RUSSIA: REBUILDING THE IRON CURTAIN

HEARING

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MAY 17, 2007

Serial No. 110–65

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

35–430PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
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RUSSIA: REBUILDING THE IRON CURTAIN

THURSDAY, MAY 17, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1 o'clock p.m. in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. I extend my very sincere apologies to our three distinguished witnesses, but Congress works in strange and inexplicable ways. This morning we had an example of it.

There are few areas where historical memory and historical amnesia are as often encountered as in the field of Russian studies. I would like to spend a moment on historical memory.

I vividly recall the end of the Second World War and the heroism of the Russian people and the Russian military suffering enormous casualties liberating Europe from Nazi occupation. This historical memory makes me conclude that the removal of the statue to the Russian military in Tallinn, Estonia, was a profound mistake because that statue commemorates the heroic sacrifice of the people of Russia and many other republics over a period of many years.

What followed of course was a period of Soviet suppression, brutality, mass murder, and that is properly to be denounced, but I think it is important in dealing with this unbelievably important and growingly critical issue of United States-Russian relations to keep both our memory and our amnesia very clearly in mind.

I left my native country of Hungary because of Soviet occupation, and later I became one of the leading anti-Soviet voices in Congress because of what the Soviet Union did to all those it controlled, and that was an abomination.

I was guided by a special interest as I watched and often dealt with a Russia that transformed from Stalinism all the way to a budding democracy. It is a disappointment to me and to all who admire Russia that the transformation didn't quite take.

Three weeks ago, when Boris Yeltsin died, most reviews and obituaries dismissed him and his leadership as a bold but bungled, promising but dashed experiment. In my view, Yeltsin still holds a message for all of us, for Russia and for his hand-picked successor, Mr. Putin. Yeltsin, whose father was a Gulag prisoner and whose grandfather's land was seized. Yeltsin, who attempted to transform Russian politics and society in one sweeping gesture.

It is true that the economy was paltry under Yeltsin and corruption was rampant and the oligarchs became powerful, but inde-

pendent publications thrived. The media were free. People began to express opinions openly and without hesitation.

The grip of centralized planning loosened to reveal the potentiality of a bountiful market economy. It was a moment of democracy, hope and progress, but, as it turned out, it was just a fleeting moment.

I do not think that Vladimir Putin is a reincarnation of Josef Stalin, but I am profoundly disturbed by his pattern of abuse and repression of dissidents, independent journalists and in fact anyone who opposes him. Russia's tactics under the KGB colonel now in charge of the Kremlin threatens to send the country back to its authoritarian past.

Yesterday afternoon I received a call from the Secretary of State from her airplane shortly after she left the airport in Moscow. She was not very optimistic. As we begin to learn more about Secretary Rice's visit to Moscow these past few days, we have very little reason for optimism.

Some want to see to it that the rhetoric is toned down. I am all in favor of toning down the rhetoric. Reasonable diplomacy is always welcome, but even if we choose our words carefully we must steadfastly stand by our principles.

The United States must continue to raise issues of grave importance and concern to us, to the Russian people and to the entire region. There are areas where we need Moscow's cooperation, particularly in keeping nuclear weapons out of the hands of Iran and North Korea and terrorists, but we must be at least as honest with Putin as he has been about his views of United States policy in recent weeks and months.

He must understand that freedom of the media is not just a bourgeois, middle-class preoccupation. Independent media and a robust public debate, particularly in a place like Russia, holds the government to account and sharpens the tools of democracy.

Last fall, when my friend Anna Politkovskaya, a leading voice of media opposition to Russia's murderous war against Chechnya and a champion of human rights, was mercilessly gunned down in the lobby of her apartment building, she became part of the rule rather than the exception.

No fewer than 13 journalists critical of Putin have died under mysterious circumstances since he took office and not one of these mysteries has been solved. Litvinenko, a British subject who was poisoned in London, is still a mystery, but we all have our suspicions. Putin completely controls TV and radio and is gaining a similar stranglehold on virtually all print media.

He has been singularly unforgiving and punitive vis-à-vis anyone who threatens his hold on the economy, especially since rising oil prices have propelled Russia's GDP to new heights.

The former CEO of oil company Yukos, Mikhail Khodorkovsky, sits in a Siberian prison on phony charges while Yukos itself is dismembered and its parts are absorbed into a state-controlled oil company. Just last week, the media reported that the final vestiges of Yukos—its headquarters—was being auctioned off at a bargain-basement price. As a friend of Russia and of the Russian people, I urge Mr. Putin to rethink his skewed vision of crime and punishment before he completely stifles freedom in Russia.

Now that its enormous energy wealth has given it newfound clout in foreign affairs, Russia is throwing its weight around in the region, cutting off natural gas supplies in the dead of winter to some former Soviet republics and to western European countries. This draconian use of Russia's energy wealth to enforce its policy preferences simply cannot be tolerated.

Finally, Putin's crackdown on recent peaceful opposition protests is haunting. It is reminiscent of so many dark moments in Russian history. I never forget my first meeting with Mr. Yeltsin when he was President of the Russian republic when there still was a Soviet Union. I asked him what he thought the chances were of this Russian democratic experiment, and after thinking for a few moments he said, "We have had dozens of those, and not one of them succeeded."

Putin's crackdown on recent peaceful opposition protests is haunting. As I said, it is reminiscent of so many dark moments in Russian history. This oppression, on top of suspending the direct election of regional governors, signals a revived centralized authoritarianism.

A Russia stripped of true democracy is a Russia approaching an ominous autumn, an outcome the world has dreaded since the exuberant early spring of Gorbachev and Yeltsin. Lest we let frigid winter descend upon Russia, we must work together with Mr. Putin and his successor to provide some freedom for the Russian people and to see the development of an enlightened Russian foreign policy.

After a Russian history dominated by totalitarian rule and government mistreatment of its own people, we need to help the Russian Government finally fulfill Yeltsin's promise when he said, and I quote: "Today is the last day of an era past."

Now, we are not in a new Cold War. We don't see the descending of a new Iron Curtain, but we have moved back very, very sharply in the wrong direction. We must work with the many Russian democrats still functioning in and out of government, in and out of Parliament, in and out of the business community, to make the dream of a Russian democracy become a reality.

I now turn to my good friend and esteemed colleague, the ranking member of the committee, Ileana Ros-Lehtinen, for whatever comments she might want to make.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. Thank you for holding this important hearing on a very timely topic. I also want to thank our panelists for their patience and the audience as well.

Today it is common to hear talk of failed states and how best to deal with them as potential threats to international stability and to United States security interests, but we don't often hear that phrase mentioned in a discussion about Russia. Allow me to return to that point in a moment.

The breakup of the Soviet Union in 1991 was one of the most significant events of the last century. We knew at the time the challenge of transition in Russia would really be difficult, but we had real reasons to be optimistic that Russia, with its educated citizens and its extraordinarily abundant natural resources, would make significant progress toward democracy, toward open markets.

There was also great optimism stemming from the belief that with the Cold War over Russia and America would reap many benefits from joining together to help stabilize a world that was bound to change in many ways.

Some would argue that at the onset of this post Cold War period we did not fully appreciate the extent to which those vying for power within Russia would use corrupt privatizations and manipulate criminal proceedings to take control of vast natural and industrial wealth of Russia.

Looking back, it appears that average Russians began to associate American supported and funded reform efforts with deprivation and government corruption and began to suspect American motives behind those reforms.

Corrupt officials in Russia fanned the flames of resentment by using nationalistic rhetoric to turn away from the continuing theft of resources and manipulation of ownership of major Russian companies, and it appears that as tough Russian foreign policy rhetoric increased, Russian democracy suffered.

Over the past decade, by some accounts as the chairman pointed out, dozens and dozens of independent Russian reporters have been murdered or have died under mysterious circumstances. Almost all of them were reportedly investigating government corruption.

Meanwhile, the Kremlin continues to pursue a foreign policy that appears designed to create more difficulties for the United States and its allies around the globe. Russia continues to assist Iran's nuclear program and to sell highly advanced arms to Iran and Syria and possibly Sudan.

As Russia objects to a limited defense missile system in Europe, it supplies Iran with missile technology that enhances the Iranian regime's ability to threaten not only Israel and the United States' interests in the Middle East, but to strike at the very heart of Europe.

Russia has tried to impose energy or trade blockades on neighboring states and to extend its control over energy resources by proposing a gas cartel. It refused to remove its troops from Moldova and still supports separatist regions in Georgia.

But what are the long-term trends? Perhaps the answer lies with developments inside Russia. First, outside of the major cities Russia remains a vastly underdeveloped country. Secondly, Russia's population is in decline, and the minority Muslim population is on the rise, reported to be wary of the Russian Government in the wake of its brutal tactics in Chechnya and filled with young people who may be susceptible to extremist Islamic philosophies.

Lastly, there are continuing reports of large-scale corruption within the Russian Government. In the late 1980s, it was hard to believe that the mighty Soviet Union would fall apart. We later realized that we had failed to fully appreciate the warning signs.

In the 1990s, we realized too late how corruption was undermining democratic and economic reform within Russia, and today at the start of the 21st century are we again failing to appreciate what is truly happening in Russia and the implications for us and the whole world?

What will the impact be if large-sale corruption continues over the coming years? How will Russia deal with its falling population

and the rising Muslim minority? If the circle around the Russian President loses its hold on power after his departure from office, will another group rise up only to redistribute the wealth yet again?

I thank you, Mr. Chairman, for having our panelists address these and many other important issues. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much.

I will ask for my colleagues' indulgence. Our witnesses have been waiting 3 hours, so we will dispense with opening statements.

I am delighted to introduce Dr. Stephen Sestanovich, who is one of America's distinguished scholars on Russia. We are very pleased to have him here sharing his expertise with us.

He is currently the George Kennan Senior Fellow for Russian and Eurasian Studies at the Council on Foreign Relations and a distinguished professor at Columbia University.

From 1997 to 2001, he served as U.S. Ambassador-at-Large and special advisor to the Secretary of State for the newly independent states. In this role he was responsible for State Department policy toward the states of the former Soviet Union.

Prior to that he held high posts at the Carnegie Endowment for International Peace and at the Center for Strategic and International Studies. He served on the National Security Council during the second term of President Reagan. He has authored a number of important publications on Russia and the former Soviet Union.

We are delighted to have you, Dr. Sestanovich. You proceed any way you choose.

STATEMENT OF STEPHEN SESTANOVICH, PH.D., GEORGE F. KENNAN SENIOR FELLOW FOR RUSSIAN AND EURASIAN STUDIES, COUNCIL ON FOREIGN RELATIONS

Mr. SESTANOVICH. Thank you, Mr. Chairman, for that introduction and for your invitation to participate in this meeting and to hear your reflections on these issues as well.

With Presidential elections approaching in both countries, in both Russia and the United States, this is an——

Chairman LANTOS. Could you pull the mic a little closer?

Mr. SESTANOVICH. Yes. With Presidential elections approaching in both countries, this is an excellent moment to review relations between them.

I have a prepared statement that I hope can be introduced into the record.

Chairman LANTOS. Without objection.

Mr. SESTANOVICH. I also have copies of the report of the Council on Foreign Relations Task Force on U.S. Policy Toward Russia chaired by two distinguished former Members of Congress, and I will make these available to you as well.

Mr. Chairman, everyone recognizes, as you said, that Russian-American relations have deteriorated badly. There is no more talk of a near alliance we heard 5 years ago.

Our Ambassador to Russia acknowledges that the relationship is no longer a strategic partnership, and this week President Putin and Secretary Rice agreed—it seems they agreed on little else—that it was necessary to cool the rhetoric. Just a week after Presi-

dent Putin had compared the United States to the Third Reich, I think this is a good idea.

Mr. Chairman, let me make three brief points in these opening remarks if I might. First, I have described the deterioration in Russian-American relations with almost no reference to domestic politics, to the antidemocratic trends of Russia's internal system.

I have done this partly because I was told Professor McFaul and Mr. Satter would discuss these topics brilliantly, but even more because I frequently heard it said that disagreements about democracy are the only big problem in Russian-American relations.

Some Russian officials suggest that problems in Russian-American relations all stem from an American propensity to interfere in other countries' affairs. In this view, our interests could align. It is just that our values are unnecessarily temporarily at odds.

My view is that the deterioration of Russian-American relations is more far-reaching and that it encompasses both interests and values. It is clear when you look at Russian-American relations today that there are both positive and negative elements and some very positive elements I would say, but the dividing line between the two is not between traditional foreign policy interests and domestic political values. For this reason, reviving Russian-American relations may be a formidable task.

Moreover, it is not just an American problem. This week, after his meeting with Secretary Rice, President Putin will meet with Chancellor Merkel of Germany, which no one accuses of having a highly ideologized busy-body foreign policy, but from all indications their meeting will be very bad too, dominated by tension and disagreement and on a very wide range of issues, so this deterioration that we see is being experienced by other countries as well.

Secondly, prescriptions for how to revive Russian-American relations sometimes suggest that we can divide issues into first tier, high priority security concerns and focus on these while paying less attention to everything else.

The effort to keep Iran from acquiring nuclear weapons, which you referred to, Mr. Chairman, is often given as the prime example of a first tier concern, and nuclear issues more broadly might fit this description. Mr. Chairman, we can't afford to take our eye off issues like these that directly threaten American security.

Unfortunately, the recent deterioration of Russian-American relations suggests how illusory it would be to think we can focus on high priority issues where Russian and American interests might converge. The issues that we might try to treat as peripheral keep taking center stage.

Consider the problem of a Kosovo settlement. What is involved here is not something minor, but the possibility of renewed ethnic violence in the Balkans, which twice involved the United States in military activities in the 1990s.

How the United States and its European allies address the question of defending against new missile threats is what is at stake in the controversy over plans to put a tracking radar and interceptors in Poland and the Czech Republic.

This is not a small concern either. Nor is the problem raised by Russian intimidation of small neighbors like Estonia, after all an

American ally, or Georgia, which wants to become an American ally.

Recent events also raise questions about whether we and the Russian Government see energy security the right way, so I believe that the issues that are sometimes spoken of as peripheral in Russian-American relations are intruding on center stage for a reason. They are not of peripheral importance.

Secretary Rice describes our relationship as a big, complicated relationship, and she is right. It obliges us to deal with a full agenda of important problems when we agree and when we don't.

Finally, Mr. Chairman, if I could make a third point. The number of issues that we have to deal with and the disagreements surrounding them might suggest that resurrecting Russian-American relations will be a very long-term enterprise. Many Russian commentators certainly describe it that way. They say Russia is re-examining its relations with the United States and Europe across the board to see where agreements reached over the past 20 years have been contrary to Russian interests.

Russian domestic politics they say rewards a confrontational foreign policy more than a constructive one. To get through this period, Russian-American policy will have to combine two things. First, a readiness to sustain cooperation where we can, to consult, to let experts study problems to death, to lower the confrontational temperature, to make sure that we address common interests where we can.

Secondly, it requires a readiness to oppose Russian policies that, as George Kennan once put it in a famous phrase, impinge on the interests of a civilized world.

This may be a long process, but I would close on a hopeful note. The electoral calendars of both countries offer the possibility of a fresh start in which the results of recent policy can be more critically evaluated.

Mr. Chairman, the thinking that you and your colleagues do on this subject may not pay off this year, but it can create new opportunities for both countries a year or 2 down the road.

Thank you very much.

[The prepared statement of Mr. Sestanovich follows:]

PREPARED STATEMENT OF STEPHEN SESTANOVICH, PH.D., GEORGE F. KENNAN SENIOR FELLOW FOR RUSSIAN AND EURASIAN STUDIES, COUNCIL ON FOREIGN RELATIONS

RUSSIAN-AMERICAN RELATIONS: PROBLEMS AND PROSPECTS

Mr. Chairman, I appreciate the invitation to discuss Russia and Russian-American relations with you and your colleagues at today's very timely hearing.

Less than a year remains before the end of Vladimir Putin's second term as president of Russia. Many of his countrymen, not to speak of his Kremlin colleagues, are reluctant to see him go, but he seems likely to observe the constitutional limit on two consecutive terms in office. With a change of administration approaching in our own country as well, this is an excellent moment to evaluate the recent record of Russian-American relations and to ask what our future policy toward Russia should be. And it is not just because elections are coming up that we should take stock. It is because relations between Moscow and Washington are changing—and largely for the worse. We need to understand how and why, and what to do about it.

