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Addressing Unresolved Challenges in U.S.-Russia Relations

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Overview

Participants emphasized that the two sides can do little at this point to change the overall tenor of a relationship that has taken on an increasingly negative dynamic in recent years. Each side views the other as being in a state of long-term decline, which disincentivizes concessions. Moscow is taking a “wait and see” approach, especially on U.S.-China competition. Both sides think that time is on their side. Any attempted “reset” therefore is unlikely until these views change.

As U.S.-Russia relations will remain competitive and, at times, confrontational for the foreseeable future, the risk of Washington and Moscow stumbling into an unanticipated and unwanted crisis is real. Under the circumstances, the two sides should focus on mechanisms for dealing with specific challenges where both Russia and the United States play a role and where a danger that problems will worsen exists. These challenges are not necessarily the ones that receive the most attention, but those where Washington and Moscow lack clarity about the other’s interests and intentions.

To address these challenges, the two sides should come up with recommendations that both can endorse and that bear some chance of implementation given the political constraints both sides face. Both sides agreed that more bilateral track 1 contact would be ideal, but reality precludes this.

Looming in the background were three questions that, at a minimum, both sides need to consider in formulating any strategy for the future:

1. To what extent were negative developments over the last three years unavoidable? That is, are there long-term trends in the U.S.-Russia relationship that cannot be changed, chains of mistakes, or other such factors?

2. In the October 2019 Valdai Club meeting, President Putin noted that the United States had already entered an election cycle, so the countries should wait to address issues. Should we really wait until next November to talk about greater collaboration, fixes to bilateral issues, or places where U.S. and Russian interests coincide? How will the U.S. political cycle—and political uncertainty—affect Washington’s ability to pursue a coherent approach to Russia? With the announcement of Russia’s constitutional referendum and questions about the presidential succession looming, a similar question applies to Russia.
3. Beyond addressing specific problems, how can the larger bilateral relationship be fixed? What will it take? Would it be regime change in Moscow, or is it directly connected to the U.S. political crisis? Should Washington and Moscow seek to “fix” their primarily adversarial relationship, or will the future relationship continue to be primarily competitive, with limited areas of cooperation?

Bilateral relations suffer from an ever-increasing list of challenges. Some of these challenges are new and their effects on the bilateral relationship remain underappreciated. The two sides’ positions on issues like the conflicts in Ukraine and Syria are well known, and frameworks for diplomatic engagement exist. Moreover, both Washington and Moscow understand the stakes and have—so far—been careful not to cross one another’s red-lines. However, other issues with the potential to spark crises or otherwise accelerate the drift toward confrontation have received less attention in the bilateral U.S.-Russia context.

The group identified the strategic competition in the Western Balkans, the future of the nuclear non-proliferation regime, and sanctions as areas that could significantly impact U.S.-Russia relations in the future, but where Washington and Moscow lack clarity about one another’s intentions and about the potential unanticipated consequences of their current approaches. Over the course of the discussions, participants sought to explicate the salience, objectives, and tools that each side is pursuing toward these issues and to suggest an outline of steps the two sides could take to ameliorate the danger that any of these three issues will become the driver of a new U.S.-Russia crisis.

1: The Western Balkans

While the United States and Russia have long competed for influence across the former Soviet Union, a similar strategic competition has in recent years broken out in the Western Balkans (specifically Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia). The impact of this competition on U.S.-Russia relations and the potential to spark open confrontation have, however, not received sufficient attention from either the United States or Russia.

The states of the Western Balkans remain divided in many ways, making them vulnerable to political fragmentation, domestic challenges like corruption, and outside interference. From the last decades of the Ottoman Empire, the Western Balkans have been a fault line and a source of instability that has, at times (e.g., 1914, the 1990s), imperiled European security more broadly. Belief that there is a stable end state for the region has repeatedly led outside powers astray. The setbacks suffered by the United States and Russia (and others) in the Balkans have been caused by an overestimation of their ability to shape the region’s development.

Current U.S. and Russian involvement with the region continues to suffer from this problem. Like the post-Soviet states, but perhaps more so, governments in the Western Balkans have become adept at playing the United States (along with the European Union and NATO) and Russia off one another. The Western Balkan states remain dominated by indigenous patronage networks, which have learned how to manipulate external actors in the service of their own interests.

