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**Russian Foreign Policy:
The Implications of Pragmatism for U.S. Policy**

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Mr. Chairman, I am grateful for the opportunity to contribute to the work of your committee as the United States faces the challenge of crafting a relationship with Russia that builds upon the positive experience of cooperating to counter the threat posed to American, Russian, and global security by the al Qaeda and the Taliban regime. Even after the successful mission in Afghanistan, Russia occupies geopolitical and policy space crucial to the conduct and success of the long-term counterterrorist mission that President Bush has placed at the center of American policy. Our steps in the coming months will determine whether and how we realize the opportunity as we approach the Russia-U.S. summit in May. I hope to contribute by outlining the bases of Russian foreign policy under Putin, Russia's current relations with a variety of countries, and the implications for U.S. policy and national interests.

Bases of Russian Foreign Policy under Putin

The domestic political and economic coalitions behind President Putin differ substantially from that of the Yeltsin period, a fact which has important effects on Putin's foreign policy. In political terms, Putin's support and legitimacy are based on his claim to have brought a measure of order and stability to daily life in the country. His career in the KGB, reputation as an effective official in St. Petersburg, and determination to fight in Chechnya earned him support not only in security and military circles, but in public opinion. Leveraging early support, the Putin leadership has created a stronger and more centralized state as a way to create stability, restore Russian power, and create a market economy able to function in a globalized world. Determined to end what in academic circles is called "state capture," Putin has sought to break to political power of the oligarchs and of regional leaders in Moscow. He has launched attacks on certain oligarchs, against much of the independent media, and regional governors not in his circle. Putin has succeeded in reducing the power of the oligarchs and regional governors. He largely controls the lower house of the Russian legislature, and consolidated control of the Federation Council by changing the rules on who serves in that body.

More than political order, however, the Putin government's support derives from the economic growth that began in 1999 and by the end of 2001 had resulted in 20% growth in the economy since the August 1998 crisis. Political support and a successful economy became mutually reinforcing: government surpluses contributed to macroeconomic stability, allowed the government to pay pensions and wages, and had numerous other tangible economic effects that enabled Russians to feel more secure and hopeful. This in turn created space for longer term thinking about economic reform, and especially a strategy for participation in the international economy. The Putin leadership team is less mired in breaking up the Soviet economy, and clearly focused upon building a Russian economy that will provide the country the resources and power

to play the role of one of the world's leading countries. Unlike Yeltsin's habit in the last half of the 1990s of asserting by right Russia's great power role in a multipolar world, Putin's Russia is embarked upon a policy to create a Russian economy that makes Russia a world power. Whether the policy will be successful remains to be seen, but Russian foreign policy can only be understood if we understand that Russian foreign policy essentially serves its economic goals.

The shape of the Russian economy and its implications for foreign policy

The Russian economy grew 5.4% in 1999, 8.3% in 2000, and 5.2% in 2001. In the first two years, growth was primarily due to the effects of devaluation of the ruble (and thus the effects of import substitution as Russian goods became more competitive), and favorable international oil and gas prices. Later in 2000 and through 2001, the Russian economy confounded pessimistic expectations as the effects of reduced costs and increased competitiveness fueled growth driven to a greater degree by demand and consumption. Industrial output grew 4.9% in 2001, and a growing percentage (over 61%) of Russian enterprises are reported to be profitable. Real wages and real disposable household incomes continue to grow in 2001 (at 16.7% and 5.4% respectively), which contributed to continued strong domestic consumption. Fixed capital investment increased 8.7% in 2001, and capital outflows decreased from \$2.3 billion per month at the beginning of 2001 to \$1.5 billion per month in the third quarter (the most recent period for which World Bank figures are available). Russia's trade surplus was \$51.1 billion in 2001, and the government budget surplus was 2.4% of GDP.

However, despite the overall positive picture, there are clear problems. Russia's economy remains too concentrated in natural resources exports (which account for 70% of the total), and the positive investment figures remain concentrated in the extractive industries. Only energy and food production have maintained their growth rates in the past year. And although overall industrial growth was a respectable 4.9%, it was flat in the fourth quarter. Russia's lack of a system for financial intermediation means that small and medium businesses still have a difficult time getting started, limiting Russia's ability to diversify its economy. Although Russia will likely maintain economic growth even if the price of Urals crude oil falls as low as \$13/bbl, any reduction in global prices for energy reduces resources: it is estimated that every \$1 change in the price of a barrel of crude oil is worth \$1.2 billion to the Russian economy, with about one-third of the amount going to the government budget in taxes and duties. Inflation in 2001 was 16% (higher than the 12% government target), and the ruble appreciated 7% in real terms in 2001, reducing import substitution competitiveness. Indeed, Russian imports increased \$7 billion and exports decreased \$2 billion in 2001. The country needs to invest some \$2.5 trillion over the next 20-25 years to replace aging Soviet infrastructure and make up for the absence of investment in the 1990s.