Let me note that two years ago, to address these same questions, the Council on Foreign Relations assembled an independent and bipartisan task force on U.S. policy toward Russia, co-chaired by a former member of this body, Jack Kemp, and a former member of the other chamber, John Edwards. The Task Force's report was

issued a year ago, under the title, *Russia's Wrong Direction: What the United States Can and Should Do*. I commend it to this committee, and have copies available for you today.

Mr. Chairman, had this hearing been held five years ago, your committee would also have heard that Russian-American relations were changing—at that time, for the better. When they met in Moscow in mid-2002, President Bush and President Putin could justly claim that they had created a bilateral relationship marked by greater mutual confidence, greater symmetry of goals and expectations, and greater practical cooperation than Russia and the United States had ever enjoyed. And they could count on far greater domestic support for such cooperation than we had seen before.

Mr. Bush and Mr. Putin created a relationship that some of their advisers thought might become a near-alliance. But it didn't last. What has taken its place is much harder to describe. Calling it a "new Cold War" is clearly wrong, and (if you will forgive me for criticizing the title of today's hearing) speaking of a re-built "Iron Curtain" is also very far from the mark. Whatever terms we use, however, we have to recognize the real deterioration that has taken place. Compared to five years ago, Russian-American relations are based on less mutual confidence, fewer shared goals and expectations, less cooperation, and—this is particularly important—less support in both countries for such cooperation.

One distinguished Moscow commentator goes so far as to say that Russia has become a "revisionist" power. This term does not refer—at least, not yet—to territorial grievances, but to a broad sense of dissatisfaction with the agreements reached, and the arrangements put in place over the past twenty years, while Russia was allegedly too weak to defend its interests effectively. In this view, a period of tension lies ahead, in which Russia re-examines these arrangements, and tries to decide which ones it wants to challenge.

In weighing our relations with Russia, the pessimists have had the upper hand for some time now. There are good reasons for this, but they should not lead us to think that all the positive elements of Russian-American relations have been lost. Our outstanding ambassador in Moscow, Bill Burns, made this point last March when he said that although Russia and the U.S. may no longer have a "strategic partnership," they can be partners on "key strategic issues." This is a nice distinction—and a sound policy.

Perhaps the policy's most notable recent success has been Russian-American agreement on (admittedly, very limited) sanctions against Iran in response to its stand-off with the International Atomic Energy Agency. There have been other achievements as well. In the past year, the United States and Russia renewed the umbrella document governing the bilateral Cooperative Threat Reduction (known as the Nunn-Lugar) program. They opened negotiations on a so-called "123 agreement"—which will create a legal framework for civil nuclear cooperation. In November, Presidents Bush and Putin were able to announce the successful conclusion of long and often contentious bilateral talks on Russia's accession to the World Trade Organization. Most recently, the two sides agreed to renew an official dialogue on "strategic security," in which they will focus on the expiration (in 2009 and 2012) of two treaties on long-range nuclear weapons.

Meanwhile, economic ties between Russia and the U.S. continue to deepen. Last year, American investment in the Russian economy increased by 50%; it is now twice what it was three years ago. Exports to Russia, just under $5 billion, have gone up roughly 20% in each of the last three years. (Let me put this increase in comparative perspective: the United States now exports more to Russia than to Costa Rica, and before long may export even more than we do to the Dominican Republic.)

No assessment of Russian-American relations can ignore these positive trends; they help us respond to important global problems and to advance important national interests. At the same time, it is essential to recognize that Russian-American frictions—both specific disagreements and a more general tension—are also growing. It was only last week, after all, that President Putin, implicitly but unmistakably, compared the United States to the Third Reich. (Please pay no attention to the *pro forma* denials: Mr. Putin clearly wanted to make the comparison *and* to be able to deny that he had done so.) And it was only a week earlier that an angry and sometimes violent mob in Moscow was allowed to mount a multi-day siege of the embassy of Estonia, a treaty ally of the United States, while the police stood idly by.

Unfortunately, the negative developments of this month do not stand alone. In April, President Putin announced that Russia would suspend its observance of the treaty on conventional forces in Europe, negotiated in 1990, and revised in 1999, under American leadership. He also continued a campaign of—to my mind, spu-

rious—charges that, in planning the thinnest imaginable shield to protect Europe against a future Iranian missile capability, the U.S. is threatening Russian security. Other Russian officials have suggested that they may want to pull out of the treaty on intermediate-range nuclear missiles signed in 1987 by Ronald Reagan and Mikhail Gorbachev.

Such hints have been increasingly frequent since President Putin's famous address to a conference of defense officials and experts in Munich in February. That speech was a long and comprehensive attack on the United States, not only on its security policies, but on what he labeled "the economic, political, cultural and educational policies it imposes on other nations." What Mr. Putin said in Munich was, in turn, an elaboration of complaints that he made last summer, in which he referred to the U.S. as "Comrade Wolf." And those remarks seemed to be a response to tough comments by Vice President Cheney a few months earlier, in which the latter accused Russia of internal repression and of using energy as a tool of political coercion.

The deterioration of Russian-American relations can sometimes look like a bad case of dueling speeches. Unfortunately, it has more far serious real-world consequences than that. When Russian diplomats warn that they may veto a plan—supported by the United States and most European governments—to resolve Kosovo's status (as envisioned eight years ago in U.N. Security Council Resolution 1244), they are increasing the chances of renewed ethnic conflict in the very short term. When other Russian officials discourage dialogue between the government of Georgia and the authorities of the separatist province of Abkhazia—or, worse, when they give the go-ahead for helicopter attacks on Georgian territory—they make it hard for Russia's neighbors to find a path to stability and internal reconciliation.

Mr. Chairman, I have focused on Russian-American disagreements and tensions in 2007 alone. But a look at 2006 would reveal very similar themes. That was the year when, after making energy security a *leitmotif* of the G–8 summit in St. Petersburg, the Russian government began restricting the operations of Western energy companies in Russia; when Russia cut off natural gas deliveries to Ukraine—and other European customers further down the pipeline route; when the Russian foreign minister publicly suggested that a bizarre confrontation with Georgia had actually been set in motion by instructions from Washington; and when other officials publicly charged that Western NGO's operating in Russia were tools of foreign intelligence services.

Whether one looks at 2007 or 2006, or for that matter 2005, the record of Russian-American relations has been, even with its real achievements, a discouraging one. And it obliges us to worry that five years from now we will have seen not a resurgence of cooperation but a further worsening. It is not hard to imagine how a deeper deterioration might come about. If Russia's "revisionist" frustrations are applied to an ever broader set of issues, if Moscow and Washington find it harder to agree even on the nuclear agenda that now constitutes the solid cooperative core of the relationship, if the re-assertion of state control of the economy keeps Western energy companies out of new projects in Russia, if political contention takes the place of economic cooperation as the heart of Russia's relationship with Europe, if domestic electoral incentives continue to reward politicians who stoke confrontation with Russia's neighbors, if domestic economic opposition continues to slow Russian accession to the WTO, if Russia does not begin to move back into the modern political mainstream—if enough of these negatives outcomes materialize, Russian-American relations are likely to be even less productive five years out than they are now.

It does not have to happen this way. New leaders will take office before long in both countries, and they will have a chance to re-assess present policies. In Russia, President Putin's treatment of neighbors will eventually get a more critical look from public commentators and government strategists—and will probably be given the failing grade it deserves. In the U.S., a new administration will have every reason to look critically at our own nuclear and energy policies. By moving them off dead-center, it can generate a more serious dialogue with Moscow than we have had in years.

These are opportunities to be explored in 2009 and 2010. There are, to be realistic, fewer of them that can be explored in 2007 and 2008. Even so, how the Bush administration handles this year's problems can lay the groundwork for a more promising relationship further down the road.

In addressing those issues where Russia claims to find U.S. policy threatening, we need the kind of transparency that Secretary Rice and Secretary Gates have proposed: a full, technical, stupefyingly-detailed airing of our plans by experts and policymakers alike. On those issues, by contrast, where we and our allies find *Russian* policy threatening, the Administration's firmness—both substantive and symbolic—is also exactly right. In the U.N Security Council's deliberations on Kosovo, Russia

should feel alone—because it is alone. And in the Oval Office, when President Ilves arrives from Tallinn to meet President Bush at the end of next month, Estonia should not feel alone—because it is not.

To set our relationship with Russia on a more productive course over the next five years, the U.S. needs to send a two-part message. We do not shy away either from consultation and cooperation where they are possible or from disagreement and even opposition where they are necessary. Unless both parts of this message are delivered, the presidents who succeed Mr. Putin and Mr. Bush will have little chance of salvaging the hopeful relationship their predecessors once tried to build.

Thank you.

Chairman LANTOS. Thank you very much, Dr. Sestanovich.

Professor Michael McFaul is one of our foremost scholars of modern Russian. He has co-authored and edited several books on the subject, including one, *Between Dictatorship and Democracy: Russian Post-Communist Political Reform*.

He is the director of the Center on Democracy Development and Rule of Law at Stanford University. He is also a Senior Fellow at the Hoover Institution where he co-directs the Iran Democracy Project. He serves on the boards of directors of several think tanks and many organizations involved with international affairs.

We are delighted to have you, Dr. McFaul.

STATEMENT OF MICHAEL McFAUL, PH.D., PROFESSOR, STANFORD UNIVERSITY

Mr. MCFAUL. Thank you, Mr. Chairman. Thank you, Members of Congress, for being here.

I am actually not pleased to be here though, I want to tell you, because I prepared a very long statement which I am not going to try to summarize in 5 minutes, but if you will allow me to put it into the record?

Chairman LANTOS. Without objection.

Mr. MCFAUL. Most of it is very negative. What I want to do is not to go over the things that we all agree upon. In fact, you summarized many of the things I wanted to say already in your opening statement.

But I do want to get at the causes of these things and then suggest at the end a couple of ways to rethink the United States-Russian relationship. So the first part of my remarks is all about the erosion of democracy, and I detail it. I want to emphasize it is a comprehensive strategy that started at the beginning of Mr. Putin's term.

One of the errors I think we had in thinking about Russia is thinking about reform as being some kind of long and winding road. This was just a hiccough along the way. Most certainly if you compare Russia today to the Soviet Union, Russia is a freer place, but that should not be the comparative model that we have in our mind. I think this was evident in 2000. I think it was clearer in 2001, and now I don't think we have to debate it.

What we do need to understand is why it is true, and I think you said it best in the way you structured your sentences. You kept saying he. Mr. Putin did this. Mr. Putin did that. You didn't say Russia did this. You didn't say the Russians do this.

That is a very important distinction because it means that these are actions that are not the reflection of culture or history or the preferences of the people, which I try to document in my statement there is little evidence for that.

It is about a particular leader pushing in a particular way, and that should give us hope because if he can do that in this one way a different leadership at a different time can push it the other way.

Second point on Putin. We all agree about these reforms, but other folks would say well, yes. You know, Mike, this is bad, but this is what is needed as a correction to the reckless, chaotic time of the Yeltsin era, and look at all the fabulous economic growth after all that is happening in Russia today.

On the second point I agree. Russians today are richer I think than at any time in their very long history, and we should acknowledge that. In Table 1 in my prepared remarks I try to show you the statistics. Fabulous. Fantastic.

It has nothing to do with growing autocracy in Russia. There is not a causal relationship, to use some political science jargon, between growing autocracy and this economic boom. It all has to do with sound economic policies taken in 1999 and 2000 and oil prices. I think that is very important.

The second thing that you sometimes hear. Well, we need a strong, more effective state. We heard about the metaphor perhaps of a failed state. That is interesting. I want to talk about that in questions. I don't see a strong, effective state under Mr. Putin either, and I don't see a relationship between growing autocracy and a more effective state.

Two statistics, first on corruption. Corruption has increased tenfold according to a Russian think tank, INDEM, under Mr. Putin. If you think about that, do you know why? Because you sit in Congress.

What are our tools for controlling corruption in a democratic society? It is Congress, hearings like this, independent media, those folks over there, and an opposition political party. That is the most motivated group of people to watch the corruption of the folks in power. Those are three things that don't exist today in Russia.

The second, however, if you get into the numbers, let me just give you one other one. A more effective state you would think might be better at controlling terrorism. Not so. Terrorism has been higher under Mr. Putin than in the last 4 years of Mr. Yeltsin.

What about murder rates? Well, in the chaotic period under Mr. Yeltsin, the average murder rate from 1995 to 1999 was 30,200. A big, bad number. Under Mr. Putin, under this more effective state, it has been 32,200. If I had more time, I would go through systematically what do you want from an effective state and where is the evidence that this is rising in Russia today?

The third part of my remarks is about the erroneous assumptions that we made in the 1990s, Ambassador Sestanovich, but also during the Bush administration in thinking about how to deal with Russia. Three things I think we need to learn so that we don't repeat this.

One is this notion of democratic reform being a long and winding road. No. It is what you have said. Putin is doing concrete things pushing in one way.

Second, interests always trump values. This has been a tired refrain that if we can just talk about interest. It turns out that our values help us define our interest, and the reason why we have so

much tension today over Iran, over Georgia, over Ukraine, Russian attitudes toward foreign investment, is their values, antidemocratic values, are forming the way that they think about their interests. You can't separate the two.

The third misconception is that if you have a good relationship at the top in the current era, but this is a mistake we have made time and time again, between President Bush and President Putin they can solve these problems. I see almost zero evidence of that personal relationship helping to deal with these things.

Finally, how to deal with Russia. I just have a metaphor from the Soviet era, which is dual track diplomacy. This is the way that my colleague, George Shultz, describes in his memoirs how he thought about dealing with the Soviets, which is to say on the one hand we have big issues we need to deal with, and having an agenda that we address it has to be taken on no matter what.

Here I think it is the nuclear issue. It is actually the same issue that Secretary Shultz was dealing with, and I would urge you to embrace his idea and Secretary Perry and others who talk about capturing the idea of a nuclear free world in their latest proposal for how to do this. Russia is central to that.

At the same time, you don't have to check your values to talk about these issues. You have to have another track where you are dealing with the human rights issues that you talked about.

Very concretely for you, two things I think Congress has to do to be serious about it. First, you have to reject the budget that the President has proposed to you. He calls for a 40 percent decrease in money for democracy assistance to Russia. I just don't understand it.

I don't understand how you can justify cutting the money at exactly the time when we all agree, including my colleague, Secretary Rice, and future colleague again. She finally now understands too the trajectory line that we all have agreed here. What signal are you sending to the human rights activists if you cut the budget?

The second thing very concretely is to focus on 2008. Ambassador Sestanovich is absolutely right. This is a pivotal moment. We can provide technology and support to help expose fraud in the selection.

We have done it around the world, through the OSCE, through exit polls, through Russian monitoring groups, and I think, above all else, that is the minimum we have to do at this very critical time in Russia's transition.

Thank you.

[The prepared statement of Mr. McFaul follows:]

PREPARED STATEMENT OF MICHAEL MCFAUL, PH.D., PROFESSOR, STANFORD UNIVERSITY

Thank you, Mr. Chairman, for inviting me to appear before your Committee. It is not an assignment, however, that I do with pleasure. As an eternal optimist, I have for decades been one of those who believed that Russia could make the transition from communism to democracy, a development which in turn would help to integrate Russia into to the West. In the long run, I am still certain of this eventual outcome. In the short run, however, it is obvious that President Putin is building a more autocratic regime, an internal process that in turn has strained Russia's relations with the West.

The appropriate policy response to these new developments is not a return to containment or isolation of Russia. Rather, a more substantial agenda between the

Russian and American governments would create more permissive conditions for democratic renewal inside Russia. A new American policy towards Russia must pursue both—a more ambitious bilateral relationship and in parallel a more long-term strategy for strengthening Russian civil, political, and economic societies, which ultimately will be critical forces that push Russia back onto a democratizing path. As the Bush and Putin administrations wind down, grand new initiatives in U.S.-Russia relations are unlikely to unfold in the next two years. New leadership in both countries in 2008 will open a new window of opportunity to reorient the bilateral relationship along a more constructive path, which in turn will provide a more conducive environment for fostering democratic development inside Russia.

To make the case for this dual track approach for dealing with Russia, my written testimony proceeds in four parts. Section one describes the erosion of democracy under Putin. Section two explains why this more autocratic regime in Russia has not caused economic growth, produced a more effective state, or made Russian citizens more content. Section three outlines three false assumptions made by the Bush Administration about Russia which have impeded the emergence of a more effective U.S. policy towards Russia. Section four offers several concrete policy recommendations for changing the troubled bilateral relationship.

