctions*

Since the 1979 Iranian Revolution, the most realistic approach to preventing an Iranian nuclear weapons program has been through economic sanctions. The main issue with this method has been its level of effectiveness and willingness for countries to adhere to the protocols. Nearly every U.S. presidency over the last 30 years has included some form of sanctions against the Islamic Republic. This trend has followed varying support from Russia, which in some senses has served as an intermediary, although a distant one. Russia also agrees an Iran with nuclear weapons is unacceptable, but has understandably taken different approaches to meet this aim. For Russia, no longer the superpower it once was, improving relations with Iran is important, especially in the economic sphere due to its geographic proximity.

For the U.S. the situation was quite different. In 1995 President Clinton passed the Iran Libya Sanctions Act (ILSA), which was a response to Iran’s increased nuclear program activity as well as its increased support for a number of terrorist organizations (Katzman, 1). One fifth of Iran’s GDP came from its petroleum sector at this time and with a lack of U.S. trade, the message was surely to be clear. Unfortunately, this act only served as a lesson in how to improve future measures. For one, the EU was not on board and considered it “as an extraterritorial application of U.S. law and threatened counter-action in the World Trade Organization (WTO)” (Katzman, 2). ILSA also failed in its aim of hurting the Iranian economy. While it sought to bar investment in the Iranian oil and gas industry, the foundation of Iran’s economy, it failed to be detailed and comprehensive enough in its
approach. This led to the continued sale of industrial oil equipment thereby limiting the damages to Iran’s economy they had hoped to inflict (Kozhanov, 146). In retrospect, it appears that the level of seriousness in regards to sanctions was much lower than in recent years, as even U.S. companies found loopholes through third-country dealings.

2005 became an important year as Ahmadinejad became president in Iran and thus reverted to an even harsher attitude towards the West. Dealing a strong blow to the credibility of the previous sanctions regime, “he proclaimed the indisputable right of Iran to develop nuclear technologies and resumed previously suspended work on uranium enrichment” (Kozhanov, 148). It was evident that the ILSA had been ineffective and that new measures would have to be taken if sanctions were to have any effect in the future.

In 2010, Act 2194, a new sanctions law, was signed by Barack Obama in an attempt to improve the effectiveness of sanctions. While IAEA reports still suggest illicit nuclear activity in Iran, this act is an important step in strengthening the practicality of sanctions. This measure is far more comprehensive than its predecessor as the world has become progressively more aware of the danger a nuclear-armed Iran poses. Generally, the act recognizes that “The U.S. and its major European allies, including the United Kingdom, France, and Germany, have advocated that sanctions be strengthened” (H.R. 2194, Sec. 2). It goes into extensive detail outlining the seriousness and depth that sanctions must have in order to serve their purpose. It also takes care to explain that these sanctions will be lifted if “Iran has ceased the pursuit, acquisition, and development of nuclear, biological, and chemical weapons and ballistic missiles and ballistic missile launch technology” (H.R. 2194, Title IV).

**U.S. Interests:**

The primary U.S. interest in regards to Iran is preventing its acquisition of nuclear weapons. All other issues stem from this. The implications go far beyond Iran simply having weapons. Currently, the Middle East remains an unstable region of the world with Syria in the midst of a violent civil war, U.S. troops only recently withdrawn from Iraq as well as many other countries on edge in regards to the Arab Spring. If Iran were to have
nuclear capabilities it might not only threaten “to change the balance of power in the region, extend Iranian control over the Gulf states, [and] fire the starting gun on a nuclear arms race in the most volatile region in the world,” but also, “protect and embolden its terrorist proxies” (Johnson, 71). As Israel’s ally, the U.S. has an interest in keeping Hezbollah, Hamas, and other terrorist factions on Israel’s border and in the region from having arms supplied to them by Iran. With Iran having the relative protection of a nuclear weapon, the ease with which these groups can acquire weapons from Iran will only grow.

Economically, Gulf States account for a major portion of the global oil supply. With weapons of mass destruction comes increased regional influence. In other words, if Iran has nuclear weapons, its ability to influence oil supply increases, a revelation that would be unfavorable to U.S. economic interests. Countries like Saudi Arabia and Egypt might also seek to acquire these weapons to have their own sense of control in the region, risking a dangerous escalation of nuclear weapons in an already fragile part of the world. As Ehud Barak said in an interview this summer, “if Iran’s nuclearization [sic] is not halted now, before long we will find ourselves in a Middle East that has all gone nuclear” (Johnson, 72). Therefore, determining how to prevent such an unacceptable future is an urgent concern.

Options:

In light of the United States’ wars in both Iraq and Afghanistan over the last decade, military intervention in Iran to prevent its acquisition of a nuclear weapon would at first seem to be a feasible approach for U.S. policy makers. Having invaded countries on either side of Iran, and in the pretext of preventing a nuclear arms race in the Middle East, moving onto Iran would almost appear logical. However, it is important to consider the notable differences in Iran that make such an option far less attractive. For starters, Iran’s population is more than the combined total of both Afghanistan and Iraq. It also has nearly double the land area of the two put together. This alone begins to explain why Iran is not a desirable place for military intervention. Moreover, the unpopularity of both wars at home has made for use of the military in this case a far less realistic approach than at first it would seem. The president realizes the gravity of such a move, stating his support of a
peaceful solution lest the U.S. initiate “a military conflict that policymakers and pundits almost unanimously agree would set off a chain of catastrophic events around the world” (Reza, 1). This is an option of last resort, one most likely reserved only as a retaliatory option in the extremely unlikely event that Iran decides to back up its war-mongering rhetoric in regards to Israel.

A favorable, but not necessarily realistic, solution to the issue would be for the U.S. to find a strategy in which Russia supplies Iran with its own enriched uranium while closing Iranian enrichment facilities. Iran would continue to benefit from nuclear energy, the U.S. would be developing stronger cooperation with Russia, and the threat of Iran developing a nuclear weapon would be reduced significantly. In return for closing the enrichment facilities, the vast sanctions regime could be lifted as a bargaining chip. In order for such a plan to work, Iran may first need to see the effects of some sanctions being lifted before trusting in the plan. Therefore, a give-and-take approach could be implemented.

The U.S. can stay the course with the goal that the vast sanctions regime eventually convinces Tehran to be more open with its nuclear ambitions. However, pride plays a factor in a country that has advanced this far in its nuclear program. If this is the strategy pursued, the U.S. may do well to adopt President Kennedy's old adage of allowing the opposition to retreat gracefully without a loss of pride. In keeping with this idea, this option may entail presenting Iran with an ultimatum that includes the threat of further sanctions, but also very clearly lays out a mutually beneficial way to end the antagonism that the two countries have perpetuated.

**Recommendations:**

Dealing with sanctions continues to be the most realistic option for U.S. policy makers on this matter, but the U.S. should start to use them as a package with potential rewards for cooperation. While it is clear the current sanctions have not convinced Iran to cooperate with the international community, the threat of sanctions could be made credible by being more encompassing and internationally supported. The U.S. should work with Russia and the rest of the UNSC to develop a package of potential new sanctions that
would be implemented upon on Iran’s failure to open its borders to IAEA inspectors in return for a number of other rewards, but these sanctions should be a part of an ultimatum that also provides Iran with both political and economic incentives for opening up to inspection. This ultimatum should focus on granting clear rewards for Iranian cooperation with the IAEA coupled with threats of credible, even more crippling, sanctions.

Establishing rewards to incorporate in this ultimatum should be relatively simple for the U.S., but should remain up for negotiation in the UNSC in order to further facilitate Russian participation and international legitimacy—this would serve the purpose of making the ultimatum appear more significant to Iran. The main reward should be the explicit tying of the lifting of all sanctions on Iran to the opening of its borders to all IAEA requests for inspection. Beyond this, the U.S. should offer amnesty to Iran in the event of the discovery of any evidence of past nuclear weapons pursuits discovered by the IAEA, should it publicly forsake the pursuit of nuclear weapons. This would serve a dual purpose: it would ease Iranian security concerns of an imbalance of nuclear weapons in the region and ensure that it does not fear punishment upon revealing its nuclear activities. One final incentive that could be extremely effective is to make this offer to Iran using language that Iranian officials could advertise in state-run media, to the effect of, “considering the danger of a nuclear program that goes unobserved by an international body in the hands of a regime as resilient as that of the Islamic Republic...” This would give Iranian officials a “victory” to sell to its public—it would be secure, it would have greater economic opportunities, and it would be able to maintain its status in the international community.

In developing effective sanctions as a credible counterbalance to these incentives, there are a number of important aspects of Iran that must be considered. First, it is important to consider the perspective of Iran’s major trading partners. Sanctions are only useful if these trading partners either are cooperative with the sanctions or at least feel a strain from them. Without this, the effects of sanctions would be minimal as Iran and U.S. have very little direct trade. Another important aspect to consider is what Nikolay Kozhanov calls “black knights,” in his article entitled “U.S. Economic Sanctions Against Iran: Undermined by External Factors.” These are countries that may take sanctions as an opportunity to boost their economic activity with Iran in the absence of bigger trading
partners (Kozhanov, 145). Clear support from the UNSC, as developed through the above mentioned steps, should ensure that neither of these become a serious issue. Another issue to consider is how to form sanctions that will have a serious political effect on the current regime, as that will make it more likely to accept the ultimatum. An international working group of economic experts should be formed to report to the UNSC on ways to more directly affect Iranian politicians with sanctions rather than the overall economy of Iran.

It is also clear that Iran continues to be unwilling to halt all of its enrichment. With this in mind, the U.S. should not fight Iran’s right to enrich uranium assuming it opens its activities to full IAEA inspection. This would ensure that Iran does not use its uranium enrichment for nuclear weapons, the main concern of the U.S.