Therefore, Russia is running a race it can only win by creating new industries and developing new sectors, even as it remains dependent on international energy markets. Energy exports create benefits that ripple through the private economy and government budget, but they undermine competitiveness by causing appreciation of the ruble. Eroding competitiveness reduces production in the consumer sectors that did well after August 1998, and their slowdown depresses demand in the machine building sector. Without a system by which profits and savings can be invested in new enterprises, investment and productivity will remain locked in the extractive sectors.

In addition, it is important to understand that the manufacturing sectors of the Russian economy that are internationally competitive are military arms, nuclear power plants, and space technology. The domestic market for all three is very limited, which is one reason why foreign markets are important. The first two sectors pull Russian foreign policy toward countries like China, Iran, and India, which have an interest in the goods, ability to pay, and difficulties on Western markets. Russian arms sales in 2000 were about \$4 billion, while the entire Russian defense budget was just under \$8 billion. Virtually none of Russian defense spending is for procurement, which means that Russian foreign arms sales are keeping its defense enterprises open and operating. This is significant not only in economic terms, but also politically, because much of Russia's defense

plants are located in single-factory towns as a consequence of Soviet industrial practices, and the populations of those towns are entirely dependent on the military economy for survival.

Another sector of the Russian economy with a stake in Russian foreign policy is the consumer sector that has been important for growth over the past two years. Because of the import substitution effects, the sector has done well, but as these effects diminish, the sector will need substantial investment and advanced management skills to continue to succeed. This is one of the sectors of the economy where business interests have pushed for improvement in Russia's foreign investment climate. In 2000, Russia attracted only \$4.4 billion, or one-half of 1% of the global total. Much of this investment has been concentrated in medium to small consumer oriented industries in Russia's northwest regions, those near Europe. One success story has been Cadbury's investment in the Novgorod region, and there are others in food processing, breweries, and soft drink production. These industries, their interest European business contacts, and their support for corporate governance and banking reform necessary to attract foreign direct investment are a fascinating foil to the interests of Russia's aging but persistent defense industries.

The result is a Russian foreign policy dependent on foreign markets for energy, yet at the same time seeking investment and trade across a broader array of businesses. It is a Russian foreign policy that seeks to maintain traditional trade partners in traditional sectors, yet seeks new opportunities with countries - particularly those of Europe, developed Asia, and the U.S. - that can bring capital and experience to diversify the Russian economy. It is a Russian foreign policy that seeks to sell arms to China, and join the WTO, all as part of the same set of incentives and constraints.

Russia and Europe

Putin has pursued a vigorous diplomatic agenda in Europe. Putin has met with the leaders of Germany, the United Kingdom, France, Italy, Sweden, and Finland among others, and with several of them multiple times. He has held five bilateral summit meetings with German Chancellor Gerhard Schroeder in just over one year. Putin has emphasized repeatedly in his travels and foreign policy statements that Russia is a European country and seeks to develop ties with European partners. Commentators commonly attribute Putin's European orientation to his St. Petersburg origins, or his KGB service in East Germany, and they may play some role. But the more serious questions of foreign policy interests are explained by Russia's economic interests in Europe.

Europe has replaced the countries of the former Soviet Union as Russia's primary trading partners. Russian exports to the EU countries amount to about 13% of total Russian GDP. EU countries account for 34% of Russian exports, and another 22% of Russian exports go to EU aspirant countries, which means that in the next decade Russia may send well over half its exports to the EU. Natural gas is a substantial part of this trade. EU countries import 20% of the natural gas they use from Russia alone. In 2001, Russia and the EU agreed to develop a new gas pipeline through Poland, one that would expand exports and bypass Ukraine (where old Soviet era pipelines have been the main transit method for Russian natural gas exports to Europe).