I. THE EROSION OF RUSSIAN DEMOCRACY.

Seven years ago, when President Putin first assumed office, Russian observers could engage in an interesting debate about the future trajectory of Russia's political system. Already in 2000, there were ominous signs that Putin aspired to weaken checks on presidential power and eliminate sources of political and economic opposition. At the same time, back in 2000, defenders of Putin could posit that some of the Kremlin's political reforms were not really antidemocratic, but rather policies aimed at restoring order and stability, that is necessary corrections in response to the tumultuous 1990s.

Today, this debate is over. Among politicians, academics, and pundits in the United States and Europe who follow Russian affairs, the overwhelming majority believe that the Russian regime under Putin is becoming increasingly autocratic. The debate remains regarding the causes, severity, and final destination of this autocratic trajectory, but only the most stalwart defenders of Putin continue to deny the trend line.

Putin did not inherit a consolidated democracy when he became president in 2000, and he has not radically violated the 1993 constitution, cancelled elections or arrested thousands of political opponents.[1] Russia today remains much freer and more democratic than the Soviet Union. Yet, the actual democratic content of the formal institutions of Russian democracy has eroded considerably in the past seven years. Putin has systematically weakened or destroyed every check on his power, while at the same time strengthening the state's ability to violate the constitutional rights of citizens.

Taming the Independent Media. Putin and his government initiated a series of successful campaigns against independent media outlets. When Putin came to power, only three networks had the national reach to really count in politics—ORT, RTR, and NTV. By running billionaire Boris Berezovsky out of the country, Putin effectively acquired control of ORT, the channel with the biggest national audience. RTR was always fully state-owned, so it was even easier to tame. Controlling the third channel, NTV, proved more difficult since its owner, Vladimir Gusinsky, decided to fight. But in the end, he too lost not only NTV but also the daily newspaper *Segodnya* and the weekly *Itogi* when prosecutors pressed charges. NTV's original team of journalists tried to make a go of it at two other stations, but eventually failed. Under control of those closely tied to the Kremlin, the old NTV has gradually come to resemble the other two national television networks. In 2005, Anatoly Chubais, a CEO of United Energy System (UES) and a leader in the liberal party Union of Right Forces (SPS) was compelled to sell his much smaller private television company, REN TV, to more Kremlin friendly oligarchs. Today, the Kremlin controls all major national television networks.

In the first few years of Putin's presidency, the Kremlin seemed content to control national television networks, the main source of news for most Russians. Newspapers, webpages, and even regional television networks were left alone. More recently, however, the reach of the Kremlin has expanded to derail or interfere with print and web media. Most major Russian national newspapers have transferred ownership in the last several years to individuals and companies loyal to the Kremlin. *Novaya Gazeta* is the last truly independent national newspaper. On the radio, *Ekho Moskvy* remains an independent source of news, but even its future is questionable.

Undermining Federalism. Putin also has weakened the autonomy of regional governments. Almost immediately after becoming president in 2000, Putin made reining in Russia's regional executives a top priority. He began his campaign to reassert Moscow's authority by establishing seven supra-regional districts headed primarily by former generals and KGB officers. These new super-governors were assigned the task of taking control of all federal agencies in their jurisdictions, many of which had developed affinities if not loyalties to regional governments during the Yeltsin era. These seven representatives of federal executive authority also investigated governors and presidents of republics as a way of undermining their autonomy and threatening them into subjugation. Putin also emasculated the Federation Council, the upper house of Russia's parliament, by removing governors and heads of regional legislatures from this chamber and replacing them with appointed representatives from the regional executive and legislative branches of government. Regional leaders who have resisted Putin's authority have found elections rigged against them. In the last gubernatorial elections in the Kursk, Saratov, and Rostov oblasts, as well as in the presidential races in Chechnya (twice) and Ingushetiya, the removal of the strongest contenders ensured an outcome favorable to the Kremlin. In September 2004, in a final blow to Russian federalism, Putin announced his plan to appoint governors. Putin justified the move as a means to make regional authorities more accountable and more effective, yet, the overwhelming majority of the newly appointed governors have been the old governors in place before.

Weakening Parliament. In December 2003, Putin made real progress in weakening the autonomy of one more institution of Russia's democratic system—the parliament. After the 1999 parliamentary election, Putin enjoyed a majority of support within the Duma. To make the Duma more compliant, Putin and his administration took advantage of earlier successes in acquiring control of other political resources (such as NTV and the backing of governors) to achieve a smashing electoral victory for the Kremlin's party, United Russia, in the December 2003 parliamentary election. United Russia and its allies in the parliament now control two-thirds of the seats in parliament. In achieving this outcome, the Kremlin's greatest asset was Putin's own popularity, which hovered around seventy percent during the fall 2003 campaign. Constant, positive coverage of United Russia leaders (and negative coverage of Communist Party officials) on all of the Russia's national television stations, overwhelming financial support from Russia's oligarchs, and near unanimous endorsement from Russia's regional leaders also contributed to United Russia's success. For the first time ever, the Organization for Security and Cooperation in Europe (OSCE) issued a critical preliminary report on Russia's 1999 parliamentary election, which stressed "the State Duma elections failed to meet many OSCE and Council of Europe commitments for democratic elections."[2]

Marginalizing Independent Political Parties. Putin and his administration have weakened dramatically independent political parties while at the same time strengthening those parties either created by or very supportive of the Kremlin. The independent liberal parties, Yabloko and the Union of Right Forces, and as well as the largest independent party on the left, the Communist Party of the Russian Federation are all much weaker today and working in a much more constrained political environment than they were during the Yeltsin era. Other independent parties such as the Republican Party headed by Vladimir Ryzhkov and the Popular Democratic Union headed by former Prime Minister Mikhail Kasyanov have not even been allowed to register to participate in elections. Other independent parties and candidates have been disqualified from participating in several local elections for blatantly political reasons. For the 2008 presidential election, Ryzhkov and Kasyanov are two of the opposition's strongest candidates, yet, neither are likely to be on the ballot. These independent parties also face financial constraints as the Kremlin threatens sanctions against potential backers from the private sectors. Mikhail Khodorkovsky's imprisonment sent a powerful message to other businesspeople about the costs of being involved in opposition politics.

At the same time, United Russia—the largest pro-Kremlin party in the Duma—enjoys frequent television coverage and access to generous resources. Just Russia—a Kremlin invention designed to take away vote from the Community Party—also enjoys state and private sector backing. In the last election cycle, the Kremlin helped to create a nationalist party, Fatherland, which preformed surprisingly well in the 2003 parliamentary elections. However, when Fatherland's leaders began acting as independent politicians, the Kremlin quickly replaced the leadership and gutted the organization of it resources, reducing Fatherland today to a marginal political actor.

Weakening Civil Society. In his second term, Putin has even decided that non-governmental organizations (NGOs) are a threat to his power. A new law on NGOs now gives the state numerous ways to harass, weaken and even close down organizations

considered too political. To force independent NGOs to the margins of society, the Kremlin has devoted massive resources to the creation of stated-sponsored and state-controlled NGOs. Perhaps most amazingly, even public assembly is no longer tolerated. Last month, Other Russia—a coalition of civil society groups and political parties—tried to organize public meetings in Moscow and St. Petersburg. Both meetings were disrupted by the presence of thousands of police officers and special forces, and hundreds of demonstrators were arrested. This scale of repression has not occurred in Russia in the last twenty years.

In his annual address to the Federation Assembly in April 2007, Putin struck a xenophobic note when he warned of Western plots to undermine Russian sovereignty. He asserted, "There is a growing influx of foreign cash used directly to meddle in our domestic affairs. . . . Not everyone likes the stable, gradual rise of our country. Some want to return to the past to rob the people and the state, to plunder natural resources, and deprive our country of its political and economic independence." Putin has matched his rhetoric with actions. His government has tossed out the Peace Corps, closed down the office of the Organization for Security and Cooperation in Europe in Chechnya, declared *persona non grata* the AFL–CIO's field representative, Irene Stevenson, in Russia, raided the offices of the Soros Foundation and the National Democratic Institute (NDI), and most recently forced Internews-Russia to close its offices after accusing its director of embezzlement.

While weakening these checks on presidential power, Putin and his administration have not initiated any serious reforms to strengthen other democratic institutions. Most importantly, Russia's judicial system has not become more independent or more professional during the Putin era. And when major political issues are at stake, courts quickly become another tool of presidential power as was the case during NTV's unsuccessful struggle to remain independent or during the arrest and prosecution of Mikhail Khodorkovsky. The Russian government has even pressed for disbarring Karinna Moskalenko, a lawyer who has assisted with Khodorkovsky's defense. More generally, Putin has also increased the role of the Federal Security Service (the FSB, the successor to the KGB) in governing Russia and arbitrarily wielded the power of state institutions such as the courts, the tax inspectors and the police for political ends. The Russian polity evinces considerably less pluralism today than it did in 2000, and the human rights of individual Russian citizens are less secure.

II. AUTOCRACY: NECESSARY EVIL IN POST-REVOLUTIONARY RUSSIA?

Few still try to describe Putin's regime as a democracy, but many justify his actions as a necessary means to other, important ends: economic growth, state capacity, and citizen satisfaction. Without question, compared to ten years ago, there are real positive developments in each of these three categories. And yet, the trend lines in each of these three categories are not only positive, but a mix of good and bad news. More importantly, the cause of the positive developments is *not* growing autocracy.

A Thriving Economy? During Putin's time in power, the Russian economy has grown tremendously, averaging over a 6.5% percent over the last seven years. When compared to a decade of depression in the 1990s, these growth rates are especially impressive. During this same period, the Russian government has produced budget surpluses, eradicated foreign debt, accumulated massive hard currency reserves, and maintained modest rates of inflation. The stock market is also booming and foreign direct investment, while still low compared to other emerging markets, is beginning to rise rapidly compared to the dismal decade after the collapse of the USSR. Average Russians also have enjoyed a substantial increase in living standard. Disposal incomes are skyrocketing, consumer spending is increasing, and unemployment and poverty have declined dramatically. Russians are wealthier today than ever before.

Table One

Positive Economic Trends

	1999	2000	2001	2002	2003	2004	2005	2006
GDP growth (%)	6.4	10.0	5.1	4.7	7.3	7.2	6.4	6.6
Foreign Direct Investment ($mn)	3309	2714	2748	3461	7958	15444	15151	30000
Inflation (CPI, %)	85.6	20.7	18.6	15.1	12.0	11.7	10.9	9.7
Budget Balance (% GDP)	–3.6	0.8	3.0	1.4	1.7	4.3	7.5	7.4
Foreign Currency Reserves ($bn, incl. gold)	12.5	28.0	36.6	47.8	76.9	124.5	182.2	303.0
Stabilization Fund ($bn)	—	—	—	—	—	18.7	42.9	90.2
Stock Market Index (RTS Index; rubles)	175.3	143.3	260.1	359.1	567.3	614.1	1125.6	1921.9
Real income per capita (annual % change)	–11.9	13.4	10.0	10.8	14.6	11.2	9.3	10.0
Unemployment (%)	12.4	10.7	9.1	8.0	8.3	8.13	7.58	6.6
Poverty (% population)	41.5	29.0	27.3	24.2	20.6	17.8	15.8	14.5

(Sources: World Bank, Goskomstat, IMF, RIA Novosti, RTS Index, EBRD, Economist, other news sources)

In his first term, Putin initiated several important economic policies that in the margins have contributed to some of the economic success. For instance, Putin and his government introduced a 13 percent flat tax, a major reduction in the corporate tax and the creation of a stabilization fund in which to park much of the windfall revenues from soaring energy prices. These reforms, however, did not drive economic growth in Russia over the last several years. Instead, the devaluation of the ruble in August 1998 first jumpstarted Russian agricultural and industrial production, and then rising energy prices, beginning in 1999, ultimately fueled Russia's economic turnaround in this decade.

To the extent that Putin's economic policies contributed at all to economic growth, they did not require antidemocratic reforms to be implemented. More broadly, it is very difficult to identify a causal relationship between growing autocracy and economic growth in Russia. The authoritarian contributions to political stability, and therefore economic growth, are very difficult to isolate from the more general stabilizing effects of skyrocketing energy revenues, sound macroeconomic policy and the retirement of an erratic, unhealthy Boris Yeltsin. Would the Russian economy have grown more slowly had NTV been allowed to operate as an independent television network? Has Putin's appointment of governors (as opposed to their election) produced any positive effect on regional investment patterns? And most absurdly, how does the detention of Garry Kasparov and his associates contribute to political stability or economic growth?

In fact, if the correlation between growing authoritarianism and economic growth may have been innocuous in the first part of the decade, there are now signs that a causal relationship does exist and that it is negative. Most strikingly, Putin and his Kremlin associates have used their unconstrained political powers to redistribute some of Russia's most valuable properties. The seizure and then reselling of Yukos assets to state-owned Rosneft was the most egregious act of state-led redistribution, which not only destroyed value in Russia's most profitable oil company, but slowed investment (foreign and domestic) and spurred capital flight. State pressure also compelled the owners of the private Russian oil company, Sibneft, to sell their stakes to the state-owned Gazprom in 2005. Royal Dutch Shell also was pressured to sell a majority share to Gazprom in its Sakhalin-2 project in Siberia. In parallel with other sales, these assets transfers have transformed a once private and thriving energy sector into a state-dominated and less efficient part of the Russian economy.[3] The remaining three private oil producers—LUKoil, TNK–BP and Surgut—all face varying degrees of pressure to sell out to Putin loyalists. Under the banner of a program called "national champions," Putin's regime also has directed the redistribution of major assets in aerospace, automobile and heavy machinery in-

dustries in a way that reasserts state control. Ownership is also becoming much more concentrated.

This unconstrained Russian state also has destroyed Western wealth and discouraged investment by arbitrarily enforcing environmental regulations against foreign oil investors, shutting out foreign partners in the development of the Shtokman gas field, and denying a visa to the largest portfolio investor in Russia, British citizen William Browder.

During this same period, according to the Russian think tank INDEM, corruption has increased tenfold, from $31 billion in 2001 to $319 billion in 2005. Russia's ranking on economic competitiveness, business friendliness, and transparency have all fallen in parallel to the rise of autocracy. In 2006, Transparency International ranked Russia 121st out of 163 countries on corruption, putting Russia between the Philippines and Rwanda. Russia ranked 62 out of 125 on the World Economic Forum's Growth Competitive Index 2006, a fall of nine places compared to 2005. On the World Bank's "Doing Business" Index 2006, Russian ranked 96 out of 175.

Despite the rise of this predatory state and the subsequent decline of secure property rights, the Russian economy has continued to grow, but mainly because of high world energy prices. And strikingly, even with Russia's resource advantages, Russian growth rates under Putin hover well below the region's average. In 2000, the year Putin was elected president, Russia had the second-fastest growing economy in the post-Soviet space, behind only gas-rich Turkmenistan. In 2005, as shown in Table 2, Russia fell to 13th in the region, outpacing only Ukraine and Kyrgyzstan, both of which were recovering from "color" revolutions.

TABLE TWO

REAL GDP GROWTH, %, 1999–2006

Country	1999	2000	2001	2002	2003	2004	2005	2006	Average	Rank
Turkmenistan	16.5	18.6	20.4	15.8	17.1	14.7	9.0	9.0	15.1	1
Azerbaijan	11.4	6.2	6.5	8.1	10.4	10.2	24.3	31.0	13.5	2
Armenia	3.3	6.0	9.6	13.2	14.0	10.5	14.0	13.4	10.5	3
Kazakhstan	2.7	9.8	13.5	9.8	9.3	9.6	9.7	10.6	9.4	4
Tajikistan	3.7	8.3	10.2	9.1	10.2	10.6	6.7	7.0	8.2	5
Latvia	4.7	6.9	8.0	6.5	7.2	8.6	10.2	11.9	8.0	6
Estonia	0.3	10.8	7.7	8.0	7.1	8.1	10.5	11.4	8.0	7
Belarus	3.4	5.8	4.7	5.0	7.0	11.4	9.3	9.9	7.1	8
Russia	6.4	10.0	5.1	4.7	7.3	7.2	6.4	6.7	6.7	9
Ukraine	-0.2	5.9	9.2	5.2	9.6	12.1	2.7	7.1	6.5	10
Georgia	3.0	1.9	4.7	5.5	11.1	5.9	9.6	9.0	6.3	11
Lithuania	-1.5	4.1	6.6	6.9	10.3	7.3	7.6	7.5	6.1	12
Uzbekistan	4.3	3.8	4.2	4.0	4.2	7.7	7.0	7.2	5.3	13
Moldova	-3.4	2.1	6.1	7.8	6.6	7.4	7.5	4.0	4.8	14
Kyrgyz Republic	3.7	5.4	5.3	0.0	7.0	7.0	-0.2	2.7	3.9	15

During Putin's second term, the government has all but abandoned the pursuit of liberal economic reforms, because oil revenues have undermined the government's will for reform. Putin's liberal economic advisor Andrei Illarionov resigned in protest, becoming one of the regime's most vocal critics.