With incentives and threats together, and full cooperation from the UNSC, an ultimatum of this sort would prove to be the most effective means in preventing the Iranian state from acquiring weapons of mass destruction. It would prevent a treacherous nuclear arms race in the Middle East and upholds the merits of the NPT, a key factor in the stability of world affairs.
Cooperation In The Nagorno-Karabakh Conflict and The South Caucasus

by Emily Warden

Introduction:

The Nagorno-Karabakh conflict has not only pitted Armenia and Azerbaijan against each other in what seems like a stalemate, but also been an aspect of an international divide, as the U.S. is forced to take the side of one, resulting in a broader rift between itself and Russia. This chapter will argue that through continued mediation by both the U.S. and Russia and the subsequent resolution of the NK conflict, peace between Armenia and Azerbaijan would be just one of the many payoffs. Once Azerbaijan is no longer ensnared in a standoff with Armenia, the pressure on Turkey, which closed its border with Armenia to show solidarity with Azerbaijan, would no longer be necessary. Both Turkey and Armenia would vastly benefit from the reopening of this border, and economic growth would help stabilize Armenia and the region. As the U.S. Department of State outlines in its overview of Armenia, regional stability through conflict prevention is of the utmost importance to U.S. policy as well as the strengthening of Armenia’s economy, as this ties directly to Armenia’s ability to “govern justly and democratically.” The U.S. and Russia also stand to gain from this resolution, as they are able to stand united in the resolution of this decade-long conflict. This confidence building is essential in creating a more productive relationship between the U.S. and Russia. This chapter will analyze the history of the Nagorno-Karabakh conflict, analyze U.S. interests and its strategic options, and recommend an in-depth plan to fulfill U.S. interests.

Background:

The Nagorno-Karabakh Autonomous Region of Azerbaijan petitioned to become part of Armenia in 1988, subsequently sparking a civil war. The armed conflict “between the Azeri government and the separatists of Nagorno-Karabakh pitted Azerbaijan against neighboring Armenia, which backed the separatists” (Peimani 259). This ethnic conflict has
obviously prevented the South Caucasus states from economic development since the collapse of the Soviet Union. A cease fire, but not a peace agreement, was signed in 1994, with the mediation of Russia and Kyrgyzstan, which has led to continued unrest in this region, as it “ended the war without addressing its root causes” (Peimani 259). The fighting concluded with “about 20 percent of the Azeri territory under Karabakhi Armenian control, including Nagorno-Karabakh, the Lachin Passage (an Azeri territory connecting the former to Armenia), and the adjacent land” (Peimani 259-60). As of now, the Karabakhis run the controlled territories, acting as an independent state with unofficial support from the Armenian government.

Despite mediation efforts, both Azerbaijan and Armenia have been unable to settle their conflict peacefully, thus ensuring continued tension in this region. The Minsk Group, including “concerned member-states of what is now termed the OSCE, was established in 1992 to facilitate peace talks” (“Armenia, Azerbaijan, and Georgia” Nichol 17). The co-chairs of the Minsk Group, France, the United States, and Russia work to settle the conflict involving the breakaway Nagorno-Karabakh region. Unfortunately, despite continued talks and peace negotiations, the OSCE group has continuously come up empty-handed. In 2012, President Aliyev of Azerbaijan stated before a planned meeting of the Minsk Group, that “no one wants war, least of all Azerbaijan, which has made such great achievements. However, this does not mean that negotiations...will be focused on the prevention of war” (“Azerbaijan” Nichol 20). However, the confidence-building measures that the OCSE had decided on fell through, as President Sargsyan of Armenia condemned “Azerbaijan for refusing to further discuss” ways in which to build confidence (“Azerbaijan” Nichol 20). These petty remarks and the inability to resolve the conflict continue to weigh down further development in these regions.

Sokhbet Mamedov, in his article “Baku Dissatisfied with OSCE’s Minsk Group,” displays Azerbaijan’s dislike of the OSCE as stemming from the fact that “the Minsk Group’s actions were not yielding concrete results” (15). If nothing else, the stagnant process invoked by the Minsk Group leads Azerbaijan to feel, as promoted by defense minister, Lt. General Safar Abiyev, that “in a situation like this, Azerbaijan has no choice but to take
serious and necessary steps to liberate the occupied territories” (Mamedov 15). These sentiments are later echoed after continued failures by the Minsk Group.

In March 2012, Azerbaijan voiced the belief that Russia would be the key actor in solving these issues, as it has close ties to Armenia and thus an “overwhelming influence,” noting that “Azerbaijan’s major goal is to persuade Russia to use its influence to settle the conflict” (“Azerbaijan” Nichol, 20). However, June 4-5, 2012 marked another step back for resolution, as “violence on the line of contact between Armenia and Azerbaijani forces resulted in three dead Armenian troops and five dead Azerbaijani troops” (“Azerbaijan” Nichol, 20). Secretary of State Clinton, who was visiting the region, condemned this violence and once again called upon these two countries to seek ways to reach a peaceful settlement of the NK conflict.

To further complicate matters, tensions were again raised in August 2012, when Hungary extradited Ramil Safarov, who had been sentenced to life in prison after killing Armenian army officer, Gurgen Margaryan, “during a 2004 NATO training event in Budapest” (Benitez). Instead, not only was he immediately pardoned, but rewarded by Azerbaijani President Ilkham Aliyev. This reflected poorly on Azerbaijan, as Hungary protested that it had extradited Safarov only under the assurance that he would serve out his sentence in Azerbaijan. The result was not only continued distrust of Azerbaijan, but Armenia’s breaking off diplomatic relations with Hungary as well. After the pardoning of Safarov by Aliyev, the Minsk Group “met individually with the Armenian and Azerbaijani foreign ministers... and raised ‘deep concern’ that the pardon had harmed peace efforts” (“Armenia, Azerbaijan, and Georgia” Nichol, 21).

Azerbaijan accused the Minsk Group of being unsuccessful during its two-decade efforts of settling this conflict, implying that Azerbaijan’s belief was that military involvement could be the only solution, as Aliyev “asserted that since NK was ‘occupied’ by Armenia, Azerbaijan’s main focus was on ‘isolating Armenia from all international and regional [economic] projects” (“Armenia, Azerbaijan, and Georgia” Nichol, 21). By late 2012, the situation was so tense that it seemed that the OSCE would be unable to make any progress. However, in a campaign speech in January 2013, President Sargsyan of Armenia “advised against Armenian recognition of the independence of NK” at least for the moment,
stating that this recognition would put an end to peace talks and Sargsyan’s disinterest in the use of military force to settle this dispute ("Armenia, Azerbaijan, and Georgia" Nichol, 21). Although outsiders have worked on peace plans since 1995, no deal has stuck. According to The Economist, the forecast seems clear: “Nagorno-Karabakh, which declared independence in 1991, will return to Azerbaijan much of the land it won in the war,” and after this period, “people of the territory, including Azeri refugees living outside, will vote on its final status” ("Conflict on Ice"). Presently, no country recognizes the occupied land’s status; all consider it a part of Azerbaijan.

In Central Asia, “the continuity of leadership has allowed leaders essentially to contain or suppress potential ethnic disputes, much as it did in the Soviet era” (Jones, 9). In the opposite spectrum, the discontinuity of leadership in the Caucasus has injured efforts to handle ethnic tensions. Azerbaijan has experienced numerous political, social, economic and security problems caused by the collapse of the Soviet Union. Because of his inability to deal with the instability after the fall of the Soviet Union and the escalation of the Nagorno-Karabakh conflict, the first president, Ayaz Multalibov, was relieved of his presidential responsibilities and fled to Moscow. His successor, the first non-communist elected president Abulfazal Elchibey, did not enjoy popular support, while “having hostile relations with Azerbaijan’s northern (Russia) and southern (Iran) neighbors, both of which were on friendly terms with Armenia” (Peimani 258).

Added to Russia and Iran’s worries about Azerbaijan’s pro-Western orientation, there was concern about “Baku’s agreement with a consortium of Western companies for the exploration of the rich Caspian offshore oil fields that effectively excluded the two regional powers” (Peimani, 258). Among the South Caucasian states, Azerbaijan is the only one with a significant amount of oil, and to a lesser extent, natural gas. While this may seem a guarantee for an economically stable future, Azerbaijan’s oil so far has only destabilized the country. Azeri “oil resources could at best secure Azerbaijan 15 to 20 years of oil export at over a million barrels a day, which could generate a significant amount of annual revenue for the Azeri government” (Peimani, 259). If this revenue were used correctly, it would establish a strong economic foundation, and address the infrastructural and educational shortcomings that Azerbaijan possesses, all the while “eradicating poverty and
unemployment” (Peimani 259). The U.S. fears that if war is resumed between Armenia and Azerbaijan, “Armenia’s recent military and diplomatic exercises” have proven that with “Moscow’s and Tehran’s encouragement and help,” Armenia would not hesitate to “attack Azeri pipelines that carry much-needed oil and gas to America’s European allies” (Blank).

In September 2012, Azerbaijani President Ilham Aliyev stated that “the development of relations between Turkey and Azerbaijan was not only important for the two countries but also for regional stability” (Adılıgizi). Unlike Armenia, Turkey has played a primary and significant role in the growth not only in Azerbaijan but Georgia as well. This interconnected trading triangle has also solidified relations between Azerbaijan and Georgia. However, Turkey’s relations with Azerbaijan have done nothing but seemingly antagonize Armenia, as “Turkey closed the border to Armenia since the outbreak of the Nagorno-Karabakh conflict in 1993 to show support for Azerbaijan” (Schmidt 2).

Armenia is a small, landlocked country, “that has been reduced to its current size and population as a result of foreign conquests and large-scale out-migration over several centuries” (Hunter, 29). Armenia’s isolation has made it both dependent on its neighbors for access to trade and has sought protection from Russia. Additionally, Armenia is “ethnically and religiously isolated, being surrounded by three larger and more populous Muslim neighbors (Iran, Turkey, and Azerbaijan), a fact that accentuates its sense of vulnerability” (Hunter, 30). The “Armenian Genocide” in 1915, when “close to one million Armenians perished,” has proven to have had an immense impact in forming “the character of the modern collective consciousness of the Armenian people” and also shaping its relationship with Turkey, which avers that this tragedy “was not the result of intentional cruelty but of the chaotic conditions of the war of 1914-18, which was also responsible for the deaths of many Turks” (Hunter, 30). Instead of this bringing the Armenians and Turks together over a shared loss, Armenia, unlike Azerbaijan, has remained frosty with this country.