Russian relations with individual European countries have improved considerably under Putin, but even more significant is the development of the Russia-EU relationship. In the Yeltsin era, the EU was largely ignored, and it remains little understood in Russian political circles. However, the Putin government has worked to develop the potential created by the EU's Partnership and Cooperation Agreement for developing business ties and managing the potential negative effects on Russia of EU enlargement in Central and Eastern Europe. Despite the problems it may create for trade and travel in eastern Europe, Russian foreign policy is now more positive on EU enlargement, and on EU programs for regional development in northeastern Europe, particularly those addressing Russia's Kaliningrad enclave in EU regional cooperation programs.

At the EU summit in Sweden in 2001, the emphasis was on involving Russia in European affairs where possible, part of a consistent policy on the part of EU members to move Russia more to the center of Europe's economic and security policy. Russian Foreign Minister Ivanov declared that Russia views the EU's agreement to create a 60,000 strong rapid reaction force by 2003 in positive terms, and said that Russia was ready to study the possibility of cooperating with or contributing to the EU force's crisis operations. This is an important development for a Russia that not long ago made little distinction between the EU and NATO. Russia and the EU held a productive summit in October 2001, including an agreement for regular meetings in the political security spheres.

Russia's growing base of relations in Europe extends beyond the major players of traditional Western Europe. Russia-Lithuanian relations are so positive that Putin reminds Lithuanians that they are "European." Putin recently assured Lithuanian President Valdas Adamkus that sovereign countries have the right to enter whatever security arrangements they see in their interests. Russian-Polish relations are constructive across a broad range of political, security, and economic issues. Putin's visit in January 2002 was remarkable: in addition to discussions of how Poland can facilitate solutions to problems Russia is likely to face with Poland's accession to the EU, Putin laid flowers at a monument to Poland's WWII resistance army, and visited a monument to victims of the 1956 Soviet intervention.

More significantly, Putin's approach has meant that Russia has set aside the geopolitical competition in relations with Turkey that Yeltsin's government never quite achieved in order to focus on economic ties, particularly Russian exports of natural gas. The potential of geopolitics in the relationship has been real, with Turkey emerging as a potential competitor in Central Asia and the Caucasus, and Russia willing to provide Cyprus with air defense systems. Turkey's support for the Baku-Ceyhan pipeline was a major irritant in Russian-Turkish relations, as was Russia's war in Chechnya.

But Putin's government moved more strongly in the direction of cooperation with Turkey. It pushed through passage of a package of tax credits to support the building of Blue Stream, a natural gas pipeline under the Black Sea to supply Turkey. In early 2002, Russia's policy on the Baku-Ceyhan-Tblisi pipeline has shifted to one not only of support, but with oil companies YUKOS and LUKoil seeking to invest. This removes a major source of competition and strain in the relationship. Russia is willing to sell military helicopters to Turkey while NATO allies are reluctant because of concerns about Turkish policy on its Kurdish minority. And despite Chechnya, Russia and Turkey agreed in late 2000 to stronger cooperation in counterterrorism.

Russia and Asia

At the same time, Russia has significant interests in relations with countries in Asia. A major component of this interest is economic opportunity. Russia sells natural resources, energy and conventional weapons to China, India, and Iran. In late 2000, we saw Russian trade agreements worth over \$1 billion in arms sales with China, and a broader package of trade agreements worth some \$3 billion with India. Russian officials have stated that they will pursue internationally legal sales of conventional arms to Iran even at the risk of the US imposing sanctions. Contracts discussed with Iran in 2001 could be worth over \$4 billion in the next few years. While on the one hand, poor U.S. relations with Iran are a problem for Russia because Russian-Iranian relations are an irritant, on the other Iran's isolation is one of the reasons its energy, military, and regional security relations with Russia are so strong. Russia might welcome removal of the irritant, but it might lose the practical advantages from which it has managed to benefit so well.

In India, Putin succeeded in not only getting agreements on conventional arms sales, but signed agreements on nuclear technology, trade, and exploring joint efforts in information technology. Given Russia's limited potential economic relations with China (which is geared far more toward trade with the US), the Russian leadership's attempt to focus on India in more areas than merely arms sales is evidence that the foreign policy is driven by more than unidimensional military or geopolitical concerns.