A more democratic Russia would have grown even faster. The strengthening of institutions of horizontal accountability, such as a real opposition party, a genuinely independent media or a court system not beholden to Kremlin control, would have helped to tame corruption, secure property rights, and thereby encourage investment and even more substantial economic growth.

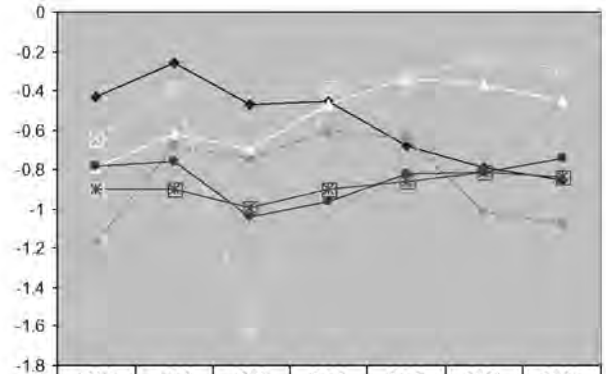
A More Effective State? There can be no question that the Russian state under Putin is bigger and is more powerful in certain spheres of activity. There also can be no question that Russian citizens perceive the state to be more stable, a condition that most admire. Yet, is growing autocracy a necessary condition for producing a more effective state in Russia? Such a relationship is most certainly not true around the world, as there are dozens of autocracies with very weak states, and dozens of democracies with very strong states. In the Russian case, the assumed positive relationship between growing Russian autocracy and stability is not so apparent. Decision-making within the Russian state has become more centralized and the size of

the state, measured as the number of federal employees, has nearly doubled from roughly 700,000 employees at the end of the Brezhnev era to 1.5 million today. But it is not obvious that the Russian state has become any more effective in providing basic public goods as a result.[4] As to security, the most basic good that the state should provide, the number of terrorist attacks in Russia has increased substantially in this decade compared to the Yeltsin era. The second Chechen war is now in its seventh year, with no end in sight, rather there are signs that the conflict is spreading beyond Chechnya's borders. The murder rate in Putin's Russia has also increased: between the "anarchic" years of 1995–99, the average annual number of murders was 30,200, while during the "orderly" years of 2000–04 the number was 32,200. In this decade, Reporters Without Borders has counted 21 journalists murdered in Russia, including in October of last year, Anna Politkovskaya, Russia's most courageous investigative journalist. Russia ranks as one of the most dangerous places in the world to be a journalist.

More general trends in governance, as measured by the World Bank, show some positive signs over the last ten years, especially in regulatory quality and government effectiveness. These positive trajectories, however, started before the Putin era. During his time in office, the other World Bank governance indicators are either flat or negative.

TABLE 3

TREND OF GOVERNANCE INDICATORS IN RUSSIA, 1996–2006



	1996	1998	2000	2002	2003	2004	2005
Voice and Accountability	-0.43	-0.26	-0.47	-0.45	-0.68	-0.79	-0.85
Political Stability/No Violence	-1.17	-0.68	-0.74	-0.6	-0.64	-1.02	-1.07
Government Effectiveness	-0.79	-0.62	-0.7	-0.47	-0.34	-0.37	-0.45
Regulatory Quality	-0.64	-0.39	-1.64	-0.38	-0.34	-0.23	-0.29
Rule of Law	-0.9	-0.9	-0.99	-0.9	-0.86	-0.81	-0.84
Control of Corruption	-0.78	-0.76	-1.04	-0.96	-0.82	-0.81	-0.74

Of course, just as giving Putin credit for Russia's growing economy is silly, blaming Putin personally for these negative governance trends is also unfair. However, if Putin is trying to build a more effective state, his autocratic reforms do not appear to be contributing to that goal.

Happier People? The end of communism in the Soviet Union triggered a level of economic and political dislocation rivaled only by what transpired in France after 1789 or Russia in 1917. In addition to trying to create new political and economic institutions in the wake of communism's collapse, Russian leaders also faced a third challenge of defining new borders. Whatever the positive consequences that revolutions generate in the long run, there is no doubt that they are terrible periods to live through for the majority in the short run. Inevitably, all societies enduring revolutionary change eventually yearn for stability. By the end of the 1990s, especially after the August 1998 financial crash, Russians desperately wanted the revolution to end.

Putin came along just at the right time to get credit for ending this revolutionary period. First and foremost, the 1998 financial crash compelled tight fiscal policy and

responsible monetary policy, which in combination with a devalued ruble and soaring energy prices, finally generated positive economic growth in Russia for the first time since independence. Putin had nothing to do with these policies, but his timing for taking credit for these positive changes was perfect. He also stepped in as prime minister in the summer of 1999 to take charge of a weak government and fill in for an ailing president just as Russia was under attack from Chechen rebels and alleged Chechen terrorists. Putin appeared to take charge of the war, repelling the Chechen rebels who had invaded neighboring Dagestan and then ordering Russian soldiers back into Chechnya.

The economy, political stability, and national security all seemed to be improving with Putin's arrival as prime minister and then president. Consequently, Putin's popularity soared. His approval ratings have hovered above seventy percent ever since, an accomplishment few elected or unelected leaders can claim in the seventh year in office. To be sure, Putin's control of the media and stifling of the opposition helps enormously in maintaining his positive ratings. Yet, many other dictators around the world have the same level of control over their media and political institutions and yet do not maintain such high approvals ratings. There should be no doubt that today a greater number of Russian citizens are happier about their personal well-being and more satisfied with their president than they were seven years ago.

The sources of Russian stability and economic growth—that is, those outcomes most valued by Russian citizens—have had little to do with growing autocracy. Again, soaring oil prices—a consequence of the world economy and not Putin's policies—would have delivered the same economic windfalls to anyone in the Kremlin at the time and any kind of regime in place to rule Russia at the time.

Moreover, when public opinion surveys are examined closely, one sees very strong support for Putin personally, but much weaker support for his political reforms and policies. Super majorities still believe that political leaders should be elected. Initially, most Russian did not endorse Putin's decision to appoint, rather then elect, governors. Likewise, solids majorities value an independent media, checks and balances between parliament and the president, and a balance of power between federal and local governments. The word "democracy" assumed pejorative connotations during the 1990s when the word became associated with economic depression, state collapse, and in Yeltsin's second term, feckless leadership. Consequently, Russians embrace of democracy as the best political system is low compared to world averages. Nonetheless, over fifty percent still believe that democracy is better than any other system of government, while only a third of Russian citizens disagree.

Two factors explain the gap between Putin's personal approval ratings and these lower levels of support for his policies. First, most Russians do not perceive Putin as rolling back democracy. After all, the formal institutions of democracy, including elections, are still in place. Second, democracy is not assigned a high priority for most Russians today.

III. ERRONEOUS ASSUMPTIONS OF THE BUSH ADMINISTRATION

For many years, President Bush and some members of his foreign policy team downplayed the significance of these anti-democratic trends in Russia.[5] Three major assumptions shaped the Bush's Russian policy: (1) Putin's anti-democratic moves were a logical and temporary response to the anarchy of the 1990s, but the long-term trend in governance were still positive; (2) even if Putin did not share our values, he was a rational pragmatist with whom we could do business, and (3) Bush's close personal relationship with Putin could be leveraged when needed to persuade the Russian president to do the right thing. To varying degrees, all of these assumptions have now proven to be erroneous.

Democratic Reform Is a Long and Winding Road. Putin began to weaken democratic institutions well before President Bush came to office. As a presidential candidate, Bush recognized these negative developments and criticized the Clinton Administration for not doing more to recognize and stop these autocratic trends.[6] Once in office, however, Bush and his closest Russian advisors changed their tone and adopted (at least rhetorically) a longer term perspective on Russia's political trajectory. Compared to the Soviet Union, Bush officials argued, Putin's autocracy innovations look tamed. More generally, it is hard to argue with the observation that Russians today still enjoy individual freedoms to a degree well beyond almost all previous generations of Russian citizens. Putin apologists within the Bush administration also contrasted his "orderly" government with the alleged chaos of the Yeltsin era. Finally, Putin defenders within the American government emphasized that democratic reforms take time, just as they did in the United States.

This analysis of Russian internal affairs was deeply flawed. Democratic reforms do take time. But making such claims about the long term future should in no way excuse short-term detours. It was Putin and his policy preferences—not Yeltsin's failures, modernization trends, Russian history, or Russian culture—that determined the shape and scope of Russia's new autocratic regime. This outcome was neither predetermined by structural forces that predated Putin nor is this current interregnum in democratic development a *necessary* step towards deeper, more lasting democracy. Thankfully, this kind of rationalization for Putin's policies is no longer part of the Bush Administration's analysis. As Condoleezza Rice bluntly and correctly stated earlier this month, "Everybody around the world, in Europe and the United States, is very concerned about the internal course that Russia has taken in recent years." [7] One can only wonder if the Administration would have been more effective in trying to impede autocratic consolidation in Russia had they reached this conclusion earlier in the decade.

Interests Always Trump Values. While Putin's systematic dismantling of democratic institutions gained momentum, Bush and some of his advisors emphasized Putin's pragmatism in foreign policy matters. Regarding other parts of the world, Bush argued that promoting freedom and liberty would make the United States safer. Regarding Russia, however, Bush administration officials presumed that regime type would not affect Russia's foreign policy behavior.

On some issues of mutual interest to the United States and Russia, Russia's autocratic drift internally does not seem to have much impact. For instance, Russia's position on Iran has remained fairly consistent over the last ten years. Likewise, Russia would have sided against the United States regarding the decision to invade Iraq no matter who ruled in the Kremlin and what kind of political regime was in place.

At the same time, there is a new grand strategy in Russian foreign policy that is anti-American, anti-Western, non-cooperative, and confrontational. Unlike either Gorbachev or Yeltsin, Putin understands the world primarily in zero-sum terms, especially when dealing with the United States. For two decades, integration into the West was the central objective of Soviet and then Russian foreign policy; making internal political changes—i.e. democratization—was accepted as the price of admission into the West's clubs. Putin has a different approach. Because he does not aspire to mold Russia's political system into a Western-style democracy, he cares far less about Western opinions and Western conditions for membership into Western clubs. Instead, his framework for understanding the world has more in common with Khrushchev or Brezhnev than Gorbachev or Yeltsin. As he declared in the annual address to parliament earlier this year, he believes that the United States is sending agents into Russia to foment "instability." In his speech earlier this month commemorating the Soviet Union's victory in World War II, Putin seemed worried about the rise of another world power intent on dominating the world: "The number of threats is not decreasing. They are only transforming and changing the guise. As during the Third Reich era, these new threats show the same contempt for human life and claims to world exclusiveness and diktat." These are not the words of a pragmatic realist, seeking to do deals with American and European leaders. These are the words of a paranoid leader, who seems to need external enemies as a means for creating domestic legitimacy.

Likewise, Russian sanctions against Georgia, transportation delays of goods and people going into Estonia, and energy disruption with Ukraine are not components a pragmatic foreign policy, but rather policies that actually damage Russian economic interests and international reputation. The rhetoric and actions echo the thinking and strategies of earlier autocrats who ruled Russia. Such behavior does not reflect the norms that usually regulate relations between democracies. As Estonian President Toomas Hendrik Ilves commented, in response to the Russian decision to halt oil shipments to Baltic Sea ports, attacks on Estonia government websites, and the physical harassment of Estonia's ambassador to Russia by the pro-Kremlin youth group, Nashi, all in reaction to Estonia's decision to remove a Soviet era war monument, "It is customary in Europe that differences, which do, now and then, occur between states, are solved by diplomats and politicians , not on the streets or by computer attacks." [8]

The Bush-Putin Friendship. Since the very first months of his presidency, President Bush made a calculated decision to try to befriend President Putin. At their very first meeting in Slovenia in June 2001, Bush bent over backwards to make Putin feel comfortable. That's when Bush famously looked into Putin's soul and saw a man he "to be very straightforward and trustworthy." [9] Ever since then, Bush and his administration have touted this close, personal relationship as an indispensable mechanism for dealing with difficult issues in U.S.-Russia relations.

For outside observers, the true nature of this presidential friendship is difficult to assess. What is clear is that Bush has not persuaded his friend Putin to make any positive steps towards democracy. Regarding international affairs, Putin pursues polices that he believes serve Russia's national interests, with little attention paid to American interests. He most certainly has not done Bush many favors regarding foreign policy. And Putin's rhetoric regarding the United States does not sound very friendly. Perhaps time will reveal that the Bush-Putin friendship did indeed yield levels of cooperation between the United State and Russia that would not have been possible otherwise. To date, however, the public record supporting such a claim is thin.

IV. A DUAL-TRACK AGENDA FOR RENEWAL

Some Americans cite the roll back of democracy inside Russia and the dismal record of achievement in U.S.-Russia relations over the last several years to argue for a new policy of containment and isolation towards Russia. This is the wrong conclusion. In the last years of the Bush and Putin administrations, serious change in the bilateral relationship is unlikely to occur. Instead, avoiding further confrontation, diffusing rhetorical flurries, aiding Russia's embattled democrats, and confronting Russia's bullying of its neighbors must remain the focus. For Congress, pursuing such a policy of status quo maintenance does not include cutting the Freedom Support Act funding by 40 percent, as had been recommended by the Bush Administration in the 2008 budget. Instead, Congress should embrace the analysis and policy recommendations of the "Russian Democracy Act of 2002" (Public Law 107–246, 107th Congress) and continue to support the development of Russian civil society. Congress also should provide increased support to help consolidate democracy in Georgia and Ukraine. Faltering democracy in either of these two countries will send a terrible signal to democratic forces throughout the region, as well as to democrats inside Russia.

New leaders in the Kremlin and the White House will create an opportunity to start anew. The most effective American strategy to help slow Russia's democratic deterioration is not isolation, containment, or confrontation, but rather deeper engagement of both the Russian government and Russian society. The United States does not have enough leverage over Russia to influence internal change through coercive means. Only a strategy of linkage is available. A more substantial agenda at the state-to-state level would create more permissive conditions for greater Western engagement of Russian society. A new American policy towards Russia must pursue both—a more ambitious bilateral relationship and in parallel a more long-term strategy for strengthening Russian civil, political, and economic societies, which ultimately will be critical forces that push Russia back onto a democratizing path.

Towards a Nuclear Free World. Central to rekindling a grander U.S.-Russian relationship must be a recommitment to the goals of the Non-Proliferation Treaty: an end to all nuclear weapons. As the first two nuclear powers and the two countries with the largest nuclear arsenals, Russia and the United States must provide international leadership in reducing the number of nuclear weapons in the world to the lowest number possible. Accelerating the dismantlement of nuclear weapons, perhaps even with the aid of a new treaty, would be one way to generate a new atmosphere of cooperation between Russia and the United States and help the United States in its quest to discourage proliferation of nuclear weapons worldwide. A treaty that defined rules for counting warheads, specified a timetable for dismantlement, included robust verification procedures, made cuts permanent, and did not allow demobilized weapons to be put in storage (as is now the practice under the Strategic Offensive Reductions Treaty signed in Moscow in 2002) would send a message to the world that the United States is serious about meeting its obligations specified in Article 6 of the Nuclear Non-Proliferation Treaty (NPT).

In addition, Russian and American officials must commit to a new bilateral agreement, which pledges to discontinue research and development of new nuclear weapons. Neither the United States nor Russia needs to develop "mini-nukes" or bunker-busting nuclear weapons, since the deployment of such systems would increase, however slightly, the probability of using nuclear weapons. The administration should also move quickly to expand and accelerate Cooperative Threat Reduction (CTR).[10] Special new emphasis should be placed on the removal of highly enriched uranium from Russian naval systems scheduled for dismantlement. Almost two decades after the end of the Cold War, it is simply absurd that American and Russian nuclear forces remain on hair-trigger alert. This practice must be stopped immediately.