Due to this uneasiness, Armenia looked to “forging close ties with Russia and, whenever possible, developing cooperative relations with other countries, such as Iran and Greece, that also feel uneasy about Turkish influence in the region” (Hunter, 30). Because of Azerbaijan’s close ties to Turkey, Armenia perceives Azerbaijani as having a connection
with the Armenian Genocide. Turkey, instead, refuses to accept the description of the crimes Armenia suffered as genocide, and instead chooses to discuss the alliance Armenia held with Russia during World War I and the oppression the Turkish people were forced to endure. The U.S. with obvious close ties to Turkey has largely stayed out of this argument, much to the displeasure of the surprisingly politically strong Armenian lobby group. However, in 2007 the U.S. Congressional committee, influenced by the Armenian Lobby group, “voted to call the massacre of Armenians during World War I genocide” (Schmitz). The result, as Der Spiegel reporter Gregor Schmitz puts it, “was a medium-level political earthquake,” as then-President Bush responded with anger, “Turkey temporarily recalled its ambassador from Washington, and Turkish newspapers seethed with rage.” While Turkey's threats did not last long, they have proven in the past not to be empty promises. In 2006, when the French parliament “passed a resolution making denial of the Armenian genocide a crime punishable by law,” the Turkish government “broke off their military relationship with France” (Schmitz). However, up until now, Turkey has made no clear sign that it is willing to go beyond emblematic actions.

Although Armenia understands how important it is economically to have close ties with the West, Western interest in Azerbaijan’s oil have led Armenia to be unable to completely trust Western powers, due to ill feelings of favoritism. Therefore, “despite Western unhappiness and Russia’s growing problems and weakness, Armenia has proceeded with forging a strategic alliance with Russia” (Hunter, 30). This is interesting, as it would seem that Armenia should have closer relations with Western countries, as it is a small Christian country “on the edge of the Muslim world, with a culturally Western orientation” (Hunter, 33). Regarding the Nagorno-Karabakh conflict, Armenia “has become convinced that it cannot rely solely on the West to safeguard its security and other interests,” mainly due to the West’s perspective on Turkey’s regional influence (Hunter, 33). They also differ on Iran, as the West sees that country “as a spoiler and ha[s] tried to isolate it and prevent it from expanding its influence in the region” (Hunter, 33).

In contrast, Armenia views Iran “as a counterweight to Turkey and to a potentially irredentist Azerbaijan” (Hunter, 33). However, together with Russia, the U.S. holds considerable power over Armenia as shown in 1993, when the U.S. viewed Aliyev's
presidency as a disadvantage and possible detriment to Azerbaijan’s interests. This was “based on the assumption that, with a pro-Moscow leader in Azerbaijan responsive to Russian demands, Russia might not value Armenia’s friendship as much and thus might even adopt a pro-Azerbaijan stand on the Nagorno-Karabakh conflict” (Hunter, 35). With resolution of the conflict, the leadership in Azerbaijan would be more open to Russia, resulting in Armenia’s desire for closer ties with the West.

Although the two trade protocols signed in Zurich in 2009 seemed to signal that this conflict would soon be over, the process to establish good relations between Turkey and Armenia has nonetheless faced many challenges, which has ultimately led to the protocols not being ratified. While the opening of the border with Turkey would help end Armenia’s regional isolation and encourage economic growth; Armenia would benefit more than Turkey economically, however, the “disorder in the South [Caucasus,] which is a transit region for oil and natural gas from the Caspian Sea to [Europe,] concerns Turkey and its objective to become an energy hub” (Schmidt, 15). Thus, ensuring stability in the South Caucasus region is one of Turkey’s main strategic goals.

U.S. Interests:

The South Caucasus is important to U.S. interests because of its strategic location between Russia and Iran, connecting Europe to Asia and energy resources. Its “oil and gas resources and the region’s position as the chief route for the westward export of Caspian energy resources” have continuously increased geopolitical attention (“Regional Security in the South Caucasus” Cornell, 5). Unresolved conflicts in the South Caucasus “have a direct and negative impact on...the U.S.,” as they “impede access to Central Asia and Afghanistan, threaten the security of needed energy resources as well as access to friendly allies in the [ ] Middle East” (“Regional Security in the South Caucasus” Cornell v). Both U.S. and Russian long-term interests in the South Caucasus, “and also those of Turkey and Iran, [are to] strengthen sovereignties there, the progress of reform, and the development of sustainable modern economies that take advantage of regional complementarities” (“Regional Security in the South Caucasus” Cornell vi). Moreover, a resolution to the Nagorno-Karabakh conflict will enable “improved relations with Turkey, [which will] enhance the movement of goods...
and people throughout the region and create a better trade and investment environment” (U.S. Department of State).

The South Caucasus also carries importance due to open U.S. policy regarding the “goal of fostering freedom in the world” (“US engagement in the Caucasus” Cornell, 117). While other former Communist transition countries—mostly in Eastern and Central Europe—have moved towards democracies, Russia and Central Asian states have tended towards authoritarian rule. Because of this, the South Caucasus has been “torn between equally strong tendencies towards authoritarianism and democratization” (“US engagement in the Caucasus” Cornell 117). Should the NK conflict be resolved, the U.S. would have a greater ability to push democracy, as there is less legitimacy attached to an authoritative regime without a conflict to rally around.

If the U.S. continues to put off solving the Nagorno-Karabakh conflict and gaining closer ties with Armenia, a greater wedge between Russia and the U.S. would result and escalate the competition over the oil reserves in Azerbaijan. Armenia would create stronger ties with Iran, thus threatening the United States and its stance on anti-terrorism in the region. Armenia would continue to isolate itself from Western powers. This would also complicate relations with Azerbaijan, which hopes to have an oil deal with Russia. Because of Armenia’s close ties with Russia, this would prove difficult and possibly hinder pipeline-building hopes.

**Options:**

If the U.S. continues to put solving the Nagorno-Karabakh conflict and gaining closer ties with Armenia on the back burner, a greater wedge between Russia and the U.S. would result and escalate the competition over the oil reserves in Azerbaijan. Armenia would create stronger ties with Iran, thus threatening the United States and its stance on anti-terrorism in the region. Armenia would continue to isolate itself from Western powers. This would also complicate relations with Azerbaijan, which hopes to have an oil deal with Russia. Because of Armenia’s close ties with Russia, this would prove difficult and possibly hinder pipeline-building hopes.
Reestablishing trade between Armenia and Turkey is vital for the relations between not only these two countries, but also relations between Azerbaijan and Armenia as well as relations with the U.S. By opening the border that has been closed since 1993, Turkey would extend an olive branch to Armenia with the promise of a stronger economy and more stable governance. Ties with Turkey would not only mean an end to this conflict, but also a stronger role of the EU in Armenia, which has already pledged to help strengthen democratic structures “enhancing efforts in regional cooperation” and “contributing to a peaceful solution to the Nagorno-Karabakh conflict” (Schmidt 3). An open border with Turkey is economically a logical step for Armenia to take in order to engage in a new level of trade between these two countries as well as a way of forming closer ties with other countries in the region, namely Azerbaijan. As the U.S. State Department has repeatedly stated, “[s]trong relations with a stable and democratizing Armenia allow the U.S. Government [] to advance its policy goal of regional stability in the Caucasus, as “Armenia’s long-running, unresolved conflict with Azerbaijan over Nagorno-Karabakh region negatively affects both its role in the region and U.S.-Armenian relations” (U.S. Department of State).

More specifically, Armenia stands to gain six things from pushing for an open border with Turkey, the first being more access to both Middle East and European markets. By having direct trade with Turkey, Armenian businesses would “profit from the access to the promising Turkish harbor Trabzon and to several Mediterranean ones” (Schmidt 6-7). As of now, Armenian trade goes through Georgia, but should the border be open, Armenian trade, most of which leaves from the capital Yerevan, a mere twenty-six miles from the Turkish border, when compared to the distance to the Georgian harbors, would grow significantly. The second benefit is obvious increased business opportunities in Turkey for Armenian companies. The eastern Turkish provinces that border Armenia are also underdeveloped “and far away from any noticeable domestic metropolitan areas,” which “offers Armenian businesses the chance to reach out for new opportunities in their immediate surrounding area” (Schmidt 7). This would allow Armenia to not only export basic household goods to its neighbor, but also the “Armenian construction materials sector [could] expand its business... thereby enhancing regional development and
infrastructure improvement” (Schmidt 7). Thirdly, the ability to quash the Georgian monopoly regarding the transportation of Armenian goods, would lead to lower transportation costs for Armenian business owners, allowing more competitiveness in Armenian businesses, as prices in commodities will drop. The fourth advantage to having an open border would be the increased movement of people, both from Turkey to Armenia and vice versa, boosting “the local tourism market,” as well as “travelling for international tourists c[ould] get easier and w[ould] lead to a higher frequency of tourists travelling from Armenia towards Turkey” (Schmidt 7). The Armenians also benefit from having an open border as it ensures financial assistance from the EU, which, through the ENP (European Neighbourhood Policy), agreed to continue to give financial support to Armenia should it continue to make efforts to ensure regional cooperation. An open border with Turkey would no doubt be viewed as a critical stepping-stone towards further cooperation within the Caucasus. Finally, Simon Schmidt, at the International Center for Human Development, proposes that there is an “opportunity to create a ‘New Silk Road,’” which would give Armenia “the opportunity to reopen a major trading route connecting East and West” (8).

While Azerbaijan may hold the most oil, Armenia has an ample amount of precious metals. With an open border to Turkey, new markets for the Armenian mining industry would be available. This would also allow for less tension between Azerbaijan and Armenia, as Armenia would be able to focus on the strengths of its materials, instead of its lack of oil. This intrinsically ties to U.S. interests, as the State Department ardently supports the resolution of the Nagorno-Karabakh conflict, on the basis that it will enable “improved relations with Turkey, [which will] enhance the movement of goods and people throughout the region and create a better trade and investment environment” (U.S. Department of State).