Japan could well hold the key to keeping Russia whole: the Far East's economy is in shambles, evidenced only most dramatically by the failure of its electricity system last winter (with temperatures falling to 50 degrees below zero, much of Russia's Far East went for days at a time with electricity blackouts). Russian officials talk of Russia's timber and hydroelectric resources, and even gas and oil (including development of Sakhalin Island oil deposits for the Far Eastern energy market), as a solution to Japan's perennial materials and energy dilemmas, and Japanese investment as a solution to Russia's economic failures in Siberia and the Far East. Japanese companies are involved in multinational business projects to develop oil and natural gas off the Russian island Sakhalin. The dispute over the Kurile Islands remains a serious obstacle to improvement in Russian-Japanese relations, and no solution is in view, but in the past few months there has been a series of continuing official and unofficial meetings on the issue, which at least preserve options to find a solution. Unlike their fear of China's rise and potential designs on Russian territory, many Russian Far East elites welcome the prospect of Japanese -- and Korean -- investment.

Russia and Eurasia

The effects of Russian pragmatism are more difficult to find in its relations with the countries of the former Soviet Union. In dealing with the countries of Central Asia, the Caucasus, and its western borderlands, Russian foreign policy displays a mix of economic and business realism mixed with geopolitical pressure. In part, this is because security concerns predominate in Russia's preoccupations on its borders, and traditional thinking remains influential in security thinking. Stability (or at least the Russian version of it) is crucial. Among the consistent first order threats to Russian security cited in its national security concept, military doctrine, and foreign policy concept were instability, primarily in Central Asia and the Caucasus, and armed conflict in Tajikistan, Afghanistan, Chechnya, Abkhazia, and Nagorno-Karabakh.

Without doubt, Russian policy in the 1990s contributed to these threats through the use of force and interference to maintain Russian influence and presence in the region. But equally without doubt, these countries face significant indigenous sources of instability and conflict. Despite their existence as independent sovereign states, there is in fact little of border security and controls between old Soviet and current Russian borders, and the post-Soviet Eurasian space remains permeable and vulnerable to armed conflict. Most striking has been the ability of the Islamic Movement of Uzbekistan (IMU) to operate in Afghanistan and Kyrgyzstan, as well as in Uzbekistan. Drug trafficking (in part enabled by corrupt Russian officials and military) has fueled instability and insecurity in the region. In the Caucasus, Georgia's inability to control its own territory has enabled armed Chechen groups to use its territory at least for refuge and possibly for launching attacks.

Russian behavior toward Georgia has become a bewildering array of conflicting positive developments (such as a new willingness to conduct dialogue with Shevardnadze, and a new positive attitude on Georgia's role in the Baku-Tbilisi-Ceyhan pipeline) and increasingly negative actions (primarily support for Abkhazian separatism, and even possible direct military intervention against Georgian territory in the Kodori Gorge). Russian policy seems stuck between its own contribution to instability in the region, and its newfound interest in economic and business priorities. Russia also seems to be stuck in a situation where it cannot find a solution to the dilemmas thus posed on its own, but still unwilling to welcome Western involvement in the region for fear of being edged out. The result is a costly stalemate and increasing concerns that Georgia may not survive the crisis. While it is probably true that a withdrawal of Russian forces from the Gudauta base and from the Abkhazian region of Georgia would lead to new fighting, it is also the case that Russia has done little to work for a long-term solution to conflict in the region that does not depend on Russian military dominance.

Russia has long identified Islam and international terrorism as a threat. The Chechen's separatist war, in this context of Russian security perceptions, is just one manifestation of Islamic radicalism with international ties and terrorist means stretching from Afghanistan to the Black Sea. It is crucial to understand how instability, Russian weakness, Islam, and international terrorism have

been linked in the Russian perception. A component of this perception has been for some time that the West is a potential ally against this threat, because it too has been a target. This perception is the reason Russian officials suggested joint operations against Osama bin Laden in Afghanistan long before September 11th.

The mix of economic and security motives behind Putin's foreign policy are apparent in the importance of the Shanghai Cooperation Organization in Russia's policy in Eurasia. Bringing together the dominant regional powers China and Russia, along with the Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (Turkmenistan is not a member in line with its policy of neutrality), the SCO is focused on a mix of regional economic (primarily oil and gas) and security (primarily counterterrorism) issues. While clearly an effort to keep a strong Russian hand in a region it deems in its sphere of influence, the inclusion of China demonstrates the pragmatism that runs through Putin's foreign policy. And the inclusion of economic issues simply reinforces the theme: Russia's Eurasia foreign policy is a marriage of security concerns and economic ambitions.