George Shultz, William Perry, Henry Kissinger and Sam Nunn have articulated a plan for jumpstarting the process of moving closer towards a nuclear world.[11] The

next American president should embrace their proposal, which could serve as a cornerstone for developing a deeper strategic relationship with Russia. A better strategic relationship might also make possible Russian cooperation in the creation of a guaranteed supply of nuclear fuel for countries seeking to exploit nuclear technology for the production of energy. Chairman Lantos already has introduced legislation, called "The International Nuclear Fuel Bank Proposal of 2007," which should be passed immediately. Similar initiatives are needed to create an internationally organized mechanism for storing spent nuclear fuel.

Missile Defense. President Bush is right to expand ballistic missile defense systems against a future attack from Iran. He is also right in offering to develop this defense system with Russia. The Russian negative reaction to the proposed deployment of interceptors in NATO allies reflects again an irrational, zero-sum attitude to security issues. This administration and the next American president should continue to explore ways to cooperate with Russia on missile defense, since this kind of cooperation can produce more security for both countries without increasing vulnerabilities to each other.

Economic Integration. Cooperation on nuclear issues should be the cornerstone of a renewed bilateral relationship with Russia. At the same time, a Russia more integrated into Western economic institutions is more likely to become a stakeholder in this system. No act would buy the next American president greater goodwill among Russian state officials and society at large than Russia's graduation from the Jackson-Vanik amendment to the Trade Act of 1974. Jackson-Vanik rightly denied Most Favored Nation status to the Soviet Union due to the restrictive emigration practices of the time. Certainly some of the human rights problems that Senator Jackson and Congressman Vanik wanted to address in 1974 remain, but Jackson-Vanik no longer addresses these new strains of democratic infringements. To underscore the absence of Cold War thinking in the U.S., Congress should graduate Russia from Jackson-Vanik and thereby allow Russia to obtain permanent normal trading status with the United States.

To make the right signals about democracy to human rights activists inside Russia, the next president should work with Congressional leaders to initiate legislation to deal with new forms of human rights abuses in Russia today. Specifically, the president should urge Congress to provide new resources to the Jackson Foundation, a non-profit organization established with seed money from Congress to continue Jackson's agenda of promoting of human rights and religious freedoms in the Soviet Union and then Russia. A better funded Jackson Foundation could make direct grants to those activists and organizations in Russia that are still dedicated to the original principles outlined in the 1974 legislation.

Maintain Democracy Assistance. Paradoxically, at a time when Russian democracy is eroding, the Bush administration has called for substantial cuts in its budget for democracy assistance (or what it now calls "Governing Justly and Democratically") to Russia, from $43.4 million in FY06 to just $26.2 million proposed for FY08. These requested figures for less are less than what the Bush administration seeks for democracy assistance in Liberia and Kosovo. At a time when democracy is under assault, these cuts cannot be justified. How these funds are spent should be examined closely. After more than a decade of support for democratic change in Russia with few measurable results, Congress should initiate a serious assessment of U.S. democracy assistance programs in Russia. But limited success in the past should not be used an excuse for discontinuing efforts in the future.

Speak the Truth about Democratic Erosion in Russia. Just weeks before assuming her responsibilities as National Security Adviser in 2000, Condoleezza Rice wrote about the deleterious consequences of not speaking honestly about Russia's internal problems: "The United States should not be faulted for trying to help. But, as the Russian reformer Grigori Yavlinsky has said, the United States should have 'told the truth' about what was happening [inside his country]." She then attacked "the 'happy talk' in which the Clinton administration engaged."[12] Dr. Rice's message is even truer today. The aim of speaking the truth is not to lecture Putin or try to persuade him to change his ways, but rather to demonstrate solidarity with Russian human rights and democracy activists.

Direct personal engagement of Russian democratic activists also matters. When Ronald Reagan traveled to the Soviet Union in May 1988, he discussed arms control and regional conflicts with Soviet leader Mikhail Gorbachev. Yet, Reagan did not let his friendship and cooperation with Gorbachev overshadowed his other agenda while in town—human rights. Speaking in Helsinki the day before entering the Soviet Union for the first time, Reagan proclaimed that "There is no true international security without respect for human rights . . . The greatest creative and moral force in this world, the greatest hope for survival and success, for peace and happiness, is human freedom." During his stay in the Soviet capital, Reagan echoed this theme

in action and words many times, whether in his speech to students at Moscow State University or in a luncheon with nearly a hundred human rights activists at the American ambassador's residence. Reagan did not simply show up for a photo op with these enemies of the Soviet dictatorship. He ordered that the ambassador's finest silverware and linens be used to accord these human rights activists the same respect that he showed for his Soviet counterpart. American officials must again adopt a similar strategy of using meetings with Russian democratic and human rights activists to help elevate attention to their cause and help prevent these brave people from further harassment from the Russian government.

Increase Funds for Education and Exchanges. Education is the ally of democracy and democracy is the ally of the United States. The United States must devote greater resources to developing higher education within Russia and financing the studies of more Russians at American and Western universities. The United States has no greater asset for promoting democracy than the example of our own society. The more Russians who come to the United States, the better. Inside Russia, special emphasis must be placed on promoting public policy schools. Subsidizing internet access and promoting the study of English within Russia are two additional powerful tools for promoting democracy within Russia and integrating Russian society into the West.

Focus on 2008. The 2008 Russian Presidential Election is the next test of Russian democracy and the last critical milestone in U.S.-Russian relations for the Bush Administration. The process by which Putin decides to navigate the scheduled presidential election in 2008 is critical. If Putin steps down after his second term as the constitution calls for, then Russian democracy has a chance for renewal. Even if Putin's chosen successor wins, a competitive presidential election that occurs on time and under law will help to institutionalize this method for choosing Russia's leaders and raise the stakes for transgressions against the constitution for aspiring autocrats in the future. If, however, Putin decides to change or violate the constitution to stay in power, he will undermine his own legitimacy since solid majorities in Russia believe that their leaders should be elected.

President Bush and his administration can do very little to revitalize democratic institutions weakened by Putin's rule over the last several years. Bush cannot establish independent television in Russia, bring back to life Russia's liberal parties, or stop the war in Chechnya. On issues of human rights and democracy, Bush also lacks the credibility within Russia to act as a moral authority. However, on the issue of the 2008 elections, this is last time that Bush can try to use his personal influence with Putin to help convince the Russian president of the advantages of retirement in 2008. Through private communications, Bush can emphasize why a peaceful, democratic transition of power in 2008 would cement Putin's historical legacy as state builder (however unjustified from our perspective), while clinging to power beyond his second term would make Putin look like a typical autocratic thug.

In parallel to this private campaign with Putin, Bush and his government must also focus attention and greater resources on those Russian societal actors dedicated to making the 2007 parliamentary election and the 2008 presidential elections free and fair. In particular, American and European funding sources must provide Russian election monitoring organizations with the means to place their people at all or most polls, to conduct parallel vote tabulations (PVT) and to carry out national exit polls. During the 2007–2008 election cycle in Russia, the United States also must remain unequivocal in supporting the OSCE's election observer mission in Russia.

CONCLUSION

The United States does not have the power to reverse anti-democratic trends inside Russia. Russia is too big; Putin is too powerful. But U.S. officials must make clear on which side of the fence America stands. In reflecting on the Cold War era in Europe and Asia in a speech at the National Endowment for Democracy in 2003, Bush stated, "[We] provided inspiration for oppressed peoples. In prison camps, in banned union meetings, in clandestine churches, men and women knew that the whole world was not sharing their own nightmare. They knew of at least one place—a bright and hopeful land—where freedom was valued and secure. And they prayed that America would not forget them, or forget the mission to promote liberty around the world." [13] Democrats in Russia are still praying that we do not forget them and do not abandon our mission to promote liberty *everywhere* in the world, including Russia. Engaging both state and society is the task for American policymakers.

Notes:

[1] On the illiberal elements of Russian democracy before Putin, see Michael McFaul, *Russia's Unfinished Revolution: Political Change from Gorbachev to Putin* (Cornell University Press, 2001), chapter nine.

[2] "Statement of Preliminary Findings and Conclusions, Russian Federation State Duma Elections, 7 December 2003" (Vienna: Organization for Security and Cooperation in Europe/Parliamentary Assembly [OSCE/PA], International Election Observation Mission, December 2003), http://www.osce.org/documents/odihr/2003/12/1629 en.pdf

[3] The chair of Gazprom's board is Dmitry Medvedev, Putin's friend from St. Petersburg and the current deputy prime minister. Gazprom's president is another Putin crony, Aleksei Miller. The chair of Rosneft's board is Igor Sechin, Putin's long-time aide and KGB comrade.

[4] On Russia's weak and corrupt state, see the late Anna Politkovskaya's, *Putin's Russia: Life in a Failing Democracy* (Metropolitan Books, 2004).

[5] In the early years of their tenure in office, senior foreign policymakers in the Bush Administration did not have a shared assessment of internal dynamics inside Russia. Some senior officials had a more skeptical view of Putin and his agenda from the very beginning.

[6] For details see chapter thirteen of James Goldgeier and Michael McFaul, *Power and Purpose: American Policy toward Russia after the Cold War* (Washington: Brookings Institution Press, 2003).

[7] Rice, as quoted in "Rice 'Troubled' by Kremlin's Concentration of Power," *Reuters*, May 10, 2001.

[8] Ilves, as quoted in Steven Lee Myers, "Friction Between Estonia and Russia Ignites Protests in Moscow, *New York Times*, May 3, 2007, p. A3.

[9] "Press Conference by President Bush and Russian President Putin," Brdo Castle, Brdo Pri Kranju, Slovenia, June 16, 2001, p. 6.

[10] Of course, metrics for measuring success must be made clear and information about progress in meeting these goals must be made more readily available. The lack of access to storage facilities operated by the Russian Ministry of Defense and the Agency for Atomic Energy (formerly the Ministry of Atomic Energy, Minatom) has been a real impediment to the deeper development of the Nunn-Lugar program for safe and secure dismantlement of nuclear weapons. In the summer of 2005, following on the heels of discussions held by Bush and Putin at their Bratislava summit in February 2005, the Russian government offered the United States a small number of opportunities to inspect sites, a step hailed by Senator Lugar on his trip to Russia in August 2005. To expand these opportunities further, American officials could lessen Russian suspicions about American intentions in seeking greater access by giving Russian officials greater access to American storage facilities. The more transparency, the better.

[11] George Shultz, William Perry, Henry Kissinger and Sam Nunn, "A World Free of Nuclear Weapons, *Wall Street Journal*, January 4, 2007.

[12] Condoleezza Rice, "Exercising Power without Arrogance," *Chicago Tribune*, December 31, 2000.

[13] http://www.whitehouse.gov/news/releases/2003/11/20031106–2.html

Chairman LANTOS. Thank you very much.

Our third distinguished witness is David Satter, who brings a firsthand view of Russia to the committee. As a reporter for the *London Financial Times* in Moscow and for the *Wall Street Journal*, Mr. Satter observed the inner workings of Russia in the 1970s and the 1980s.

He is a frequent commentator on Russia. He has written two books entitled *Age of Delirium: The Decline and Fall of the Soviet Union* and *Darkness At Down: The Rise of the Russian Criminal State*.

He is currently a senior fellow at the Hudson Institute, a research fellow at the Hoover Institution and a visiting scholar at Johns Hopkins University School of Advanced International Studies.

We are delighted to have you, Mr. Satter. Proceed any way you choose.

STATEMENT OF MR. DAVID SATTER, SENIOR FELLOW, HUDSON INSTITUTE

Mr. SATTER. Thank you, Mr. Chairman.

Chairman LANTOS. You need to push the mic.

Mr. SATTER. Thank you, Mr. Chairman. I am very happy to be here, and thank you for that introduction.

I wrote my statement with the time limit in mind and so I am going to try more or less. I ask both to enter it into the record——

Chairman LANTOS. Without objection.

Mr. SATTER [continuing]. And also to give a synopsis of it as best I can in the time that is allowed us.

Chairman LANTOS. Go ahead.

Mr. SATTER. One of the most important questions in the world today is the intentions of Russia. One can only wonder what is motivating Russia to create so many artificial problems in a short period of time.

If Russia were motivated by logical concerns, it would be dedicated to doing three things: Balancing Chinese power, guarding against Islamic terrorism, and preventing the emergence of nuclear powers on its borders.

Instead, Russia appears fixated on dominating the countries that emerged from the former Soviet Union and appears willing to sacrifice its vital interests for the empty satisfaction of appearing to give orders to countries it believes it has a right to dominate.

The leaders of a country are usually dedicated to defending that country's vital interests. Developments in Russia, however, show that there is a real divergence between the interests of Russia and the interests of the small group of people who run it.

The latter, by all indications, are interested in the accumulation of wealth and power irrespective of the consequences for the country. This is what makes Russia an unpredictable factor in international relations and a danger to itself.

It is important to remember that the present ruling oligarchy in Russia came to power accidentally. If it had not been for the massive corruption under Yeltsin and the fact that the Yeltsin entourage was seized by fear of a grand reckoning in 1999, it is highly unlikely that someone like Putin who made his career as the head of the intelligence service, had never run for office and was devoid of obvious charisma, would have emerged as Yeltsin's successor.

With Yeltsin and his family facing possible criminal prosecution, however, a plan was put into motion to put in place a successor who would guarantee that Yeltsin and his entourage would be safe from prosecution, and the criminal division of property in the country would not be subject to re-examination.

Operation Successor, however, required a massive provocation. In my view, that provocation was the bombing of the apartment buildings in Moscow, Buinaksk and Volgodonsk in 1999 that claimed 300 lives. In the aftermath of this act of terror, which was blamed on the Chechens with no proof, a second Chechen war was launched.

Putin, who had been named prime minister, was put in charge of the effort. His popularity immediately rose. He was elected President on a wave of popular enthusiasm for the war effort, and his first official act was to pardon Yeltsin for all crimes committed while in office, and the question of the division of property under Yeltsin was quietly forgotten.

The group of former KGB agents around Putin quickly formed a new ruling hierarchy. Many people thought that the corruption under Yeltsin, which was sometimes referred to as the "Mobutuization of Russia," had gone as far as corruption could possibly go anywhere. Well, they were wrong. They were naive.

After the price of oil rose from $9 a barrel in 1998 to as much as $78, possibilities for corruption exploded, and corruption today in Russia is believed to be worth 10 times what it was worth under Yeltsin.

The formative experiences for many of the people who run Russia today was the KGB, and the KGB was an organization dominated by spy mania. That means in effect the chase for phantoms.

Under these circumstances, people who realized wealth beyond the dreams of avarice found themselves in a position where they were desperate to defend that wealth and they considered that the best way to do that was to establish artificial goals in foreign policy that defined the outside world as the enemy and, in that way, distract the population from the corruption and destruction of democracy that was going on inside the country.

So what do we see today? There is near hysteria in Russia over the removal of the Soviet war memorial in Tallinn, although after more than 60 years Russia has not buried its own war dead and has certainly not bothered to memorialize many of the mass graves that contain the bodies of thousands of nameless Stalin era victims.

We see attempts to defend the separatism of Abkhazia and South Ossetia from Georgia, although Russia waged a genocidal war to prevent separatism in Chechnya. We see a country that claims to be in favor of free elections, but did everything possible to falsify the elections in Ukraine.

Finally, and most incredibly, we see a country that feels itself threatened by plans for a United States defensive antimissile system in Poland and the Czech Republic while supporting the development of nuclear weapons in Iran.

Russia today is conducting a foreign policy directed against phantom enemies on the basis of artificial issues that have no relationship to the country's real interests, but everything to do with the needs of a small coterie of corrupt officials who treat the country as their personal property.

The problem is in equal parts political, psychological and criminal, and it represents a direct challenge to the West because we should not assume that just because Russian concerns are mythical that they are therefore not being treated by them seriously.

I consider it a sign of the Russian authorities' perverse seriousness that Viktor Yuschenko was poisoned. Although he has been disfigured, he could have been killed. Russian forces have attacked Georgia in the Kodori Valley, and Russians have unleashed a massive cyber attack against the Government of Estonia.

In conclusion, in dealing with Russia we have a dual task. We have to make clear to the Russian leadership there is no advantage to pursuing the policies they are pursuing, and this means ceasing to mollify them.