Although the two trade protocols signed in Zurich in 2009 seemed to signal that this conflict would soon be over, the process to establish good relations between Turkey and Armenia has none-the-less faced many challenges, which has ultimately led to the protocols not being ratified. While the opening of the border with Turkey would help end Armenia’s regional isolation and encourage economic growth, Georgia’s interests on the other hand would be impacted, as it is now the main trading route for Armenian goods. While Armenia
will benefit more than Turkey economically, the “disorder in the South Caucasus which is a transit region for oil and natural gas from the Caspian Sea to Europe concerns Turkey and its objective to become an energy hub” (Schmidt 15). Thus, ensuring stability in the South Caucasus region is one of Turkey’s main strategic goals.

**Recommendations:**

At the heart of this issue is the Nagorno-Karabakh conflict. Whether through the Minsk Group, which has so far proved to be unable to resolve the conflict successfully, or through another third party, the United States and Russia should work together to mediate the conflict between these two countries. To first motivate Armenia to concede to Azerbaijan’s requests, the protocols for the trade between Turkey and Armenia, originally put forth in 2009, are essential in mending relations with these two countries. Once the border is opened up and Armenia feels less isolated and less bullied by both Turkey and Azerbaijan, Turkey can use its newfound influence on Armenia to ensure a successful negotiation that will finally bring a peace settlement between Azerbaijan and Armenia, which is critical to the stability and success of this region. As proven from past clashing of Turkish and Armenian ideals on U.S. soil, Turkey is unwilling to do much of anything that will risk the injuring of U.S.-Turkish relations. Because of this, the U.S. can use its influence, coupled with Russia, not only on Azerbaijan to come to an agreement, but Turkey as well. Armenia maintains close ties with Russia and Iran because it feels threatened by the isolation imposed on it by Azerbaijan and Turkey. With this gone, Iran is further isolated, an obvious benefit to the United States. Additionally, stability is regained in this region as cross-border trade is once again occurring and authoritative regimes turn more democratic under peaceful times.

Thus, with the Nagorno-Karabakh solved, Armenia could be able once again to honor the trade agreement, as it is in Armenia’s best interest to open its border with Turkey. Because of Azerbaijan’s already-close ties with Turkey, the added pressure from Turkey to mend the conflict with Armenia, due to the promise of better relations, could be the push that both the U.S. and Russia need in order to end this conflict.
Drug Trafficking in Central Asia

Introduction:

In the past decade, the U.S. has focused on military actions in Afghanistan over counter-narcotics initiatives. As a result, the drug trade has grown rampant. Afghan drug production has a direct negative influence on Russian interests. A majority of the drugs in Russia originate in Afghanistan. As a result, Russian officials strongly support crop eradication. Drug production and trafficking not only threaten the health of the citizens of a country, but can also threaten the health of the state itself. In Tajikistan, drug trafficking permeates all levels of society, to the point that alliances between government officials and organized criminals are the norm. Countries already weakened by authoritarian regimes are further debilitated by the organized crime that accompanies the drug trade. This can create an opportune environment for terrorist organizations to flourish, representing a direct threat to U.S. security in the region. These obstacles further support the notion that U.S.-Russian cooperation is paramount.

The first chapter in this section, *The United States, Russia, and the Eurasian Drug Trade*, addresses the short term, immediate interests of both the United States and Russia in ending the drug trade. The U.S. maintains that eradication is not feasible, as it would negatively affect Afghan citizens whose main source of income is poppy cultivation. It is therefore advantageous for both the U.S. and Russia to promote the cultivation of alternative livelihoods, such as wheat or to establish a joint U.S.-Russian program to train Afghan officials in counter narcotics. The policy recommendations of the following chapter, *Drug Trafficking and State Functionality in Central Asia*, are contingent on the successes of short-term actions described in the first chapter. By promoting economic development in the region, the U.S. would also protect its long-term interest of regional stability and democracy. Thus, a joint U.S.-Russian effort to weaken the drug trade could not only serve to protect the health of Russian citizens, but also maintain stability in a region in which the U.S. has a vested interest.
Introduction:

This chapter examines a problem that belongs at the forefront of the United States’ and Russia’s foreign policy concerns: the trafficking of opiates from Afghanistan through Central Asia. Throughout these regions, the drug trade corrupts society by corroding public health, promoting organized crime, and weakening state stability. As a result, states become increasingly susceptible to violent extremism, threatening the U.S.’s interests abroad. In order to target the Eurasian drug trade, the U.S. requires the aid and support of Russia, whose society has suffered greatly from increased heroin addiction. Currently, however, frosty U.S.-Russian relations impede U.S. influence in Central Asia—the setting for much needed targeting of drug trafficking. Therefore, the U.S. should improve diplomatic relations with Russia by creating a more legitimate partnership to combat drug production in Afghanistan as well as drug transit through Central Asia. The goal of the U.S. should be to convince Russia of the benefits of developing alternatives to opium farming in Afghanistan and discourage Russia’s long-standing desire for increased crop eradication. This policy recommendation calls for a new counter-drug initiative involving a U.S.-Russia partnership that achieves U.S. interests by the following means:

1) Gaining Russian support and funding to more effectively implement the current policy of developing alternative livelihoods for Afghan farmers.

2) Creating small-scale joint narcotics teams of Russian, U.S., and Afghan forces to remain in Afghanistan after the 2014 withdrawal date to help enforce a ban on poppy farming.

3) Allowing Russia to use its space and digital technology to map drug production centers and poppy farms; shared information between parties will lead to targeted intervention by appropriate authorities.

Background:
In Central Asia over the past decade, HIV and AIDS rates have been rising by 48 percent each year ("Illicit Drug Trends in Central Asia" UNODC 7). Though the current rate of HIV in Central Asia is low, the UNODC estimates that an HIV epidemic, the likes of those seen in the Russian Federation and Ukraine, will likely take place as a result of increased intravenous drug use and risky behaviors among the drug addicted community, such as needle sharing and unprotected sex ("Illicit Drug Trends in Central Asia" 7). In the meantime, Russia views the Eurasian drug trade as one of the largest threats to its national security. Official estimates claim that narcotics from Afghanistan claim the lives of 30,000 Russian citizens a year; the prevalence of “heroin consumption, intravenous drug use and drug induced fatalities” has aided in making Russia home to one of the worst demographic crises worldwide (Chernenko; Kramer 40). In response to this, the Collective Security Trade Organization (CSTO) led by Russia works tirelessly in its efforts against the Eurasian drug trade; its yearly operations called “Channel” have found relative success with detecting and intercepting narcotics along the Central Asian routes (Nikitina 44).

Nevertheless, Russia’s greatest complaint is that neither the U.S. nor NATO has aided the CSTO and in fact have exacerbated Russia’s drug problem. According to Russian foreign minister Sergei Lavrov, the United States and NATO should be held responsible for the increase in opiates in Afghanistan because they have been unwilling to “establish anti-drug cooperation with the CSTO” (Chernenko). The Director of Russia’s Federal Service for the Control of Narcotics, Viktor Ivanov, insists the problem must be fought “at its roots,” by way of crop eradication (Kramer 40). Eradication has been tried and met with discouraging results. In 2006, the U.S. paid $40 million to the Afghan government to set up a 500-person team to destroy poppy crops around the country (Singh 331). The farmers were not compensated for their lost crops and as a result, they rioted, forcing the eradication team to retreat without fulfilling its mission (Singh 331). Later in October 2010, the U.S. and Russia worked together to “[destroy] a complex of drug laboratories on Afghan territory” (Kramer 40). Cooperation of this kind has not been tried since. Due to the U.S. scaling back on unsuccessful crop extermination campaigns, Russia has viewed the U.S. and NATO’s anti-
drug efforts in Afghanistan as completely unsatisfactory and utterly at fault for Russia’s current drug epidemic.

Although the U.S. does not currently handle the Eurasian drug trade as Russia would like, it has hardly ignored the issue or abandoned Russia and Central Asia to fend for themselves. In February 2012, the Bureau of International Narcotics and Law Enforcement Affairs drafted an initiative entitled the Central Asia Counternarcotics Initiative (CACI). This plan allotted $4.2 million to set up task forces in Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan, and Uzbekistan, which would share information with agencies in the U.S., Russia, and Afghanistan (U.S. Department of State “Central Asia Counternarcotics Initiative”). CACI proposed support for legislation that would lead to arrests of drug traffickers and guaranteed training and resources for the anti-drug agencies. Finally, to further its impact, it endeavored to work closely with the U.S. Drug Enforcement Administration (DEA), the U.S. Department of Defense, as well as the UNODC and the Organization for Security Cooperation in Europe (OSCE) (U.S. Department of State “Central Asia Counternarcotics Initiative”).

However, the Russian newspaper Kommersant claims Russian officials and the Russian Foreign minister rejected this proposal on the grounds that it gives the U.S. too much unchecked access to information in Central Asia and Russia and serves to broaden the U.S.’s military influence in Central Asia. Russia does not understand why the U.S. aims to create a new organization that encompasses the countries of CTSO, but actively excludes Russia from holding a leadership position (Chernenko). In response to feeling jilted, Russia succeeded in freezing talks surrounding the counter drug initiative (by pulling its influential weight in Central Asia) and ensured no country will participate in the plan. At this point, the Central Asia Counternarcotics Initiative has no hope of implementation, revealing the considerable harm Russia inflicts as an obstacle instead of an ally.