Part of Putin's Eurasia policy has been an active effort in relations with the countries of the former Soviet Union. Russia has built an economic union with Belarus and maintains strong military cooperation with it as well. Moldova has moved to closer relations with Russia since communists won elections in February 2001. Kazakhstan has been open to better relations. Russian efforts to develop pipelines and new oil fields in the Caspian have been successful. The Putin government appears to have chosen a clearer course than the Yeltsin elite, which pursued contradictory policies of exclusion and partnership at different times. The Putin political and energy elite appears to be more consistently interested in participating in extraction and pipeline projects in the region, although it continues to oppose projects and routes in which it would not have a stake.

The forms of Russian influence in some of its neighbors also appears to be shifting from its sheer size and relative power to economic ties. Russian businesses in Ukraine are buying into its energy and aluminum industries. LUKoil, Gazprom, and United Energy Systems (the electricity monopoly) are buying stocks and shares in many industries in countries in the former Soviet Union. Russia has pressured both Georgia and Ukraine to pay their debts by threatening and implementing cutoffs of energy delivery.

Russia and the United States

Given this, it should come as little surprise that Russian-U.S. relations were problematic before September 11th. There was little to work with. We are not as important an export market as Europe for energy, and our business contacts have not focused on small and medium manufacturing where new Russian businesses have been active with European partners (our energy interests have bumped up against competitive and even illegal behavior in Russia's energy markets). We are not a market for nuclear reactors or conventional military arms. There is some potential for partnership in air and space technology, most clearly demonstrated in Russia's important involvement in the international space station and in Boeing's successful investments in Russia, but the potential has not been realized because of competition and security concerns.

In addition, because the Russian economy has been doing well the past two years and because the government has run surpluses, the U.S. lost the single most important lever of influence it wielded over Yeltsin in the 1990s: IMF credits, potential financial support, and debt reduction. The Putin government not only had different political and economic priorities, it found that it did not need the U.S. to achieve its priorities.

The agenda has been dominated by the after-effects of failed priorities in economic relations with the Yeltsin government (primarily the IMF, debt controversies, and money laundering scandals), or strategic issues left-over from the Cold War, mainly START and the ABM Treaty. An indication of just how poor U.S.-Russia relations had become was that when we wanted to put some substance behind our criticism of Russia's war in Chechnya over the past two years, we had no

issues or incentives worth much to threaten to link to Russia's brutal war. When the U.S. decided to withhold IMF credits in early 2000 in response to the war, it had no effect on Russian policy.

This had begun to change in the last year. One of the logical priorities that follows from the Putin government's economic aspirations is greater success in international trade markets. Russian economic officials believe that Russian goods do not have equal access, and that in particular a potentially successful sector of its export economy -- metals such as steel and aluminum -- are unfairly targeted by anti-dumping measures in the West. By joining the World Trade Organization, Russian officials believe that they will benefit from the multi-party arbitration mechanisms that members are entitled to, rather than the unilateral imposition of restrictions that Russia, as a non-member, is subject to.

In addition, Putin's more pragmatic approach and stake in relations with the European countries had shifted Russian strategy on both ABM Treaty abrogation and NATO enlargement. While continuing to oppose both, Putin shifted Russia policy to one that sought compromise and engagement with the U.S. Recognizing that Russia could not prevent a U.S. decision to proceed with missile defense, the Putin government sought to modify that decision through negotiations, and when the American decision came to withdraw from the treaty, calm acceptance. Since that decision, Putin's military and foreign policy team has been engaged with discussions on offensive nuclear forces reductions, despite conditions that do not look very promising from the Russian perspective. Putin's practical approach has meant Russian engagement in consultations that do not guarantee a legally binding agreement or treaty, and that are likely to preserve a considerable American "hedge force" beyond the targeted reductions to 2200 warheads.

Well before September 11th, Putin told several European leaders and publics that although Russia did not want to see NATO enlargement, it would live with it. Instead of threatening counter-military actions (such as deploying tactical nuclear weapons in the region), Putin suggested that Russia should be considered a candidate for NATO membership itself, particularly if the alliance shifted further toward a political organization. More practically, Russia has been engaged in discussions on the idea of a "NATO at 20" which would involve Russia as an equal partner in a limited and defined set of security issues that could be constructively discussed with Russia at the table.