Recently Alexander Litvinenko, a British subject, was murdered by being poisoned on British soil. All evidence points to state sponsored murder. So far the Russian authorities have obstructed the investigation.

Is it realistic to think about further cooperation with Russia, including Russian membership in the G–8 and the WTO, until this crime is solved? At the same time, we need to make clear to the Russian people that their real interest and the interest of their

country is with universal moral values, one set of standards for all, the Biblical heritage of both Russia and the West.

Unfortunately, in this respect there is a problem. We need to begin to acknowledge the mistakes made by American policy during the Yeltsin period. What we described as the progress of democracy was more properly seen in Russia as the triumph of criminality, and now the United States has been discredited in Russia and democracy is associated with crime.

We are not involved in a new Cold War with Russia, but the traces of a delusionary Soviet mentality are still evident in the behavior of the Russian leadership. That mentality has to be limited by a commitment on our part to universal moral values.

There is no sincerity involved in the foreign policy of the Russian Government. By recognizing this and basing our policies accordingly, we have some hope of influencing both the leadership and the Russian population and limiting the quite dangerous Russian tendency to once again live in a world of illusions, a tendency that is becoming more pronounced with each passing day.

Thank you.

[The prepared statement of Mr. Satter follows:]

PREPARED STATEMENT OF MR. DAVID SATTER, SENIOR FELLOW, HUDSON INSTITUTE

One of the most important questions in the world today concerns the intentions of Russia. One can only wonder what is motivating Russia to create so many artificial problems in a short period of time.

If Russia were motivated by logical concerns, it would be dedicated to balancing growing Chinese power, guarding against Islamic terrorism, and preventing the emergence of nuclear powers on its borders. Instead, however, Russia appears fixated on dominating the countries that emerged from the former Soviet Union and appears willing to sacrifice its vital interests for the empty satisfaction of appearing to give orders to countries it believes it has a right to dominate.

The leaders of a country are usually dedicated to defending that country's vital interests. Developments in Russia, however, show that there is a real divergence between the interests of the country and the interests of the small group of people who run it. The latter, by all indications, are interested in the accumulation of wealth and power irrespective of the consequences for their country. The result is to make of Russia a disruptive and unpredictable force in international relations and a danger to itself.

The present ruling oligarchy came to power in Russia accidentally. Were it not for the fact that the Yeltsin leadership was totally corrupt and seized by fear of a grand settling of accounts in 1999, it is highly unlikely that someone like Putin, the head of the secret service with no previous political experience, could have become Yeltsin's successor. With Yeltsin and his family facing possible criminal prosecution, however, a plan was put into motion to put in place a successor who would guarantee that Yeltsin and his family would be safe from prosecution and the criminal division of property in the country would not be subject to reexamination.

For "Operation Successor" to succeed, however, it was necessary to have a massive provocation. In my view, this provocation was the bombing in September, 1999 of the apartment building bombings in Moscow, Buinaksk, and Volgodonsk. In the aftermath of these attacks, which claimed 300 lives, a new war was launched against Chechnya. Putin, the newly appointed prime minister who was put in charge of that war, achieved overnight popularity. Yeltsin resigned early. Putin was elected president and his first act was to guarantee Yeltsin immunity from prosecution. In the meantime, all talk of reexamining the results of privatization was forgotten.

The group of former KGB agents around Putin quickly formed a new ruling hierarchy. Many people thought that the corruption under Yeltsin—referred to as the "Mobutu-ization of Russia" could not possibly get worse but this proved to be a very naïve assumption. After the price of oil rose from $9 a barrel in 1998 to as much as $78 a barrel recently, the possibilities for corruption exploded. The value of bribes in Russia is now estimated to be ten times what it was under Yeltsin.

The formative experience for many of the members of the present Russian elite was spymania, in effect, the search for phantoms. In recent years, they have stumbled upon an unexpected Klondike based on super high prices for oil. It is therefore not surprising that they are determined to protect their gains and do so with the help of artificial goals in foreign policy that make it possible for them to define the outside world as the enemy and in that way distract the population from the corruption and destruction of democracy that is going on inside the country.

What are we seeing today? There is near hysteria in Russia over the removal of the Soviet war memorial from the center of Tallinn although, after more than 60 years, Russia has not buried its own war dead and has certainly not bothered to memorialize many of the mass graves that contain thousands of nameless Stalin era victims. We see attempts to defend the separatism of Abkhazia and South Ossetia from Georgia although Russia waged a genocidal war to prevent separatism in Chechnya. We see a country that claims to be in favor of free elections but did everything possible to falsify the elections in Ukraine. Finally, and most incredibly, we see a country that feels itself threatened by plans for a U.S. defensive anti-missile system in Poland and the Czech republic while assiduously supporting the development of nuclear weapons in Iran.

Russia today is conducting a foreign policy directed against phantom enemies on the basis of artificial issues that have no relationship to the country's real interests but have everything to do with the needs of the small coterie of corrupt officials who treat the country as their personal property and have acquired unprecedented wealth. The problem is in equal parts political, psychological and criminal and it represents a challenge for the West because one should not assume that just because the Russian concerns are mythical that they are therefore not being treated by them seriously. I consider it a sign of Russian authorities' perverse seriousness that Viktor Yuschenko was poisoned. Although he's been left disfigured, he could have easily been killed. Similarly, Russian forces have attacked Georgia in the Kodori Valley and more serious escalation is possible. Russians have also unleashed a massive cyber attack against government websites and computers in Estonia, a potentially crippling blow in a country that is heavily dependent on the internet.

In dealing with Russia, we have a dual task. We have to make clear to the Russian leadership that there is no advantage to pursuing the policies that they are pursuing. To this end, we have to stop mollifying them. Recently, Alexander Litvinenko, a British subject was murdered by being poisoned with a radioactive substance. The crime took place on British soil. All evidence points to state sponsored murder. So far, the Russian authorities have obstructed the investigation. Is it realistic to think about further cooperation with Russia, including Russian membership in the G–8 and the WTO until this crime is solved?

At the same time, we need to make clear to the Russian people that their real interest and the interest of their country is with universal moral values—one set of standards for all—which are the Biblical heritage of both Russia and the West.

Unfortunately, in this respect there is a problem. We have no hope of influencing Russian public opinion without first acknowledging the superficiality of U.S. policy toward Russia during the Yeltsin period. What we described as the progress of democracy was more properly seen in Russia as the triumph of criminality and now the United States has been discredited in Russia and democracy is associated with crime.

We are not involved in a Cold War with Russia and will not be but the traces of a delusionary Soviet mentality are still evident in the behavior and aspirations of the Russian leadership. That mentality has to be met by a commitment on our part to universal moral principles if it is to be limited and prevented from becoming an independent factor in international relations capable of doing great harm to both Russia and the West.

There is no sincerity involved in the foreign policy of the Russian government. By recognizing this and basing our policies accordingly, we have some hope of influencing both the Russian leadership and the Russian population and limiting the quite dangerous Russian tendency to once again live in a world of illusions, a tendency that is becoming more pronounced with each passing day.

Chairman LANTOS. Thank you very much, Mr. Satter.

Let me just say we are all in your debt, all three of you, for brilliant and singularly perceptive testimony.

We will begin the questioning with Mr. Sherman.

Mr. SHERMAN. I fear I may be the only person here, at least the first, to say anything that anyone in Moscow could agree with, but

this seems to be a two-way street where the United States has failed to prioritize its foreign policy vis-à-vis Russia.

There are a lot of things that Moscow does that we oppose or might choose to oppose. I am frankly an agnostic on Abkhazia. I know as much about Abkhazia as most of my constituents, but I look at American policy toward Russia, and I see that we can't decide whether getting Russian support on preventing Iranian nuclear weapons or getting Russia to back down on Abkhazia is the higher objective.

It is incredible hubris that causes us to think that we don't have to prioritize our objectives, though we will seek them all, and it is also a relic of the Cold War, where all of the foreign policy establishment are baby boomers like myself who grew up studying how to surround Russia, how to disempower Russia, and now we see that old habits die hard.

Perhaps this question could be answered just with a show of hands. I have been told that what Russia did on natural gas was simply demand market price; that they weren't asking for any higher price than Southern California Gas Company.

Now, it seems odd that we would lecture the former Communists as to how they shouldn't charge a market price. It seems odd that we as a foreign aid donor would say that foreign aid is an entitlement and it is an act of war or aggression to reduce one's subsidies or foreign aid.

Is there anyone here that can raise a hand and say that Russia was demanding more than market price for its natural gas?

Mr. MCFAUL. There is also a thing called contracts though in the way that the market works, right, and the Russians signed a contract with the Government of Ukraine to provide that gas at a certain price, and that is what they violated.

Mr. SHERMAN. So you believe there was a violation of contract?

Mr. MCFAUL. Yes.

Mr. SHERMAN. Was that contract a contract to provide obviously subsidized natural gas, so it is a contract to provide foreign aid, not a commercial contract in which each side bargained for its own economic benefit.

It is difficult to be part of the Federal Government and say that an agreement with a foreign country to provide subsidies, foreign aid and development assistance cannot be changed by a latter change in government.

One thing that surprises me is I have folks in my district who come up to me and say 9/11 was a U.S. Government hoax, and I just laugh. I have no reason to think that the CIA or the FBI is investigating these folks because they are silly.

The Russians seem to take very seriously anyone who alleges that the apartment bombings were in fact done by Russian security forces. We have heard from Mr. Satter on this. Do the other two witnesses want to comment on whether it is really a possibility that Russian security forces killed 300 innocent Russians sleeping in their apartments?

Chairman LANTOS. Before our distinguished witnesses will have a chance to answer, I will declare the committee in recess because we have votes to cast.

We will be back as rapidly as we can. The committee stands in recess.

[Recess.]

Ms. WATSON [presiding]. We will reconvene. I want to thank our panel for tolerating these long waits, but the calls to the Floor take priority.

When we left out Mr. Sherman had started a discussion and raised some questions, and I think that some of you might want to respond, so if we could take a minute for you to respond to the question that he was raising I think that would be appropriate.

All right. Is there anyone who would like to?

Mr. SESTANOVICH. Let me say a word about Congressman Sherman's question, which I cannot answer in a narrow way and would like to answer in a broad way because I think it tells you something about the state of the Russian political system right now.

I have not studied carefully the particular incident that he asked about, which Mr. Satter has of course looked at very closely, the apartment bombings in 1999, but what is important to understand I believe is that they haven't been carefully studied and that there is no real imperative or possibility of institutional examination of an incident like that in the Russian system of the kind that you would almost take for granted in any other modern country.

You would have a major institutional review. The Parliament would really want to get into this, law enforcement, the media, NGOs. A whole array of investigators would be trying to figure out what really happened, to understand not only who was guilty, but what it says about the system of power and about the underlying struggles in Russian society.

You have had next to nothing of that, and one of the reasons for that is some institutions of the old Soviet state have hardly been broken up. Although there was an effort and an interest in the early 1990s to get at military reform and reform of the intelligence services, it didn't happen.

The fact that you can have an incident of this kind about which we know as little as we do even today shows you how little of that reform was undertaken.

Ms. WATSON. Dr. McFaul?

Mr. MCFAUL. I agree with what Steve just said, and I think that is the democratic process. I haven't studied the issue as closely as Mr. Satter has, and he may be right, but the fact that we don't have the whole facts I think is the real important point.

The second point of his question or comment though I do want to sympathize with, which is thinking about what have we done to make this bilateral relationship more robust. I think it is an important question at least to understand the Russian perspective, and I mean both the Kremlin's perspective and society's perspective.

They don't think that we are living up to our side of the bargain in terms of a positive agenda, and I want to say one thing very particular that means a lot to Russia symbolically is the Jackson-Vanik Act. This is you all.

We are not blaming the Bush administration, but it is something that for Russians, and I agree with them, looks like it is a leftover from the Cold War. They don't understand it. They don't under-

stand why it is still on the books, and I think you as the representatives of Congress owe them an answer to that.

Now, my own view is that this amendment should no longer apply. I would not want you to do it without doing something else, and I think when you do come to the moment when we finally put Jackson-Vanik behind us—by the way, I said this several years ago in this same committee, and Congressman Vanik wrote to me a handwritten note saying thank you. Please get on with it. Why are my colleagues not getting on with the business they should? It was a very touching letter that he wrote.

If you do it in this context it will look like a reward for bad behavior, so I would link it to something very concrete that helps the folks that original amendment was intended for, the folks fighting for human rights inside Russia.

One very simple thing. Re-ante your support that originally created the Jackson Foundation. I would concretely link more support for civil society with the retirement of Jackson-Vanik.

Ms. WATSON. Thank you.

Mr. Satter?

Mr. SATTER. Congressman Sherman did not address his question to me, but rather to my colleagues. Nonetheless, I would like to point out one thing.

I don't agree with my co-panelists that there is not much information about the apartment bombings. There is an enormous amount of information. What there isn't is a willingness to look at that information and draw the obvious conclusions.

Three FSB officers were arrested after planting a bomb in a building in Ryazan. There is no question about that. The bomb tested positive for hexogen. This is the high explosive that was used to blow up the other buildings.

If the persons putting the bomb in the basement of the building in Ryazan had not been seen and had not the local police come quickly and removed it, that apartment building would have been blown up. Since it was on a hill, it would have hit the building next to it with the force of an avalanche, and instead of having only 300 dead, we would have had 800 dead. The bombing of Grozny in Chechnya began the next day.

The problem is that this is something we don't want to think about and we don't want to study because the implications are so serious, but the evidence is overwhelming, and it is readily available.

Ms. WATSON. All right. Thank you very much.

I want to call on Congresswoman Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Madam Ambassador and Madam Chair. You had a lovely ceremony and tribute to our colleague, Juanita, this morning. Thank you for doing such a great job.

Ms. WATSON. Thank you. Heartfelt.

Ms. ROS-LEHTINEN. Thank you. I could feel that.

Thank you to the panelists once again for your patience. I wanted to ask you about Russia and the WTO. What are your views on Russia's entry into the WTO?

Do you think that it would encourage transparency in the rule of law in Russia by tying it more closely with the international economic system and making it subject to multilateral trading rules?

Thank you. Ambassador?

Mr. SESTANOVICH. My colleagues will have their own views. I think WTO accession is generally good for the goals that you have described.

I think it is right that the negotiators have not taken the approach that well, just having them in is going to be self-evidently good, but instead demanded a lot of prior performance, for example, in the area of intellectual property rights.

There have been protracted negotiations on the many elements of this deal and, as I understand it, another Russian working group is coming to Washington this week in fact to continue negotiations. They will get there, and we will find accommodation on a lot of those technical issues.

There are some other outstanding problems that complicate WTO accession beyond the particular bilateral trade issues that the United States and Russia might still be worried about even after the bilateral agreement reached between President Putin and President Bush last fall.

For example, Russia continues to have an economic boycott of Georgia. It is hard to see how that creates a framework in which Russia could be welcomed into the WTO, and as long as that continues I would assume that American negotiators would regard it as——

Ms. ROS-LEHTINEN. Impossible?

Mr. SESTANOVICH. Impossible, yes.

Ms. ROS-LEHTINEN. Thank you.

Mr. MCFAUL. Just to add, I agree. I think one of the kind of conceptual mistakes we made early on in dealing with Russia is we had these clubs—G–8 is the one that comes to mind, but many others—that if we get them into the club then we will socialize them and they will kind of catch up.

What I think we have learned bitterly is that they have to meet the standards of the club first before they get in. I think therefore the way we have handled WTO in contrast to some of the earlier periods of letting them get in without having met the standard is the right one, and I would note that one of the few remaining bilateral agreements to be signed is between Russia and Georgia for WTO, and that is exactly right.

That is the way that this institution can be used to allow countries that are countries like Georgia that are being threatened by Russia to use these international institutions to their advantage.

Ms. ROS-LEHTINEN. Thank you.

Mr. SATTER. As I have said in my testimony, I feel we have relatively few instruments of pressure on Russia right now, and accession to the WTO and the end to the Jackson-Vanik Amendment are two of them.

I would like to know more about who was responsible for the murder of Alexander Litvinenko. I don't like a power that feels that it can—I don't like a murder of political opponents anywhere, but I think it is particularly outrageous that a murder of this kind was organized on British soil, which is our ally and a Western country.

Were it up to me, I would be unwilling to make any progress on those issues until there was a more satisfactory answer from the Russian authorities as to who was responsible and what is going to be done to punish them.

Mr. MCFAUL. Could I just add?