**U.S. Interests:**

The United States’ interest in the Afghan drug trade is not motivated by the desire to avoid an epidemic, as is the case in Russia. According to a UNODC threat assessment of the
Afghan opium trade in 2011, 58 percent of the heroin seized in the U.S. is Columbian—the remaining percentage is estimated to come from Mexico and Afghanistan ("Global Afghan Opium Trade" UNODC 77). Instead, it is Europe that is the largest consumer of Afghan heroin ("Global Afghan Opium Trade" UNODC 11). The United States’ stake in narcotics trafficking is the stability of Afghanistan; the Central Asian drug trade poses a significant threat to the United States’ security interests and has been on the U.S.’s radar as a funding mechanism for terrorist groups. The State Department has cited threats from “violent extremist groups from Afghanistan and Pakistan” as the driving force behind the counternarcotics initiative. However, the terrorist-drug trafficking nexus is not wholly clear; contrary to previous understandings, the drug trade does not finance terrorist factions exclusively (Felbab-Brown 150). Although the opium trade indeed funds certain Al Qaeda operatives, the Taliban, Hezb-i-Islami (HIG), the Islamic Movement of Uzbekistan, and a number of rogue members of other foreign jihadist’s organizations ideologically tied to Al Qaeda, evidence suggests that the drug trade has not impacted these groups’ actions in a major way (Shanty 158). These terrorist groups can find significant sources of revenue with or without the drug trade, as they are supported by a large number of individuals and groups with compatible ideological beliefs (Shanty 161).

Another problem with defining the link between terrorism and the drug trade is that most of the information that has previously connected them lacks specific details and “credible corroborating information” (Shanty 162). The drug trade has more far reaching and dangerous consequences for Afghanistan, Central Asia, Russia, and the United States because numerous profit-driven state and non-state actors derive their income from this industry. Drug production in Afghanistan is a multi-billion dollar business that involves and benefits “various insurgent factions, district and provincial power brokers, public officials, terrorists, and international drug traffickers” (Shanty 63).

On the whole, the drug trade harms U.S. interests by undermining its influence in Afghanistan. It does this by funding the aforementioned groups, who in turn destabilize and criminalize the region—preventing NATO, the International Security Assistance Force (ISAF), and the Afghan government from controlling “insurgent-infested areas” (Shanty 162). As is the case in the narco-states of Central Asia, the drug trade paves the way for
corruption to course through the country, challenging democracy and undermining the U.S.’s efforts of ensuring states are strong enough to ward off extremist threats. A specific example of this has already begun to occur as the Taliban capitalizes on weak governance and public dissatisfaction, ironically as a result of the U.S.’s attempts to curb drug trafficking (Felbab-Brown 150). For example, the Taliban has managed to fortify civilian support in response to crop eradication by the government (Felbab-Brown 151). When farmers were not compensated for their lost crops, they became supportive of insurgents; the Taliban therefore profits from the drug trade both when it continues unabated and also when governments intervene by destroying crops (Felbab-Brown 151). Prior to 2001, the Taliban received considerably more funding from the opium trade; since then, the situation has worsened and threats to Afghan stability are no longer limited to insurgent groups. Now a wide array of criminals derives their power from narcotics trafficking. The narcostatization of the country threatens U.S.’s interests by weakening its allies—the Afghan government—and awarding power and influence to criminal, insurgent, and terrorist factions.

**Options:**

The U.S. finds itself in a particularly precarious situation as the 2014 withdrawal date of armed services in Afghanistan approaches. Time to proceed with anti-drug efforts in Afghanistan is running out, and so too, the Unites States’ chance of repairing broken relations with Russia. The deterioration of U.S-Russian relations over the last few months has most recently led to Russia’s termination of a decade long anti-drug accord with the United States. In light of such setbacks, this next year is a crucial time for the U.S. and Russia to come to agreements on ways to combat the drug trade even after the 2014 pull-out date. The U.S. should focus its energies on targeting the drug trade from all angles; beyond Afghanistan, it should pursue anti-drug programs in Central Asia. The Central Asian drug trade is growing so rapidly that attempting to shut down opium production in Afghanistan cannot keep up; it is not enough to eradicate crops, and it can even be harmful to do so.
Recognizing that this trade has become increasingly widespread, the U.S. stands to benefit from targeting traffickers beyond Afghan borders. However, in order to follow the trade into Central Asia, the U.S. requires the permission of Russia. Otherwise, all plans concerning the Russian sphere of influence will be immediately undermined. Firstly, Russia has made it clear that it will not agree to cooperate with the U.S. unless crop eradication takes place in Afghanistan. NATO has already practiced crop extermination (with relatively little success); since these failures, the policy has met its fair share of opposition from the U.S. and NATO members. The best-case scenario for the U.S., therefore, is to convince Russia why, with the 2014 withdrawal date, this practice is not the best option. The negative effects of crop eradication are many, as the opium industry “forms the backbone of the Afghan economy” and too many people are dependent on it for it to be easily extricated (Singh 329). Simply depriving thirteen percent of the population of their livelihood, without any form of compensation creates public fury with the Afghan government and the United States and strengthens civilian-Taliban bonds (Singh 329).

In 2005, President Obama approved a second option to target the Afghan drug trade: a plan of developing alternative livelihoods and offering cash-for-work programs while scaling back eradication to “rebuild Afghanistan’s agriculture” (Felbab-Brown 163). The alternative livelihoods agenda has been largely unsuccessful at replacing farmers’ poppy crops as opium is a sustainable and profitable source of income for them. The plan has promise but will realistically take decades to work with Afghanistan’s ineffective law enforcement. According to Jean-Luc Lemahieu, the director of the United Nations Office on Drugs and Crime in Afghanistan, anti-drug efforts’ success will also surely be slowed by the U.S.’s pullout and the government’s loss of strong Western contacts (Rubin and Rosenberg). In addition, this severely underfunded program of alternative livelihoods cannot rely on the weak infrastructure in Afghanistan to successfully compensate the most rural farmers (Felbab-Brown 163). The UNODC claimed in a thematic evaluation of the “Alternative Livelihoods Programme” and its effects on Afghanistan that “There is as yet no evidence that the [Alternative Livelihoods program] has improved the lives of opium poppy growers or reduced the amount of opium poppy planted” (10). Even with all these factors against it, though, the alternative livelihoods plan does the least harm while aiming for the best long-
term results. If it can be more focused and incorporated into a concrete plan of Russia-American cooperation against the drug trade, it has a higher chance of actually affecting drug production in Afghanistan.

Russia desires a larger role in anti-drug trade measures as it has an immediate stake in ending the drug trade—salvaging its crumbling population. For this reason, the U.S. should give it what it wants (in terms of an increased decision-making role with the U.S. on Afghan drugs) as long as it agrees to take crop eradication off the table. Russia has on numerous occasions made it clear that it will not be satisfied with anything less than increased crop eradication in Afghanistan. However, in light of the fast approaching U.S. pull-out, it is not feasible to ask NATO to exterminate crops, and create unrest as troops are leaving in large numbers.

It is irresponsible to leave an enormous mess that the U.S. will not be around to clean up and the Afghan government is not in a stable enough position to react responsibly to the obliteration of thirteen percent of its population’s livelihoods. This reality surely will not bolster diplomatic relations between the U.S. and Russia, but it is a stance the U.S. must take. Therefore, the U.S. should prioritize ways to include Russia in this endeavor that greatly affects Russian society as a way to make peace and help it to accept this loss. The U.S. benefits from letting Russia take the lead in counter-drug efforts for a few key reasons. First, engaging in an equal partnership with Russia is mutually beneficial because increased communication and understanding removes the barriers of distrust that blocked the Central Asia Counternarcotics Initiative, for example. In essence, by fostering friendly, diplomatic relations and increasing transparency, the U.S. can hope to gain better freedom of movement in Central Asia as well as opportunities to pursue anti-drug goals alongside Russia in the region. In the meantime, Russia wants to play a larger part in international anti-drug efforts, as evidenced by a blog post by Russia’s director for the control of narcotics, Viktor Ivanov to the Cable News Network. Ivanov introduced Russia’s plan to use its own digital technology to fight drug production in Afghanistan. It is called the “Digital Poppy Road Map” and it essentially intends to chart drug production centers on an interactive map accessible to everyone (Ivanov). Ivanov goes on to say that the map would locate “supply hubs, opium and marijuana fields, opium markets and bazaars, drug
laboratories, drug holdings, and trade paths” and allow authorities and “key international players in the Afghan anti-trafficking movement” to share information and determine courses of action. As long as Russia provides the funding for such a program, it could prove an effective tool for tracking drugs in post-2012 Afghanistan. At the very least, the information gained by such technology could be shared between Russia, the U.S., and Afghanistan and help Afghan officials and police target drug production centers, where intervention by the appropriate authorities can take place. Russia maintains that it is “misguided” of the U.S. to focus on “trafficking routes in Eurasia and Central Asia” which “cover more than 25 million square kilometers” when energy should instead be centered on destroying the sources of opiates on the 1,300 square kilometers of poppy fields in Afghanistan (Ivanov). While there is validity in this, the problem with Afghan opium has become so large that it is not even enough to focus on Afghanistan alone.

The U.S. must pay more attention to drug trafficking through Central Asia into Europe. In addition, targeting drug demand in the form of anti-drug education and funding resources to rehabilitate addicts should be explored to ensure all areas of the drug trade’s negative effects on society are covered. The hope is that a more transparent and cooperative relationship between Russia and the U.S. will firstly enable Russia to trust the U.S.’s conviction of the ineffectiveness of crop eradication. From there, better relations should open up opportunities for the U.S. to pursue counter drug measures in Central Asia without Russian objection.

Finally, with regard to Central Asia, the U.S. should abandon the current Counternarcotics Initiative. The proposal intends to partner the U.S. with Central Asian countries and relies too heavily on nonexistent regional cooperation to share information and lead to arrests of traffickers (U.S. Department of State “Central Asia Counternarcotics Initiative”). Unfortunately, this plan assumes the U.S.’s ability to trust a number of states that have already become highly criminalized and corroded by the drug trade (Cornell and Swanström 12). The State Department states $4.2 million has been allotted for the institution of various counterdrug agencies in Central Asia, and it expects more resources to be added once the initiative develops further. However, extra resources would be better spent on a proposal that has a chance at effectiveness. As it is, money cannot be expected to
stay in the right hands and without the support and partnership of Russia, the U.S. ignores a potential ally to its peril. The plans of this initiative had considerable promise, but were blocked because Russia resented playing such a minor role.