Russia's primary interest in the Balkans sometimes seems to be thwarting the United States/making it look bad, in part to demonstrate to Ukraine and other post-Soviet states the negative consequences of partnering with the United States. For Washington, conversely, the Balkans have become a policy backwater. If only from inertia, Washington hopes to see its engagement in the region in the 1990s bear fruit in the form of political transformation and integration with transatlantic institutions but has done little proactively in many years. The European Union is more engaged, but outside of Slovenia and Croatia, which became members in 2004 and 2013, respectively, Brussels too has had limited success in using the lure of membership to promote transformation. The remaining Balkan states recognize that they are not likely to join the European Union in the near future. China is more distant, but, like the United States a century ago, its very distance (and size) work to its advantage in the sense that it does not have a stake in the region's internecine quarrels. Beijing is using that advantage to build infrastructure to get to Western Europe but otherwise has little reason to care what happens in or to the region.

Importantly, the EU, U.S., Chinese—and Turkish—agendas are not necessarily mutually exclusive. Russia, meanwhile, is the only great power that cares about the expansion of NATO and the European Union because it views these developments as a challenge to traditional Russian interests. Further, Russia is concerned that the expansion of these institutions will not stop in the Balkans and could continue to countries that Russia considers to be vital to its security, such as Ukraine, Moldova, and Belarus. The Russian side also questions whether the United States is open to a collaborative approach that would require some recognition of Russian interests, and whether a resolution of the region's geopolitical challenges (notably the frozen conflict between Kosovo and Serbia) would come at the expense of Russian influence in the region. These sensitivities have to be kept in mind in any diplomatic process devoted to regional conflicts.

Meanwhile, the drivers of instability in the Balkans are mainly domestic: the poor state of the economy, corruption, and regimes captured by patronage networks. In contrast to Ukraine, moreover, local leaders have been instrumental in bringing the U.S.-Russian rivalry to the Balkans. Fortunately, the economic stakes are low: the region's six non-EU states have a total population and GDP that is smaller than Romania's.

The region could thus become a site of trust/confidence-building between the United States and Russia because a success there could impact bilateral relations more broadly, but a failure would not be a great loss. Addressing the Serbian-Kosovar dispute in a collaborative manner could be undertaken in the short-medium term. People locally on both sides have grown tired of the conflict, and disaffected populations have the ability to move. Local leaders nevertheless continue to fan discontent for political reasons. Serbian President Vučić has displayed a desire to reach a settlement with Kosovo and has developed a personal rapport with his Kosovar counterpart. New Kosovar Prime Minister Kurti also looks as though he will push for a settlement. The central issue remains the recognition of Kosovo, but progress on other issues should not be left hostage to recognition.

Both the United States and Russia have respected officials working on the problem, which suggests both would like to see something happen. U.S. and Russian involvement also entails the risk that local actors will manipulate the rivalry between Washington and Moscow for their own ends. The first thing that the United States and Russia could agree on is that any deal and its details should come from the locals. Any time two local actors come together, it does not initially matter what the details are (the now-dead Kosovo-Serbia land swap deal looks like it could have been a missed opportunity in this regard). The United States and Russia should stay in touch with each other to cooperate on a deal initiated in the region while

not presuming that it will be the final solution. This approach represents the best way for both the United States and Russia to deal with each other while staying a bit distant from the day-to-day negotiations.

Noting that Serbia is the only country in the world to have signed agreements with both the European Union and the Eurasian Economic Union, one participant raised the issue of whether the Western Balkans could become a hybrid between the two competing economic agreements. Though participants were generally skeptical given Belgrade's commitment to EU accession (and care to ensure that its agreements with the EAEU remain consistent with the obligations of EU membership), Serbia's experience does suggest a model that other countries could choose to follow, and that neither Washington, Brussels, nor Moscow should preclude.

Another area where the United States, Russia, and the European Union could collaborate is on local infrastructure. Hitherto, foreign investment on all sides has focused on boosting connectivity between the Balkans and the outside world rather than expanding intra-Balkan ties. Boosting infrastructure investment could be linked to the signing of economic agreements among the Western Balkan states, which would promote commerce and enable legitimate business.