Ms. ROS-LEHTINEN. Yes.

Mr. MCFAUL. We disagree on this, and I want to be clear why I disagree because I agree that we should hold the Russians responsible absolutely 100 percent.

I think when you link institutions designed to do something else, however, you look like you have double standards, so when you link the investigation to Litvinenko to the WTO then the Russians say so why is Saudi Arabia in the WTO?

With Jackson-Vanik it is very explicit what Jackson-Vanik was about, and to continue to link it to everything that we want the Russians to do, it makes us look hypocritical. That is the way I look at it. We undermine our own legitimacy when we play that kind of linkage.

So we disagree, and I just wanted to make sure you understand why.

Ms. ROS-LEHTINEN. Thank you. Thank you. Thank you to the panelists, and thank you to the chair.

Ms. WATSON. Yes. We thank our panelists. You have patience to be admired.

Do you feel that this period of time that we are going through is transitory? I thought in the beginning that the Bush and Putin relationship seemed to be one where they could talk to each other, and I thought maybe we were seeing a divergence from their history.

But do you feel that given the history of that part of the world and particularly Russia that they can accept democracy, Western-type democracy, the way we define it?

Let me start with the Ambassador, please.

Mr. SESTANOVICH. Well, I don't think there is any reason to believe that Russia is the only one of the states of the old Warsaw Pact.

Ms. WATSON. That is why I said the region.

Mr. SESTANOVICH. Yes. Yes. Well, let us look at the region.

You have had a lot of democratic institutionalization among countries that we 20 years ago told ourselves didn't seem very promising areas for the extension of democracy, and I think Russians are in fact somewhat embarrassed to see that there is political progress and modernization in neighboring states that they 10 years ago would have thought of as further behind.

I would say Ukraine and Georgia are good examples there. You could have brought forward any number of cultural anthropologists and sociologists who 10 years ago would have explained to you the linguistic, religious, historical, cultural obstacles to democratic advances in both these countries, but you find that the progress has actually been stronger than in Russia where achievements of the last decade were lost.

So I think there is no particular reason to believe that you can't have a turnaround. There are obstacles in Russia that are like the obstacles that we saw in other countries, and we shouldn't assume

that they can be easily overcome, but we shouldn't assume they can't be overcome.

Ms. WATSON. Dr. McFaul?

Mr. MCFAUL. Just briefly, of course culture does not determine these things. I mean, you see it in the region. There is lots of variation. If we were meeting 30 or 40 years ago we had very robust political science theories that told you why Catholic countries can't be democratic because the majority of Catholic countries were autocratic at the time.

And if you go back to my grandfather's generation, you know, there was a period in his life when he wouldn't go bowling with Germans for reasons you can understand, and then he married one, by the way.

So these conceptions, these deterministic things, I don't buy, and I think it is really about what Putin and policies are doing. That said, there was a demand for a correction to the 1990s that Mr. Satter has talked about in his testimony. There is no doubt about it. This was a revolution period, and if you study or teach revolutions, as I do, it is pretty exciting to watch it, but revolutions are really awful things to live through.

And so that created a demand from society, and Putin met it in a certain autocratic way. I think a liberal Democrat could have also met it in a different way. That is the first thing to say. There is nothing deterministic about culture.

The second thing about Bush and the relationship. I saw the President just a few weeks before he met with Putin for the first time, and we had this same discussion, this philosophical discussion.

I think in retrospect if you look back then in 2001, the danger signs that we are now all agreeing upon were apparent back then, and maybe they even go back further to talk about the 1990s.

The administration gambled on a different approach. They thought, and you have to remember this was before September 11. I know it seems like ancient history, but back then they were concerned about missile defense, and they thought they needed Putin to acquiesce to our getting out of the ABM Treaty so that we could get on with what then was their primary foreign policy objective.

And so he made a calculation. I am going to befriend this guy. He is a businessman, after all, our President. I am going to make friends with this guy. I am going to reach out, establish a relationship with him to achieve what I want.

In the short term I think that worked rather well, but then over this trajectory where we weren't paying attention to what was going on inside Russia it turns out that having that close personal relationship was not sufficient to deal either with the backsliding internally or to get them to move on a lot of things that are in our national interest, the things we have been talking about—Iran, Estonia, Ukraine.

I think that should be a signal, a danger flag that we should put up. Any time anybody, Democrat or Republican, tells us well, because of my good relationship with Country X I am going to be able to fix these problems, I think the record is not very good for Presidents who promise that.

Ms. WATSON. Mr. Satter?

Mr. SATTER. I would like to add to what Mike McFaul has said that it is particularly not very good in relations with Russian leaders.

Russian leaders don't think in terms of personal friendships with foreign leaders. They think in terms of the interests of their country as they define them, which are often identical at least in the post-Communist era with their financial interests.

But a personal relationship with an American leader can be an ideal device of manipulation, manipulation of the American side, of course. I recall at the Vienna Summit meeting when Russia was still the Soviet Union Jimmy Carter met Brezhnev, and Brezhnev whispered in his ear, "God will not forgive us if we fail."

Jimmy Carter was overcome with emotion, and he embraced Brezhnev. The picture was taken. It went out all over the world. Then Brezhnev said that in fact he never said that, but he got the photograph that he wanted.

When the Soviets invaded Afghanistan sometime afterward and Brezhnev explained to his good friend, Jimmy Carter, that the Soviets had gone in to defend against a nonexistent foreign invasion—theirs was the only foreign invasion—Carter said that he had learned more in 5 minutes about Communism than in his entire previous life.

Now, this illustrates the danger of special relationships, looking into someone's eyes and thinking that you see something when you don't know anything about the person's background, what his facial expressions represent and what his values are.

All that this has done has been to help to mute needed Western criticism of the antidemocratic trend in Russia. It has allowed us to think that by censoring ourselves, counting on this personal relationship, we can somehow achieve what we could not achieve by simply standing on principle and asserting what it is we think is right.

As far as the question of the democratic potential of the Russian people, it exists. It was demonstrated in 1991 with the peaceful overthrow of the Communist system. Russians are highly educated people. They are in thrall to a very harmful tradition which denigrates the role of the individual and exalts the prerogatives of the state. They will not be helped in our acquiescing in that.

In fact, our positive influence and the ability to identify what real values are is of immense importance for the future development of Russia. But in addition to that there are two very important external factors or two very important concrete factors that may push Russia in a democratic direction.

One is the fact that the country is heading for a systemic crisis despite the high price of oil. Demographically, Russia faces a real disaster, a loss of population so extreme that it may lose control over its territory.

The second factor is that there are democratic developments in other countries which were once part of the Soviet Union, even in Ukraine, although there they are very uneven.

The example of a successful democratic development in another Slavic republic would have an immense psychological effect on Russia and in concert with a strong stance by the United States in de-

fense of our values could definitely influence Russia in the direction that it needs to go in order to save itself.

Ms. WATSON. Thank you.

Mr. Rohrabacher?

Mr. SESTANOVICH. Madam Chairman, could I add one word without disagreeing with my wise friends here about the limits of personal interaction among leaders?

Ms. WATSON. Yes.

Mr. SESTANOVICH. I would just point out one thing that is very important for political calculations made by new Presidents of the United States, and that is that Russian leaders are almost always repudiated by their successors in one sort or another, one way or another.

The word de-Stalinization was not one that we knew before Stalin died, and we didn't know that Brezhnev was going to be such a vilified figure until Gorbachev came to power, and we didn't know how awful Gorbachev had been until Yeltsin came to power, and the horrors of the 1990s were not fully appreciated until Putin came to power.

I promise you in one way or another at some point in the future there is going to be a rethinking of the Putin legacy and of Putin's policies, and when that time comes we should be alert to it.

Thank you.

Ms. WATSON. Well, right now the statistics are showing that Putin has a 70–75 percent rating in the country. The people like what he is doing. Is this a comfort factor with him? What does that say?

Mr. SESTANOVICH. It means he has a kind of popular support that would be the envy of any Western political leader, but it doesn't mean that there is nothing else going on in people's minds other than sheer, unadulterated, enthusiastic support for him. When he is no longer in office, we will find out what else is going on in their minds.

Russian political figures and commentators, when they are asked about Putin's popularity, sometimes say you know, if the President of the United States controlled the Congress and the media he would have higher poll ratings too.

Ms. WATSON. Thank you.

Mr. Rohrabacher?

Mr. ROHRABACHER. Only if his policies were working would he be more popular.

I remember very well what the world was like before Communism fell, and we all should remember that. When we try to analyze Putin and some of the bad things that have been going on and some of the bad trends, let us also keep in mind the tremendous, tremendous historic change that has taken place in Russia.

A lot of that was brought about by people who were involved with Putin, and I remember—I don't know if Steve remembers this, but I remember—playing touch football with a group of young political leaders in the 1990s. You were there, and so was Putin.

I don't know if you remember that or not because you didn't go to the bar with us afterwards and lift a few. I ended up actually in an arm-wrestling contest with Putin.

Mr. MCFAUL. Who won?

Mr. ROHRABACHER. He did.

Mr. MCFAUL. Okay.

Mr. ROHRABACHER. There is the KGB one again. At that time it was a time of great hope for the Western World, and unfortunately what has happened is that that great hope of the early 1990s was what, was just dashed to pieces in the mid and late 1990s.

There was every reason for the people of Russia to have their hopes dashed. They saw their country. They were hoping for democratic government, honest government, and they ended up watching their government being plundered by not only the Russian elite, but a Russian elite that was allied with the West.

Tens of billions of dollars at a time of great economic crisis in Russia were taken out of Russia and put into Western banks, this during the 1990s. Now, what do you expect them to think about us at that point? They are going to have faith in democracy after that?

They saw their economy going into decline when they were promised to have a higher standard of living under freedom. They saw chaos in their society. They saw oligarchs grabbing onto natural wealth that belonged to the people as a whole for a pittance. Billionaires. They called them oligarchs.

You know, can we blame the Russian people then for saying wait a minute. Is this what democracy is all about? At least they didn't turn totally away from democracy. We should be grateful about that because they understand.

Even to this day I believe they understand that Communism is still evil, but it is just that they are very skeptical about having the type of robust democracy that we are talking about today.

They voted for Putin, and they have supported Putin in great numbers because they see him as a man who is not only restoring order, but trying to put Russia back on a good path after the terrible trends of the 1990s.

By the way, let us look at the 1990s. Why didn't Russia succeed even with all that plunder? They could have. The United States kept the Russian commodities out of our markets. Look, I represent an area that builds rockets and missiles for Boeing. I am sorry. If Russia was going to be our friend, our people in my district should have been competing with the Russians who build rockets and missiles for peaceful space launches. We froze them out for 6 or 7 years, right, at the time when they needed it the most.

The EU has set standards that basically were a wall that prevented Russian goods from going into Europe, as it does to anybody who is not part of the EU, so here Russians invested in firefighting aircraft rather than military aircraft. We have not permitted them to put that on our market. We will let our forests burn down before we will allow Russians to come in and compete with our firefighting airplanes.

What does that tell the Russian people? It was all a farce. Free enterprise is a farce. What did we do? We are talking about most favored nation status or Jackson-Vanik for Russia. Why wouldn't we give Jackson-Vanik a long time ago or most favored nation status because they are not perfect?

China hasn't had one iota of democratic reform. We give them most favored nation status. We are rubbing that right in the Russians' face. You have this imperfection and that imperfection, but

yet one of the worst human rights abusers in the world gets most favored nation status, a country that threatens us and threatens Russia? No wonder they are skeptical of trying to work with the United States of America.

Now, that does not excuse the killing of journalists or the human rights abuses that are going on, but let us put this in perspective here and how we let criminals go over there and ally themselves who are plundering Russia, and now we are surprised that they just don't want to have faith and be a partner of the United States after that kind of record?

Well, I would hope that in the future, and I would just ask this. Will those elements that should bring the United States together with Russia, should those elements meaning China is a tremendous threat, yet Russia is selling weapons to China; the war against radical Islam, which threatens the Russians every bit as much as it threatens us. Will those two elements be able to overcome all of the factors that I just laid out?

Is it very possible that maybe in about 5 years they are going to wake up and say oh, my God. The Americans have been nutty, but we really need them. That is the question.

Ms. Watson. You can respond if you choose, Dr. McFaul.

Mr. MCFAUL. Thank you. Very interesting comments. I do want to emphasize the nature of Putin's support has a lot to do with I think what all of you would understand; that if you were in power when the economy went into the deepest depression, by order of magnitude about double what we had in the 1930s, you would be unpopular.

I don't care if you are Democrat or Republican. Somebody else said it. You would be unpopular, and people would want to vote you out of office. Pretty simple, right? You understand that.

Now let me read you the numbers. Under Putin's time, the economy has grown to about 6½ percent for 7 years. Poverty has gone from 41 percent in 1999 to 14 percent in 2006, unemployment from 12 percent down to 6 percent, and I could go on and on and on. These are the kinds of numbers that make you popular, right, and you know this. You know how it works. So that explains the story.

Now, that is not, and I just want to underscore what you said. That is not an excuse to do these other things, and the point of what I was trying to say earlier in my remarks and that are in the written testimony is that more autocracy is not producing these numbers. It is other things.

It is oil prices. It is sound economic policy, policies, by the way, that were written by people that worked for Mr. Yeltsin in the 1990s and then they worked again for Mr. Putin, and we shouldn't mix that up. That is the first point.

Second point on Putin and his popularity. Eighty percent approval rating. Does anybody here have an 80 percent approval rating? Do you know? You do? Okay. Congressman Smith does. Okay. Well, it happens on occasion, but it doesn't happen very often.

However, there is an interesting thing. I do survey work supported by you, by the way—it is supported by the United States Government—in Russia. There are some big gaps that are interesting. Putin is popular.

What is your attitude toward the war? Two-thirds of Russians think that there should be a negotiated solution to the war, opposite policy of Mr. Putin. When Putin shut down the elections of governors, two-thirds, about 55 percent, of Russians said that is a bad idea.

Just recently when Mr. Putin's government arrested the demonstrators, Mr. Kasparov's organization, the majority of people, to the extent that this was a snap survey—it wasn't a sophisticated, scientific survey—said that is wrong. We should not be arresting people who want to demonstrate.

In other words, there is a gap. People are fat and happy in Russia relative to where they were in the 1990s and I would say relative to where they have been for most of their history as a country, so we shouldn't be surprised that they are content.

Democracy. If you look, people support democracy. Solid majorities of Russians when you ask should you have the right to vote for the President, absolutely. Should Congress—should Parliament—have some check on Presidential power? Absolutely. Majorities support all of that.

When you ask them where does it rank, it actually is about 18th or 19th or 20th because of these other things, so I think that is the proper way to understand why Putin is so popular.

Finally, on the mistakes I agree with you. We should have done more with Krunichev and Lockheed and Boeing. Those ideas were there in the 1990s, the firefighting aircraft. I know what you are talking about. Those should be on our market, and we bear some responsibility, including you all, by the way, bear some responsibility, for why this has not happened faster.

Ms. WATSON. Thank you so much.

Mr. Payne?

Mr. PAYNE. Let me thank the chairman for calling this very important hearing. I at a meeting we had with the Duma about 6 or 7 months ago, a bilateral meeting, I raised some questions about the growing anti-Semitism, and I see that there is also a growing racial ax against Chechens and other darker complexioned Russians.

Has the government, to your knowledge, taken up the question of anti-Semitism, desecration of several burial places and things of that nature? Anyone know about that and what has been a response?

Mr. SATTER. Well, I know a little about it. There have been some anti-Semitic incidents, but what is actually more worrying than that are some of the crazy nationalist and anti-Semitic and also anti other groups' ideologies that are floating around in Russia. The idea of Russia for the Russians is gaining strength so that an atmosphere is created in which students from the Third World who come to Russia to study are risking their lives, particularly in St. Petersburg.

The anti-Semitism is part of a general xenophobia, and it is not the only component. That xenophobia manifests itself in various ways. At the elite level it has spread even in the state Duma.

I take it you don't speak Russian?

Mr. PAYNE. No.

Mr. SATTER. No. Well, if you had been able to read the titles of books that were on sale in the Duma bookstore you might not have found *The Protocols of the Elders of Zion*, but you would have certainly found a wide array of anti-Semitic literature.