**Recommendations:**

In order to move forward with anti-narcotics efforts in Central Asia, the U.S. will require the support (or at least tacit compliance) of Russia. Russia has reiterated that it desires to be treated as a partner with the U.S. in anti-Central Asian drug trade efforts. Allowing Russia a larger role in this overall endeavor is necessary and beneficial, as the drug trade has already become too large and successful to be tackled alone, with the unreliable assistance of Central Asian states. Therefore, a new counter-narcotics initiative should be drafted with the equal input of Russia. To do this, firstly, the current Assistant Secretary William R. Brownfield, who heads The Bureau of International Narcotics and Law Enforcement Affairs through the U.S. Department of State, should hold a meeting with the director of Russia’s Federal Service for the Control of Narcotics, Viktor Ivanov. While Ivanov may not be the most receptive to U.S. arguments, he has a monopoly on all drug-related policy in Russia. The U.S. has no way to circumvent him. Ivanov has long been a staunch critic of how the United States and NATO have handled the opium trade in Afghanistan; the purpose of this meeting should be to find common ground and foster confidence building while reminding Russia that because of the 2014 withdrawal date, all anti-drug efforts in Afghanistan must be small-scale. Assistant Secretary Brownfield should use this meeting to discuss the following terms of the new initiative and to get Russia’s feedback in the process of its drafting.

The U.S. should also take the opportunity to explain to Russia why its proposal for major eradication is not feasible in the remaining months. The points that President Obama has already reiterated are that eradication both fortifies extremist groups and erodes popular support for the current democratic regime. However, over the years these arguments have never convinced Russia. Now, the U.S. can use the fact that time has run out for large-scale eradication and attention should be turned to Central Asia. In regards to
Afghanistan, the U.S. and Russia should brainstorm together how best to create long-standing ways to combat opium production and trafficking after 2014. First, the case should be made to Russia that if crop eradication is to be carried out, it must be primarily in the hands of Afghan forces. In order to help Afghanistan with this, the U.S. and Russia should create an anti-narcotic coalition with the Afghan government. The Bureau of International Narcotics and Law Enforcement Affairs through the U.S. Department of State is best equipped to initiate this partnership as it aims to “complement counterterrorism efforts, both directly and indirectly” through monitoring international narcotics and crime and supporting foreign governments with this mission (U.S. Department of State “Bureau of International Narcotics and Law Enforcement Affairs).

This new initiative will reinforce the long-term objective to reduce opium crops by way of supporting the current U.S. plan of incentivizing farmers to locate alternative sources of livelihood. Together, Russia and the U.S. can decide ways to make this approach more effective and organized—determining together how much funding should go into its successful implementation. This will likely include providing additional aid and training to the Counter-Narcotics Police of Afghanistan (CNPA) and subsidizing farmers for their lost revenue by switching crops. The latter goal requires special attention and organization by the initiative, as it will prove increasingly challenging to ensure that delineated money goes to the farmers and not into the pockets of corrupt officials.

Part of this plan is also the creation of joint-teams of Russian, American, and Afghan Special Forces to carry out the goals of the new initiative on the ground in Afghanistan in areas with the highest drug production. These individuals are necessary to support the CNPA with a problem too large to be tackled alone. In essence, these teams will stay in Afghanistan after the 2014 pull-out date to continue gathering intelligence and to support the work of the CNPA. Their long-term objective is to learn how to make the alternative livelihoods plan stick with farmers who refuse to stop growing poppies, so their missions must clearly layout how to provide farmers with compensation. In addition, their work will emphasize information sharing and lastly, physical support or additional manpower for the CNPA, as needed. As the continued farming of opium can be attributed to a lack of security, any plans by the U.S. and Russia to curb production must be accompanied by legitimate
agents of enforcement. The extent of the teams’ enforcement—whether or not in some cases this means eradication—will be decided definitively by Afghan officials and members of the coalition, but Russian and American members will have equal opportunities to make their cases to their Afghan counter-parts.

Ultimately, the U.S. and Russia’s aim should be to train Afghan members of the teams and police in counter-narcotics well enough so that eventually they can be left to their work (once the process has made a dent in decreasing opium production). Finally, to map areas of drug production to target, the U.S. should engage Russia in its use of its space and digital technology—the two can then share information with Afghanistan to guide these joint-teams in their work. Instead of Russia’s plan to eradicate poppies wherever they are grown, with no consideration for how farmers will handle the aftermath, the technology can be used to chart areas that must be targeted more carefully by the alternative livelihoods plan. After the Russian and American narcotics teams leave Afghanistan, this technology should still be used to inform the CNPA’s counter-drug activities. Eventually, as the two entities build up trust and cooperation, Russia will also be more likely to extend the use of its technology into Central Asia to track drug trafficking activities and bring drug transporters to justice. Admittedly, the initiative’s plans constitute a gentler approach with the distinct possibility of hardly making a dent in Afghan opium production.

However, the main goal of the creation of this partnership is to improve Russian-U.S. relations in a way that could open up possibilities to combat the Eurasian drug trade from multiple angles. The possibility for a successful partnership with Russia against the drug trade exists, but it is up to the United States to initiate it in light of the failure of the Central Asian counternarcotic proposal. Russia has also become increasingly resistant to the United States in recent months, so it is imperative that better diplomacy take place before negotiation becomes fully impossible. Both sides see the other as inflexible, but the U.S.’s advantage in introducing this plan is its relationship with Afghanistan. Including Russia in anti-drug work there can only prove beneficial as long as Russia feels majorly involved while understanding its limits. Even with large-scale eradication off the table, there is room for cooperative measures—they simply need to be explored. Lessening the destructive
effects of the Eurasian drug trade is achievable through a legitimate bilateral effort on behalf of the U.S. and Russia to narrow in on opium production in Afghanistan and regulate trafficking routes throughout Central Asia.
Drug Trafficking and State Functionality in Central Asia

By Leo Baunach

Introduction:

This chapter examines the destabilizing effects of the drug trade in Central Asia. State structures in the region are both weak and authoritarian, a troubling mix which allows organized crime to structurally enmesh itself with governments and create a relatively free zone for drug trafficking. This includes the infiltration of the state by criminals, an alliance between government officials and organized crime, and the de facto expansion of a state into the business of drug trafficking. While state collapse is unlikely, there is a very real possibility that the Central Asian Republics may cease to function as guarantors of social order (Cornell and Swanström 13-19; Engvall 829). This would unravel years of U.S. work in Afghanistan and potentially re-create the kind of lawless safe-haven for international terrorism that existed under the Taliban. This chapter recommends that the U.S. make a long-term public commitment to the region, toward which it has traditionally shown only a fleeting interest. This involvement would move beyond the problematic strategy of law enforcement training and focus on economic development to alleviate the underlying factors that have allowed a fusion of state and criminal power. This effort would be led by the Department of State and would also involve initiatives on drug use harm reduction and democratic capacity building.

Background:

Central Asia emerged from the collapse of the Soviet Union with much of the ruling bureaucracy intact. Powerbrokers traded Marxist-Leninist slogans for nationalist or ethnic rhetoric and retooled Soviet intelligence apparatuses to maintain control of the populace (Merry 291). Nursultan Nazarbayev, former head of the Kazakh Communist Party, has been President of Kazakhstan since 1991 (Merry 296). In Turkmenistan, Party Secretary Saparmurat Niyazov refashioned himself as an ethnic strongman and dictatorially
dominated the political landscape until his death in 2006 (Merry 296). His successor, Gurbanguly Berdimuhamedow, is less hard-line and is rhetorically open to anti-narcotics efforts, but Turkmenistan remains closed and authoritarian (Nichol “Turkmenistan” 1; Newman 272). About half of the heroin and opiates smuggled from Afghanistan through Central Asia pass through Turkmenistan, and the other half through the Tajik-Uzbek corridor. Partly as a result, Tajikistan and Turkmenistan have the most sophisticated criminal organizations in the region (Osmonaliev 18-20). Uzbekistan has also remained under the control of a Soviet bureaucrat, Islam Karimov (Babus 121). The country does not have a problem with a sophisticated mafia but faces an equally problematic situation in which corrupt officials dominate criminal activity and trafficking (Berdikeeva 86). Unlike others in the region outside Kazakhstan, Uzbekistan has been open to economic reform, including free market measures and integration into the global economy. An independently-minded foreign policy allowed the U.S. to station troops inside its border from 2001 to 2005 (Cornell 244-250).

Kyrgyzstan is more politically dynamic than the rest of the region, and underwent major upheavals in 2005 and 2010. Prior to the 2005 ‘Tulip Revolution’ that unseated former apparatchik Askar Akayev, organized crime had gained governmental influence and protection of illicit activities through extensive bribery. With the blessing of the Akayev government, Bayaman Erkinbaev, widely known to be connected to the drug trade, was even elected to parliament (Lewis 45). Rather than leading to a less corrupt government, the 2005 transition resulted in a reconfiguration of the crime-state alliance. Government officials moved beyond providing cover for illicit smuggling and took a lead role in commanding the drug trade (Kupatadze 279; 288-9). One study even claims that in the capital, a third of drug users purchased directly from police (Lewis 46). This deep-seated state-crime nexus has arisen despite Kyrgyzstan being the first in the region to adopt laws against narcotics and money laundering, in 1998 and 2006 respectively (Berdikeeva 99). Although criminal activities comprise around 25% of the national economy, the law against money laundering has never been invoked. Ironically, its modernized banking system has attracted the attention of Russian mafia groups that frequently launder their money in Kyrgyzstan (Madi 263-276). After Akayev, formerly shadowy figures in organized crime
who had enjoyed a deeply entrenched alliance with the old government emerged to jostle for political and criminal power, leading to ongoing violence throughout the term of Kurmanbek Bakiyev. He was overthrown in 2010 and replaced by a more democratically inclined coalition (Nichol "Kyrgyzstan" 10). It remains to be seen if the new government has the wherewithal to challenge the entrenched criminality of the state bureaucracy and law enforcement.