2: The Future of the Nuclear Nonproliferation Regime

Even as their commitment to bilateral arms control wavers, the United States and Russia remain pillars of the global nonproliferation regime. While Washington and Moscow continue to pursue a largely collaborative approach to nonproliferation, the future of that collaboration looks increasingly questionable for reasons having to do with internal developments (especially in the United States) and larger global shifts.

The international community has done a decent job of preventing horizontal nuclear proliferation. This relative success has resulted from the presence of legal, political, and normative barriers in the Non-Proliferation Treaty (NPT) framework; the United States' ability to make allies feel secure enough not to pursue nuclear capabilities; and the sense that clandestine nuclear development will be caught—largely because the United States and Russia have historically been united in opposing nuclear weapons programs of both friendly and hostile regimes. That shared commitment, however, appears increasingly open to question.

Participants identified several reasons why continued U.S.-Russian collaboration around nonproliferation appears uncertain. These include Washington's mounting estrangement from the international system and multilateral agreements—a phenomenon that the Trump administration has accelerated but not created. Views of the international order have become bogged down in partisan politics in the United States, which makes it more difficult for the United States to adopt positions enjoying bipartisan consensus—and for other states to trust that U.S. commitments (such as the Joint Comprehensive Plan of Action with Iran) will endure across administrations. Increased U.S. insularity could also weaken the effectiveness of U.S. sanctions and other coercive measures aimed at countering proliferation, especially as steps by Russia and others to bypass the U.S.-dominated global financial architecture continue.

Growing U.S.-Russia (and U.S.-China) competition could itself jeopardize cooperation on nonproliferation as well. The danger of nonproliferation taking a backseat to other policy objectives (as has already been the case with regard to India and Pakistan) could grow as Washington and Moscow come to focus more on great power competition. Increasing competition also makes it more difficult for the United States and Russia to negotiate new agreements related to arms control and nonproliferation at a time when more states are challenging the strictures of the NPT. Many states, including rising “middle powers,” believe the United States

and Russia have not lived up to their NPT commitments to reduce their own nuclear arsenals. Perception that the current system is unjust will push more of these middle powers to develop nuclear programs.

A third risk stems from global democratic backsliding and the emergence of authoritarian leaders who face fewer domestic barriers and are less likely to be concerned about violating international agreements and the potential consequences of doing so. The “lessons” of Iraq and Libya, whose authoritarian leaders gave up their nuclear weapons programs only to be overthrown from outside, and North Korea, whose successful development of nuclear weapons has been an effective deterrent, should not be lost.

The most immediate challenge centers on Iran. Russia views Iran’s nuclear program within the nuclear nonproliferation context. Russia was among the first to suggest P5+1 negotiations, which eventually produced the Joint Comprehensive Plan of Action (JCPOA). The Trump administration’s decision to withdraw from the agreement has accelerated Tehran’s breakout from the JCPOA’s limits on enrichment, but not—so far—from the NPT itself. If the United States remains interested in a new agreement to replace the JCPOA, a possibility exists for Russia to act as an intermediary—at a minimum to get Tehran to specify what it does and does not consider negotiable. In the event of genuine U.S.-Iran talks, Russia can take on a more active role. However, all sides (Washington, Tehran, and Moscow) appear to suffer from misconceptions about the others’ objectives and the ways in which the nuclear dossier fits into larger geopolitical considerations.

Beyond Iran, the United States and Russia face a larger question of whether or not the goals of a nonproliferation regime have changed since the Cold War and its immediate aftermath. While the overall objective—preventing additional states from developing nuclear weapons—has remained largely the same, the policy toolkit has evolved, particularly the increased U.S. use of sanctions and efforts to leverage its domination of the global financial architecture to pressure both potential proliferators and third parties to comply with U.S. objectives. Political polarization in the United States and a lack of clarity about the objective of sanctions, including those purportedly adopted for nonproliferation purposes, could imperil the effectiveness of this tool in the future—so too could future, more effective efforts along the lines of the European Union’s INSTEX special purpose vehicle, which is designed to bypass unilateral U.S. sanctions.