The basis of Russian shifts on missile defense and NATO, however, remained Putin's foreign policy of diversification and practicality. The ability of the U.S. to exercise linkage remained minimal. Russia relations with Iran have continued apace, and even accelerated. Russia's war in Chechnya has not ended, and to the extent that some concern for standards of international human rights matter (for example, in investigations and trials of military atrocities) the influence comes from the Council of Europe and the OSCE. Russia and China signed an agreement on strategic partnership that some read as the basis for alliance this summer. Meetings between President Bush and President Putin this year in Ljubljana and Genoa were promising, and there was much to work with, but the promise was in the potential for overcoming problems, rather than a substantial positive cooperative agenda.

What comes next

Much attention in the U.S. has focused on Putin's speech of September 24th, declaring Russia's support of the U.S. war against international terrorism. Putin's speech was a significant step. It contradicted and silenced voices in Russia's security and military elites that had voiced doubts and even opposition to U.S. counterterrorism. Putin made a decision to embrace the common interests now apparent in confronting and defeating international terrorism. Putin's speech, and subsequent Russian policy, creates a historic opportunity to create meaningful cooperation between our two countries.

However, most commentary is wrong in deeming this decision as a complete break with Russian policies, and in claiming Putin is alone in charting this course. As my analysis has shown, the foundations for a Western-oriented policy have been laid over the past two years, and have

sturdy roots in Russia's emerging political and economic elites. Russia's primary interests in economic development and in Eurasian stability give it solid interests in the international status quo, including the fight against global terrorism that threatens the existing global system.

However, it is crucial to understand that while international terrorism has illuminated our common interests, it remains to be seen just how broad and deep those common interests are. It is far from clear that the U.S. and Russian define international terrorism and its sources in precisely the same way. We probably do not agree on the nature and extent of terrorism in Chechnya and the Caucasus, or in Iraq. We have agreement on fighting the Taliban in Afghanistan, but that agreement may not extend to pursue terrorism around the globe as the U.S. views as necessary.

Furthermore, it is important to understand that Putin's foreign policy is based both on relations in the West and in Eurasia. Analyses often pose a dichotomy between good Russian relations in the West versus an orientation toward the East. For some time, Putin's foreign policy has not accepted such a dichotomy, and has sought to craft a policy that seeks self-interested economic and security relations with neighbors from Finland to Japan. Simply because Putin has chosen to support the U.S. against terrorism does not mean Russia loses its interests in relations with Iran, China, and other Eurasian countries. We need to be prepared for Russia to continue on the path of diversification and pragmatism it began over the past years.

In addition, it is useful to keep in mind that U.S. policy and perception of the primary threat to its national security has changed at least as much as Russia's. Putin's conception of Russia's national interests as laid out in his speech of the 24th of September has a basis in the foreign, security, and military documents that Putin has approved in the past two years. The attacks of 9/11 crystallized common interests that were in the making, creating the opportunity for partnership and cooperation to achieve our common security interests.

This should be viewed as good news: Russia's potential cooperation can be rooted in an established set of priorities and goals that have been the target of Russian foreign policy for some time. Putin took the lead on this policy, and is not supported by all, but he is not alone. Significant Russian business, political, and security interests were behind his initiatives before 9/11, and they continue to be so now. We are not faced with the dilemmas of the Yeltsin years, where the opportunity for cooperation rested solely with one man. Putin needs our support to sustain his choice, but he will also find support within Russia.

This is where obstacles meet opportunity. Three important constituencies in Putin's foreign and security policy - business, intelligence, and the military - can be engaged by U.S. policy in the months and years to come. As we approach the May summit, it is vital that American foreign policy not focus only on the economic and business side of the relationship. US policy now takes Russian international economic interests seriously, and that is a very positive development. However, an economic policy and relationship is not a substitute for a comprehensive foreign policy that engages Russia in the political and security sphere as well. Putin's coalition and constituency is strongly economic, but it is by no means only economic. Putin's long term strategy is one of Western integration, but that does not mean that Russia does not have political and security concerns that can be ignored for the economic relationship. We have every interest in engaging a pragmatic Russian foreign policy leadership in a pragmatic and comprehensive security policy of our own that finds synergies in an economic, political, and security engagement with Russia to reinforce the positive developments that have emerged so clearly in the past year, and that enables us to constructively solve the remaining areas of disagreement in our relationship.