After the dissolution of the USSR, Tajikistan was absorbed in a civil war over ethnic, religious and political differences until 1997 (Tuncer-Kilavuz 263-266). Out of this conflict grew the Islamic Movement of Uzbekistan (IMU), which illustrates the crossroads of state weakness, narcotics trafficking and regional instability. Islamist opponents of Uzbek leader Karimov were forced into exile in Tajikistan during the Civil War. They formed the IMU after the 1997 peace settlement to overthrow Karimov and moved into the Ferghana Valley, where the borders of Uzbekistan, Tajikistan and Kyrgyzstan converge. Operations were also established in Afghanistan. It was not long before the IMU followed in the footsteps of many Tajik Civil war factions and began financing their political goals through drug trafficking. By 1999, it was carrying out attacks for the sole purpose of facilitating the movement of narcotics and controlled up to 70% of the Tajik-Kyrgyz heroin trade (Engvall 836-840).

The threat for transnational conflicts is particularly acute in contemporary Central Asia for the same reasons that drug trafficking has flourished. Ethnic groups straddle borders created by the USSR, leading to what Svante and Cornell call “economically unviable states whose component parts are geographically isolated from one another (16).” The arbitrary borders and ethnic divisions of Central Asia are a double challenge to stability; they facilitate cross-border networks that are used to keep the drug trade functioning and make it difficult for states to fully govern their territory. Lack of roads and other infrastructure impede the detection of smuggling and route it through rugged terrain (Olcott and Udalova 10). Cross-border smuggling initially relied on informal personal, clan and ethnic networks, taking advantage of poorly guarded borders, especially around the Ferghana Valley and Tajikistan. Over time, crime developed from small-time, disorganized operations into iterated relationships, hierarchy and coordination (Madi 253-257).
Diversification of trafficking and illegal activity beyond drugs cemented organized crime’s rise in Central Asia, but the base and main source of profit remains narcotics. A growing, cheap, and constant supply of drugs from Afghanistan after 2001 fueled this rise. Organized crime is hard to gauge in terms of size and internal organization, but there has been an undeniable process of expansion and increased sophistication since 1991 (Berdikeeva 75-100).

The rise of organized crime intertwined with the slowing and reversal of reform efforts. Closed government systems with little democratic oversight, accountability or transparency have become the perfect avenue for organized crime to ensure prosperity. Interests and key individuals now increasingly overlap in all Central Asian states. ‘Narco-statization,’ as it is sometimes termed, is in its most advanced stage in Tajikistan. The 1997 peace settlement placed military commanders in government positions and integrated their forces into the military, police and security structures (Berdikeeva 88-90; Cornell and Swanstrom 13). One former commander widely believed to be involved in drug trafficking, Gaffor Mirzoev, was made head of the national Drug Control Agency in 2004 before being arrested on criminal charges unrelated to trafficking (Engvall 849). Mirzoev was backed by President Rahmonov – although the arrest was likely precipitated by a political break – and is thought to have had Makhmadsaid Ubaidulloev, mayor the capital and head of parliament, as an illicit business partner (Paoli et. al 971).

The drug trade ingratiated itself into the government and the economy, adding perhaps 30% to the meager gross domestic product (Paoli et. al. 952). There are numerous other examples of high-level corruption, including smuggling by the Tajik ambassador to Kazakhstan and the use of military helicopters by the Defense Minister to smuggle heroin (Osmonaliev “Developing” 23; Lubin 365). The presence of Russian military and border security forces that remained in Tajikistan after the collapse of the the Soviet Union was scant help. There was evidence that the higher levels of the Russian forces were complicit in the drug trade, first using it to supplement irregular income and supplies during the Civil War, and ethnic Tajiks that made up the rank and file were part of border networks engaged in smuggling (Lubin 366; McGowen 52; Paoli et. al. 956). Since 2006, responsibility
has transitioned to Tajik authorities but the corruption and complicity remain largely unchanged (De Danieli 135).

The precipitous rise in narcotics trafficking through Central Asia created a public health problem in the region. Only a fraction of the drugs trafficked in Central Asia are used domestically, but the impact has been grave. During the first period of drug trafficking in the 1990s, there was an overall rise in opiate and heroin usage, driven by extremely low prices. In the 2000s, prices increased as drug cartels stabilized the market and raised prices. Increasing numbers of addicts turned to intravenous injection of heroin, which allowed them to purchase smaller amounts. It is now the primary method of opiate use (Paoli et. al 964). HIV was introduced to Central Asia through drug use, and it remains the primary method of transmission. The spread of HIV is a threat to the social fabric and another burden on the limited or nonexistent social welfare systems of the region’s governments (Engvall 842). In effect, addiction and the rise of HIV/AIDS squeeze Central Asian states from the bottom, further eroding living conditions for the people of the region, while criminal organizations funded by narcotic trafficking compromise state functionality from the top.

**U.S. Interests:**

This double challenge to state operability is a concerning development for U.S. interests. Since 2001, the U.S. has devoted billions of dollars toward the goal of making Afghanistan a strong state that will not regress into a haven of extremism. Central Asia is also an important energy corridor and natural gas producer that may be increasingly strategic to U.S. interests in the future (Dunn 4). The narcostatization of Central Asia could result in state failure just to the north of Afghanistan and cause a regional return to instability. The Taliban and groups connected to extremism currently receive a much smaller share of profits than government-connected cartels (Peyrouse 2). This offers no guarantee for the future, especially if the ability and will of states to guarantee law and order recedes. The IMU demonstrates that the dividing line between criminal and political pursuits is porous, just as the previous section has shown the permeable line between the
state to organized crime. A group primarily engaged in armed political activity or trafficking can easily expand into the other arena. Furthermore, groups can be driven to illicit activity or toward political posturing for the sake of survival and expediency. The IMU largely lost its moorings as an Islamist group, but other organizations could fuse crime and transnational terrorism in different and more anti-American ways and enjoy a modicum of state support or indifference (Madi 256).

While the Central Asian drug trade has developed without major clashes between criminal organizations, violence could emerge and spiral out of control at any time if the complex webs of alliances and protection arrangements slip. Even if the situation is peaceful, a state that exists mostly for the benefit of its members and well-connected criminals is less likely to cooperate with the U.S. against extremism or have the capability to carry out such an initiative. Central Asia has been at the crossroads of Eurasia for thousands of years, and continues to fulfill this role as a crucial axis of the drug trade into Russia and Europe. This geographic position means that instability can emanate out from the region in several directions, not just toward Afghanistan. Problems in Central Asia could also fuel conflict in the Caucasuses and provide safe bases of operation for terrorist groups that target Russia, creating further difficulties for the U.S.-Russia relationship.

Options:

The authoritarian politics that hold sway in most of Central Asia are inconsistent with American values. Without space for democratic opposition, radicalized and violent opposition can attract widespread support. If genuine democracy comes to the region, past U.S. support - real or perceived - of authoritarian regimes could worsen relations at opportune moments for change. It is dubious if long-lasting improvements to policing and anti-drug agency accountability can be made without genuine political change. The U.S. has long pursued limited democracy promotion efforts in Central Asia with a focus on building the capacity of civil society organizations, media and democratically inclined politicians. In the face of obstinate and corrupt governments, the State Department and USAID have increased the share of aid that goes directly to the local level (Babus 120-2). However,
expanded democracy promotion could spur Central Asian governments to cut all access for the U.S., precisely at a moment when U.S. involvement is needed to prevent state failure. Further, the weak or nonexistent nature of civil society and organized political opposition in countries like Turkmenistan means that failure is likely no matter the scope of democracy promotion.

Russia, which locates Central Asia in its sphere of influence, is another constraint on U.S. action. For example, Russia successfully blocked the Central Asian Counternarcotics Initiative at an international meeting, fearing it was a backdoor method of increasing U.S. military involvement in the region (Kucera). The proposal would have provided $4 million in anti-trafficking funding in addition to the existing $14 million per year through the State Department and $100 million through the Department of Defense. The money would be used to create special anti-drug units in each Central Asia country to be developed with U.S. Drug Enforcement Agency support (State Department; Kucera). U.S. military presence is also a contentious point for the Central Asian countries themselves, most of whom are members of the Russian-led Collective Security Treaty Organization (CSTO). Membership prohibits military treaties with non-CSTO members. Uzbekistan withdrew from the CSTO in 2012 and prompted speculation that it would host a U.S. military base after the Manas Air Base in Kyrgyzstan closes in 2014. Efforts to sign an agreement are ongoing, but Russian opposition is clear (Chenko, Karabekov and Belyaninov; Abdurasulov). While Central Asia is a strategic crossroads in danger of becoming a center of instability, larger concerns about the relationship with Russia may mandate a lighter touch or U.S. abdication of the region as a bargaining chip to help halt worsening relations with Russia. However, U.S. relations with Russia have been deteriorating independently of issues concerning Central Asia, and the Uzbek CSTO withdrawal showcases the room the U.S. has to increase bilateral relations. On the other hand, it is wise for the U.S. to avoid creating additional sources of confrontation with Russia.

In between these dramatic strategies of full-out democracy promotion and withdrawal is the current U.S. strategy. In some ways, it embodies the worst of both worlds. It creates tension with Russia without creating durable partnerships with Central Asian governments and absorbs U.S. funds and personnel in methods that fail to halt
narcostatization. Conversely, the current U.S. strategy has maintained the Northern Route for the transit of U.S. military materials to Afghanistan. Progress on anti-smuggling efforts has been limited, but this is in keeping with low U.S. investment and the prioritization of Afghan stability over crop eradication. Continuation of this approach could have grave long-term consequences if nothing is done to slow the entrenchment of criminal interests within Central Asian states, but in the short term maintains a delicate balance of geopolitics and U.S. resources.