The relationship between nonproliferation and arms control represents another area where bilateral U.S.-Russia relations could have implications for the future of the nonproliferation regime. Participants were frankly divided about the relationship between nonproliferation and strategic arms control in the U.S. and Russia context. The erosion of U.S.-Russia arms control (including INF and New START) could lead Washington and Moscow to adopt different approaches to managing their nuclear stockpiles; it could also decouple their views of third countries’ nuclear programs.

The development could be dangerous because it could leave the United States, Russia, or both more tolerant of particular countries’ nuclear ambitions and complicate the already difficult process of managing regional rivalries (India-Pakistan, Iran-Israel, etc.) through an arms control framework. At least some of these newer nuclear powers appear to want nuclear weapons more for warfighting than for deterrence. Coupled with what they perceive to be existential stakes involved and diminished confidence in extended deterrence, checking nuclear proliferation is likely to become increasingly difficult. The question, including for Washington and Moscow, will be how to manage these rivalries so that they do not escalate into conflicts that could take on a nuclear dimension.

3: Managing Russia-U.S. Relations under Sanctions

Since 2013, sanctions and counter-sanctions have been an inescapable element of U.S.-Russian relations. Sanctions have also become a tool of choice for U.S. foreign policy across an ever-wider range of issues

and states. Most sanctions measures are adopted in response to discrete actions (e.g., the annexation of Crimea), with little consideration for their longer-term impact or potential second-order effects. In many cases, sanctions appear set to remain in place for at least the medium-term future. They represent an obvious complication for any effort to move past the current U.S.-Russia deadlock. However, because they are likely to remain part of the landscape within which Washington and Moscow manage their relations, the two sides need to have a better understanding of the impact—intended and unintended—of sanctions and identify ways to minimize their impact on issues of mutual concern.

The USSR/Russia has not been completely free of U.S. sanctions since at least the early 1970s. Moscow is consequently skeptical that anything it does will lead the United States to abandon the use of sanctions in the bilateral relationship. That perception reduces Russia's willingness to actively seek the removal of sanctions. U.S.-Russia trade is not that significant, so Russia can live relatively easily with U.S. sanctions, especially if the alternative appears to be taking steps that sacrifice strategic objectives like maintaining a foothold in Ukraine. Moscow is not, however, indifferent to the existence of U.S. sanctions, which do have an impact on bilateral relations and on the ability of the two sides to reach agreement on other issues. It is particularly affected by secondary sanctions and by the willingness of the European Union (a much more important economic partner) to go along with the United States.

The biggest difficulty with U.S.-Russia sanctions policy stems from the fact that the sanctions are muddled and strategically incoherent, with unclear goals and off-ramps, because they were instituted in response to different issues and became calcified. Sanctions legislation was designed primarily by technical experts who did not focus on the strategic and diplomatic consequences. Initially, the United States was also imposing sanctions in coordination with the European Union. Macroeconomic and fiscal pressure was the focus, and the goal was to get Putin not to escalate the conflict in Ukraine. These sanctions remain in place, unchanged.

The second set of sanctions, imposed in response to Russian interference in the 2016 U.S. election, lacked meaningful European support and were rooted in anger in Washington about the intervention and an effort to prod the administration to act (e.g., Countering America's Adversaries Through Sanctions Act (CAATSA)). Unlike the previous rounds, post-2016 sanctions aimed at sanctioning Russian "bad actors," in an attempt to get individual oligarchs and officials to break with Putin, a very different, and less factually grounded, approach than the first phase. More recently, Russian entities have also fallen foul of U.S. sanctions over their operations in third countries.

The official Russian line is that sanctions are bad because the population suffers, and they are not effective (often pointing to the historical example of Cuba). In reality, however, this line is hypocritical because Russia has used sanctions, especially against former Soviet countries (e.g., bans on imports of Georgian wine) in pursuit of its own foreign policy objectives. Fluctuations in global oil prices, in any case, have a greater effect on the Russian economy than do sanctions, and Russia will remain committed to maintaining its great power status regardless of what the United States does to it.

The real issue for Russia is the nature of the sanctions. EU sanctions are very focused, primarily on the situation in eastern Ukraine and some small amount related to Crimea and offer clear incentives and off-ramps. On the other hand, U.S. sanctions are holistic, focusing on issues ranging from Ukraine to Syria to human rights and more, making it difficult to get sanctions lifted.

Russia also has a disincentive to do anything because of a perception that sanctions will not change even if Russian policy does. Russia believes that U.S. sanctions represent an attempt to inflict enough economic

damage to lead to regime change, rather than punish the country for anything specific. The contrasting procedure of the two sets of sanctions is also significant, as the European Union has to reconfirm its sanctions every six months while the U.S. sanctions are automatically extended. Most importantly, there are no EU secondary sanctions.

The future course of sanctions is uncertain. Congress and Trump view Russia and the utility of sanctions very differently, a dynamic made worse by the partisan polarization in the United States surrounding Russian interference. While it is possible that Congress will seek to force through further sanctions, any significant escalation would only take effect in response to a conclusion that Russia had meddled in a future election. At the same time, the administration is happy with the status quo, so little is likely to change in the near future.

If Trump wins the 2020 election, he will likely move to massively deescalate sanctions, setting up a fight with Congress, whose outcome is unclear. If a Democrat is elected, the forward trajectory will depend on whether Russia is perceived as having interfered. If it is, there would be qualitative and quantitative escalation of punitive measures. If not, there would be the standard review of policy for six months and a rocky, complex relationship; broadly speaking though, the status quo would be likely to endure for at least a couple of years.

With sanctions likely to endure for the more or less immediate future, Washington and Moscow need to figure out how to manage the spillover effect from sanctions onto other issues and to more effectively signal what could trigger further escalation of sanctions. In particular, the countries need to establish a common understanding of what constitutes interference, which is the most likely basis on which Congress would seek new sanctions. Thus far, attempts to create a common definition have failed largely because of the asymmetry between the political systems between the two countries. The U.S. administration and former U.S. Ambassador Jon Huntsman also issued conflicting statements on whether Russia interfered in the 2018 midterms. As a result, Moscow is concerned that, no matter what it does or does not do, it will be accused of interference in 2020, especially if the Democratic nominee loses.

Participants suggested that the United States (and to a lesser degree the European Union) need to be able to effectively communicate the sincerity of any promises for sanctions relief. They failed to do this in late 2014-15 when they claimed there would be sanctions relief if the Minsk Agreement was implemented. The United States will also need to have a serious internal discussion to identify one or two key issues and then tell Russia what concrete steps it can take to get sanctions relief, but the United States is not ready for that conversation.

The level of mistrust on both sides is currently so high that Moscow is largely resigned to living in a world where U.S. policymakers will be focused on keeping Russian economic growth slow until a broader reset in the bilateral relationship. That is, the cycle of distrust is likely to continue, so the United States will find itself in a long-term economic containment strategy.

Closing Observations

For the first time in many years, a summit between the two leaders—in July 2018 in Helsinki—changed the bilateral relationship for the worse rather than the better. The failure of the Helsinki Summit represented a breakdown in the paradigm Moscow had counted on of relying on negotiations with the U.S. president to resolve immediate problems. Moscow is not accustomed to working with Congress, political Washington, and U.S. public opinion. Underlying the challenge is that Trump has an unclear relationship with Russia. The uncertain political climate in the United States (and, to a lesser degree,

Russia) likely augurs a greater degree of volatility in the relationship because the news is driving it rather than traditional structures.

A key theme of these discussions is that many of these problems are not just bilateral and actors outside the U.S.-Russia dyad matter and have their own interests, often taking advantage of U.S.-Russia tensions. Both sides need to be aware of that dynamic and find ways to limit the ability of third parties to affect the U.S.-Russia relationship.

The 2020 elections in the United States represent a massive uncertainty and the stakes will appear much higher than in the recent past, which will impact policies, particularly with the centrality of Russia in U.S. politics. This situation may be an opportunity for more sober discussion about Russia in Washington, even if it is unlikely that the United States—under Trump or a new Democratic leader—will be able to develop a new approach to Russia that enjoys bipartisan consensus and is capable of informing U.S. policy over the longer term.

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