U.S. efforts in the past decade have focused on building the capacity of border and law enforcement agencies. The State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL), other departmental divisions and the Department of Defense have consistently provided funding (McGowen 62). Money is often used for trainings, conferences, stationing U.S. anti-drug experts and sponsoring Central Asian law enforcement agents to travel to America for observation and further training. The efficacy of trainings on subjects like the detection of smuggled drugs at border crossing is questionable. It may allow law enforcement officers to better help the criminals they protect evade detection, while giving policy more skills to use in the selective targeting of low-level, unconnected smugglers (Lubin 370). Additionally, the U.S. experts come from a system that is well-funded system and focused on formal procedures. Their knowledge is not always applicable to the daily experiences of Central Asian police and border guards (Osmonaliev 87).

U.S. funding has driven the development of new domestic agencies specific to narcotics, like the Kyrgyzstan Drug Control Agency. This served as model for Tajikistan to develop its own independent agency with heavy financial backing from the U.S. and United Nations. Despite the checkered history of the Kyrgyz agency, exemplified by Mirzoev, these units are a step forward. Unlike other agencies in the rest of Central Asia devoted to narcotics, they have full law enforcement powers to not only research but investigate, seize and arrest. The DEA maintains staff throughout Central Asia and has memorandums of understanding with Kyrgyzstan and Uzbekistan (U.S. Embassy; Radio Free Europe). Recent United Nations Office on Drugs and Crime (UNODC) programs, undertaken with heavy U.S. financial backing, include the Central Asian Regional Information and Coordination Centre.
The project brings together Central Asian states with Russia and Azerbaijan to share information and increase coordination (Annual Report 32; Osmonaliev 72-77). It builds on previous efforts by the UNODC to promote cross-border coordination and establish Border Liaison Offices. As with U.S. involvement, training is the neutral ground upon which Central Asian states are amenable to an outside presence (Newsletter April 2012 2).

When not ineffective, attempts to increase law enforcement capabilities have often backfired (De Danieli 135-138). Small time smugglers, often poor border residents, and dealers have borne the brunt of crackdowns. Many of these lower-level or independent criminals are women, and border guards are known to harass women and single them out for searches (Madi 254). Meanwhile, systematized and massive trafficking which enjoys the support of government officials continues unabated (Paoli et al. 968). Increased border security has been cosmetic in terms of increasing drug seizures, which fell by half between 2006 and 2010, but has greatly decreased cross-border social ties (Lewis 116; UNODC 45; Lubin 367). Laws against trafficking and drug dealing that were developed at the prodding of the U.S. and UN are often invoked to target political dissidents (Madi 269; Berdikeeva 82). Politics shades even the recent extradition of Kamchy Kolbayev, a major Kyrgyzstani mafia leader, from the UAE to his home country following targeted U.S. sanctions against his assets (U.S. Department of the Treasury). He remains in detention awaiting trial, and many observers believe that his prosecution is linked to an attempt to consolidate power by marginalizing and prosecuting those linked to the 2005-2010 regime (Marat). Nevertheless, it is a tentative success story amid many failures.

Public health efforts have been halting and the U.S. has only been peripherally involved. The World Health Organization launched significant projects in 2003 that centered on addiction prevention and treatment, but the efforts did not last. Undemocratic Central Asian leaders shy away from harm reduction programs that seem too liberal and accepting of drug addiction as a social reality, preferring to frame addiction as a criminal deviance (Osmonliev 72, 41). As such, the U.S. has not undertaken major efforts outside of small USAID grants to governments and civil society organizations. These have focused on screening and preventive education about HIV/AIDS and tuberculosis (USAID).
**Recommendations:**

This section argues that the current U.S. strategy is unsustainable. The fusion of state and criminal interests and the out-of-control narcotics trade have dangerous implications for stability. Lynn Pascoe of the State Department notes that "It is extremely difficult to convince Central Asian leaders that long-term economic and democratic reforms are necessary to eliminate the roots of terrorism if we are not willing to help them counter terrorism in the short term and prove that we will be engaged for the long term (Babus 126)." The U.S. should move beyond the piecemeal approach to Central Asian policy and design a roadmap for the next 5-10 years. Military aid is problematic because of the democracy and human rights situation, but properly designed economic aid is less controversial and more likely to deliver long-term dividends by reducing the basic drivers of corruption. A model for this approach is provided by Kazakhstan, which was prioritized for U.S. involvement because of a leftover Soviet nuclear arsenal. It received the most aid of any country in the region between 1998 and 2008 (Pihlblad and Tian 120). Economic if not political reform has occurred and narcostatization is not as imminent as elsewhere. This cannot necessarily be correlated with higher aid, but shows that a long-term commitment can lead to a lasting and productive relationship (Babus 134, 121). Through economic aid, the U.S. can build Central Asian state capacity, slowly convincing leadership that development and limited reform is a better option than continuing to muddle along by crushing political dissent and profiting off the drug trade.

An initial infusion of aid is necessary to prove American commitment to the region, and could be split between USAID and the State Department. Because the former is primarily identified with democracy promotion and the latter with law enforcement, neither should be the sole face of such aid. Over time, benchmarks can be instituted that link aid with progress on state accountability and transparency. This eventuality should be made clear from the beginning, but the concerns of Central Asian leaders about their ability to fight corruption and increase internal accountability should not be swept aside or discounted as stalling. The U.S. must simultaneously understand the extent of the Central
Asian crime-state nexus and the degree to which this nexus prevents action by those who genuinely wish to overcome it.

In addition to economic funding, addiction prevention and harm reduction efforts are neutral ground upon which the U.S. could expand its role and commitment to the region, and would have an immediate impact by lessening social disintegration. Along the way, the U.S. should seek to create a sustainable, non-military presence in Central Asia that combines counter-narcotics agents with representatives of USAID and other U.S. agencies. For harm reduction, this could include the participation of domestic U.S. agencies like the Center for Disease Control that possess experience in these matters. This would expand trainings and exchanges beyond the law enforcement level. Problems may be encountered that are similar to the ones seen in law enforcement training, but a diversified program will be a more effective one because it will not focus on policing in isolation from other aspects of governance. Further, cooperation over drug use would function as a confidence building measure for both sides. Central Asian leaders can demonstrate a real willingness to address the effects of the drug trade, and the U.S. can show that its interests go beyond military ventures in Afghanistan.

The opportunities for greater U.S. involvement are limited by the CSTO and Russia in general, but regional governments are not pawns of Moscow. Uzbekistan has long articulated an independent foreign policy, and the traditional Russian allies of Kyrgyzstan and Tajikistan have engaged the U.S. at times since 2001 (Cornell 244-5). Every possible opportunity should be taken to participate in the Central Asia Regional Economic Cooperation Program, Economic Cooperation Organization, the Cooperation Council of Turkic Speaking States and other regional forums. This will demonstrate U.S. respect for the region and an intention to be a long-term partner. However, the possible progress within these forums is limited by the national rivalries over access to water and natural gas, and other deep-seated disagreements (Madi 249). Over time, there is nothing about Central Asia that makes regional integration impossible. The shared resources and overlapping ethnicities that are the source of division today can be the source of unity in the future. Nurturing of any nascent efforts at cooperation can drive future integration and thereby stability (Mohapatra 171). In the shorter term, bilateral relations should take
priority with the goal of providing Central Asian states with adequate room to make independent, informed and effective policy choices.

Within these general guidelines each state requires a specific plan that is attuned to the local conditions laid out in the background section. Kyrgyzstan presents the best opportunity for creating an effective and friendly relationship that links economic growth, state reform and counter-narcotics operations. Because the post-2010 government has a distinctly democratic inclination the U.S. should prioritize it as the largest recipient of economic and harm-reduction aid. The extradition and subsequent arrest of Kolbayev on his return to Kyrgyzstan is encouraging and the U.S. should work with government to ensure an exemplary trial. His extradition showcased the effective use of targeted sanctions by the U.S. to limit international activities and money laundering by criminal kingpins. A structured and consistent approach toward targeted sanctions will help ensure that economic aid is not captured by those in the crime-state alliance, or at least limit the use of illicit funds. However, this tactic is of limited value because the deep domestic networks developed by organized crime preclude a need for international laundering. Rooting out corruption will not be easy in Kyrgyzstan, and the U.S. should be careful not to precipitate violence and political upheaval by trying to expel corrupt officials and shut down criminal networks too quickly. For now, the focus should be on cementing democratic inclinations and limiting the international reach of Kyrgyzstani organized crime.

On the opposite side of the spectrum lies Turkmenistan, a country that long ago stopped reporting drug seizures and is unwilling to divulge real information on HIV/AIDS and other internal issues. Efforts in Turkmenistan should be increased, but kept exploratory and be used to ascertain the commitment of the Berdimuhamedow government to genuine counter-narcotics efforts. Tajikistan, while also presenting serious challenges, must be a focus of expanded U.S. efforts because of its precarious position. More open than Turkmenistan, it provides an arena to test a diversified strategy which goes beyond law enforcement. Real evidence of a long-term U.S. commitment could convince the government to be more open on harm reduction and tolerate expanded democracy promotion. The recent CSTO withdrawal by Uzbekistan signals that it may be open to an expanded relationship with the U.S. As with all governments in the region, economic aid
can drive an expanded relationship but should be instituted gradually to ensure that it is not diverted and misused. This will allow governments in Uzbekistan and elsewhere to develop and hone plans for accountable implementation of grants, and help the U.S. develop best practices in regards to aid distribution. In particular, the U.S. can help Uzbekistan develop an independent drug control agency similar to Tajikistan and Kyrgyzstan.

The State Department should be the primary vehicle of U.S. involvement in Central Asia. The share of aid administered by the Department should be balanced relative to the Department of Defense. As noted earlier, the State Department can keep the internal channels that administer aid diverse, utilizing USAID, the INL and other divisions as appropriate to a multifaceted strategy which builds Central Asian state capacity in law enforcement, health, governmental transparency and economic growth. In absolute terms, the expenditures would not be huge compared to other targets of foreign aid. Preventing the degradation of state functionality and disrupting the continued flow of narcotics would be a worthwhile investment and ensure Afghanistan and its neighbors build a better future and a better relationship with the U.S.
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