The theories about how Jews ruined Russia and are conspiring with the Western powers to ruin Russia are very popular, and the present regime encourages by not prosecuting youth groups so-called which attack students and foreigners who are dark-skinned and savagely beat them and murder them. There is a case of an 8-year-old girl from Tajikistan who was murdered by skinheads in Russia. By the way, Russia is the world capital of skinheads. The jury acquitted them, despite eyewitness testimony.

So anti-Semitism exists, and it is increasing, but it is not the only racist or xenophobic tendency in the country, and this is part of the same mentality that I referred to earlier, the kind of delusionary nationalist aggressive mentality in the country that is being fostered by a small group that is anxious to hold onto all that power and money that they have accumulated.

Mr. SESTANOVICH. Madam Chairman, could I add one thing to this?

David Satter is absolutely right in his description of xenophobic moods and skinheadism in particular. It is also true that President Putin has encouraged the revival of Jewish cultural life, rebuilding of synagogues, and he enjoys some of the same sort of support that a politician who took such steps in other countries would enjoy in the Jewish community.

He has responded to a lot of the xenophobia and extremism by identifying himself as the only force who stands between Russia and fascist movements and tendencies, and a lot of Russian opposition figures feel that actually he has exploited this issue, saying that he is the only person who really cares about this problem.

Russia has introduced a law on extremism that actually is very restrictive and that can be used essentially to put any political movement critical of the government out of business, so there is some negative potential in this.

Ms. WATSON. Thank you.

Mr. PAYNE. Madam Chairperson?

Ms. WATSON. Yes?

Mr. PAYNE. A half a second. I know you want to end, but I just wonder if any of you have any knowledge about Russia and its cooperation of selling weapons to the Sudan Government and Darfur.

They have denied it, but there is Resolution 1591 that says that no one should sell weapons to Sudan, and the Russians are accused of selling $13.7 million of helicopters and other substantial arms, and I just wonder if anyone could just in a second comment on Russia's relationship with Sudan if any of you have knowledge.

Mr. SATTER. I can briefly say that I don't know the details of the arms transfers to Sudan, but Russia has a variety—the arms export industry in Russia is extraordinarily corrupt, and there also are many unofficial mafia-linked arms salesmen who also have government connections.

In addition, the Russian Government itself is amazingly inattentive in the question of where its arms exports go. The Sudan exam-

ple is one, but the other very important example was the export of anti-tank weapons to Syria that ended up in the ends of Hezbollah.

No one with serious knowledge of the situation believes that that was done without the knowledge of the Russian authorities.

Ms. WATSON. Thank you.

Mr. Smith?

Mr. SMITH OF NEW JERSEY. Thank you, Madam Chair.

Let me just ask a couple of brief questions because I know you have been here a very long time.

In 1999 in St. Petersburg at an OSCE Parliamentary Assembly meeting I offered a resolution calling for the OSCE countries to combat human trafficking. At the time, the Russians, including their Duma speaker, in a bilateral meeting that I had with them, told me we were making it all up. It was all exaggeration, hyperbole.

The next year when I offered the same resolution at another assembly they wholeheartedly supported it, so they came around, if you will. They passed legislation recently that tries to combat human trafficking.

Yesterday I met with the head of MiraMed, an NGO that is doing its level best to provide shelters in Moscow and elsewhere as part of an Angel Coalition. They are, however, still on the Tier 2 watch list. They are not yet to the point where they have met the minimum standards, so they are very close to dropping into Tier 3.

What would be your recommendations to Putin? It seems to me, and I remember in a conversation with the speaker because it was in St. Petersburg, they thought it was inartful to raise the issue of trafficking, even though it wasn't focused on Russia itself. It was focused on every one of us, but I guess the venue wasn't to his liking.

Zerovnovsky came up to me later and said you must hate the Russian people. I said to the contrary. Why do you like or why do you enable or look the other way when your girls are being raped every day in New York and in capitals all over the world, especially in Europe and the United States, because the Russian mob is buying and selling women like chattel.

They did change, but they are just not there yet. Any recommendations you might have to the Russians on what they need to do to more vigorously combat this human slavery?

Secondly, on Georgia. If you could comment, if you would? You know, I have many friends in the Georgian Parliament, and they are ever concerned, as I know you are as well, about Abkhazia and South Ossetia and the constant menace that Russia poses to the Georgians.

Also, if you would comment on Internet freedom. I have legislation pending called the Global Online Internet Freedom Act, and we know that private emails in Russia are routinely redirected through the FSB so that they know what people are sending and receiving.

It is not quite China where they have rounded up dissident after dissident, religious believer after religious believer, who happens to go on the Internet and type in the Dalai Lama or Falun Gong or Underground Catholic Church or any other such things, but it

seems to be a very severe menace as the very title of this hearing would indicate, the reemergence of an Iron Curtain.

It seems to me that a tool of oppression like that, where people wittingly or unwittingly go on-line and the next thing they get is a knock on the door by the FSB, could further chill dissidents and real human rights activists in that country.

Your thoughts on that as well?

Mr. MCFAUL. Maybe I will go first. Congressman, first of all, thank you for the work you have done on human trafficking. I know colleagues who work in this field, and you are the champion for these set of issues, and really I deeply appreciate it. My wife actually works on these issues as well and so thank you for your leadership.

My recommendation to you would not be to Mr. Putin. My recommendation to you would be to not cut the budget for civil society in Russia, which the appropriation for fiscal year 2008 cuts it 40 percent from $43 million to $26 million. That is what the Bush administration wants to do.

Why do I say that? Because the only way you are going to get the monitoring of the formal resolutions that you are talking about is if it is civil society, and civil society is not going to get support from this inside Russia. It is just that simple.

Moreover, if we had more time I would make a radical recommendation to you all as you think about the foreign assistance reforms that the Bush administration has proposed to think of ways to separate out our foreign assistance from U.S. foreign policy concrete objectives.

I actually disagree with my friends who are in the administration who want to bring this into the State Department. I think that is a big, big mistake because when we do it then the Jerovnoskys of the world are going to say this monitoring stuff, this is just another way to bring us down.

I think the more separation you have the better, so the model for me is the National Endowment for Democracy and other foundations that were set up directly report to you, not through the State Department. You fund them directly, and they then have their independent boards, bipartisan boards, nonpartisan boards, and they do their business.

I would recommend exactly the same for this set of issues on human trafficking. We don't have that construction right now. It needs to be there.

On Georgia I would just say two things. First, Congressman Payne, so you know it just is echoing something that David already said, but the xenophobia is real. It happened to the Georgians this fall where they literally just rounded up school children and threw them out of the country if they had a Georgian name, many of whom were citizens of Russia, by the way.

I know the characters involved in this. They have a phrase that they used to use called managed democracy, and the idea is we are going to manage these institutions. We are going to pass the anti-extreme law on the one hand, but then we are going to create this youth group, Nashi, on the other hand. We are going to manipulate them in a very clever way so that Putin looks good, which is what Ambassador Sestanovich said.

The problem with that is that sometimes these groups get out of control, and Nashi is a great example, this youth group totally created by the Kremlin 100 percent. I know the guys who did it. It didn't come from society. It came from the state, and then they roll them out for various things.

I was at a meeting called The Other Russia last summer. It was an alternative G–8 summit, and they literally were there, 400 or 500 of them, chanting, intimidating the delegates that came, including government officials, by the way, U.S. Government officials that came to that meeting. It all seemed kind of concocted, you know, young kids. They were paid to be there. Then it kind of spun out of control.

They are now harassing the British Ambassador, following him around, and just a couple weeks ago or 10 days ago the Estonian Ambassador had to leave the country worrying about her physical position because of these youth groups.

That to me is scary because when you play around with nationalist stuff, when you pass a law saying foreigners are not allowed to work in our markets, which just happened a month ago, that can spin out of control, and suddenly the Kremlin folks managing it are no longer going to be in control, which gets me back to the Georgians.

We have to stand firm with our Georgian friends. This is an issue about sovereignty, a democratically elected government that we should not treat this as a black and white issue. It is not a black and white issue, and I would urge you to do that in support of our friends inside Georgia.

Ms. WATSON. I just want to kind of sum this up and ask this question.

Mr. SMITH OF NEW JERSEY. Madam Chair, if I could?

Ms. WATSON. Oh, yes. Sure.

Mr. SMITH OF NEW JERSEY. Did you want to answer any of those? I am sorry.

Mr. SESTANOVICH. If I could just say one thing, Congressman Smith?

The case of human trafficking is a vivid demonstration of how institutional arrangements in one country have international significance. You know, prostitution and slavery, to use your term, exist in other countries if the police in one country are corrupt and facilitate it.

President Putin has talked a lot about the corruption of the police as a problem for his administration, and he even goes so far as to identify what the problems are, that you need parliamentary oversight, you need media oversight, you need NGOs, you need public debate, but of course those things have all been curtailed under his rule.

I agree with Mike's suggestion about support for civil society, but I would also push the dialogue with Mr. Putin himself. He has identified the cure. We know how this works. What one needs to do is go beyond that because if you have corrupt police and a deeply, deeply corrupt institution of the sort that you have in Russia, we all pay the price for it.

About Georgia. One can get mired in the complexity of these cases—South Ossetia and Abkhazia. There is a history here. There

always is. We begin to find out about it as amateur anthropologists when conflicts like this arise in the Balkans and in the Black Sea region and throughout this part of the world.

But there are certain principles that we ought to be starting from, and one is if you don't want foreign troops on your soil you don't have to have them, and that is a principle that I think we haven't been clear enough about in approaching this problem as conflict resolution.

Conflict resolution is the right approach, but it has to be from the starting point of recognizing that the role of one of the parties is just illegitimate.

Ms. WATSON. Mr. Bilirakis?

Mr. BILIRAKIS. Thank you, Madam Chairman. I appreciate it.

I have a couple questions. What is your estimate of the level of wealth accumulated by the leadership in the Kremlin under Mr. Putin? That is for the panel, please.

Mr. SATTER. Maybe I can start with that because I also didn't answer Congressman Smith, but just briefly I don't think that anyone has those figures.

Putin himself is believed to be immensely wealthy. Nobody can determine exactly how wealthy, but just judging on the basis of circumstantial evidence it is certainly on the level of the highest levels of the Saudi Arabian leadership.

Mr. BILIRAKIS. How did he acquire the wealth?

Mr. SATTER. Well, for one thing the people who run the country also own it. The largest natural resource companies are now in the hands of the people who are high ranking officials of government.

In Russia, if you can control the flow of revenue to any organization the myriad ways in which you can skim off revenue would fill 1,001 Arabian nights. They are geniuses in finding ways to divert income, to set up front companies and to create companies staffed by their mistresses, their relatives, and their children.

Maybe I will continue now with what Congressman Smith asked about Georgia. He raised three points. The others have been addressed, but I would direct anyone interested in the Abkhazia question to study what happened in Sukhumi in 1992. I think there were 30,000 people killed, and it was a horrific massacre. It was a Russian orchestrated secession movement. The Abkhazs were a small minority in Abkhazia, and the atrocities that were committed are still very much remembered.

The hypocrisy of the Russian foreign policy stance in that part of the world is underscored by the fact that Russia, while encouraging secession and the breakup of Georgia, mercilessly suppressed the secessionist movement in Chechnya, and surely Georgia has as much right to territorial integrity as any other country.

Mr. MCFAUL. Could I just add on the corruption issue very briefly? Unfortunately we don't have a good answer to your question, and people that have tried to get a good answer for that question have paid consequences.

Let me just give you two examples. I think the real story, not knowing an exact number to put on it, is that we have had the renationalization of things worth owning under Mr. Putin, and the two biggest ones of course are Gazprom and Rosneft.

Gazprom is the largest gas company in the world. It is now 50 percent state owned. The head of it, and this is the problem. The chairman of the board is a government official, right? Mr. Medvedev.

Rosneft went from being an obscure, nothing oil company to just last week becoming the second largest—actually the first largest—oil producer in Russia just surpassing Lukoil in just the most blatant violation of property rights maybe since going all the way back to the nationalization of oil companies in Saudi Arabia and Iran, but most certainly in Russia where it was just stolen from Yukos.

Now, we can debate about how Yukos acquired its property, but there is no doubting the fact that this was a blatant seizure of property that has now been nationalized, and Igor Sechin is the chairman of the board who is the Deputy Chief of Administration for Mr. Putin, so what his take is and how he gets his money we don't know because these companies once were much more transparent than they are today as a result of these transformations.

Ms. WATSON. I would like to end with a couple of questions, and you can respond to them.

Number one, when we went into Iraq we were expecting support from Russia. They didn't show their affection for that invasion. I would like you to comment on what impact that had.

And the last thing, does Moscow still have influence over some of the former Soviet republics, and how have they been successful, those who have resisted in escaping the Kremlin's influence?

Maybe all three of you would want to comment on those two thoughts, and then we are going to adjourn. There is another committee waiting to get in.

I definitely want to thank you for your patience. You have been here all afternoon, and we definitely appreciate that. Yes, since the morning I am reminded. I hope that we can continue and have you back again. Thank you.

Mr. SESTANOVICH. Madam Chairman, let me say a word about influence over the former Soviet states. It is an influence that in some cases is perpetuated by military presence as in Moldova and in Georgia. We have just been discussing the Georgian case.

But there are new forms of influence that have been created in post Soviet times, and in particular money, subsidies and the use of money to acquire assets in poor countries on the Russian periphery.

That has been particularly true in Belarus, which today is sacrificing some of the ownership of its pipeline system to Russia. We saw some of the signs of that over the weekend when the Russians were able to get the agreement of Turkmenistan to export its gas through Russia.

I used to joke that the former President of Turkmenistan for all of his megalomania was above all else an employee of Gazprom, and I think the secession has produced a new President of Turkmenistan who is not a megalomaniac, but still acts in many ways as an employee of Gazprom. Russian economic influence is very strong.

You asked how other countries in the former Soviet system have been able to establish their independence. In part by paying mar-

ket prices. We earlier heard questions about the importance of and the basic fairness of paying market prices for energy.

Paying market prices for energy has an unexpected consequence for Russia. It means that the countries that have to pay those prices become independent because they are no longer dependent on subsidies.

For Georgia and for Ukraine, getting close to the market has been part of becoming independent. It is an unexpected consequence of a Russian policy of pressure.

Ms. WATSON. Dr. McFaul?

Mr. MCFAUL. Very briefly, first on Iraq. Russia did not support us. Several of our allies did not support us, and a good chunk of the American people did not support that decision. I don't see anything interesting about that.

What is interesting is that when you go back and you look at what analysts said back in 2003, they said now we have Germany, France and Russia and this new multipolarity, and they are going to be balancing against the United States.

What I am struck by now in the year 2007 is the exact opposite. That didn't happen. Now if you look at it there is big, widespread agreement among our friends in France and Germany and throughout the rest of Europe about the problems inside Russia.

There is a consensus, as Condoleezza Rice just said on the eve of her trip, about the problems inside Russia. That tells me that values do matter and that in the long run, having democratic allies is very important and some day I hope a democratic Russia would be an ally, so that is on Iraq.

On the former Soviet republics, just briefly I would just say we cannot let Georgia and Ukraine fail. If they fail then the Russians have won. Not the Russians. The autocratic forces inside Russia because there is not just one Russia and Russians. There is a competition going on inside that country. Let us always remember that.

If these two democratic experiments, the second wave if you will, of democracy within the former Soviet space fail it is going to hurt everybody, including first and foremost the democrats inside Russia.

Ms. WATSON. Thank you.

Mr. Satter?

Mr. SATTER. The tendency among the former Soviet republics is that those that are reliably authoritarian find support from Russia. Russia's relations at least until recently were closest of all with Belarus to the point that a union was created between the two countries.

The logic of the situation is that given the nature of the way in which Russia is ruled, any real democratic experience in the former Soviet Union or along its borders is threatening for the people who run Russia.

As a result, both in their relationships with former Soviet republics and in their relationships with other countries they are drawn to authoritarian and dictatorial countries which don't ask questions, which don't raise human rights issues, which conduct deals which are not transparent in which there are plenty of kickbacks.

As a result, we need to be concerned about the fact that a country as powerful as Russia for reasons connected with the self-interest of the people who run the country is becoming a source of support for authoritarianism not just in the former Soviet space, but in the world as a whole.

Ms. WATSON. Well, I want to thank Mr. Satter, Dr. McFaul and Ambassador Sestanovich for coming here and trying to clarify just what we are seeing in Russia today and the role that Putin is playing in influencing the rest of the region.

We do appreciate your patience again and the information that you have left us with. Thank you so much.

This session is adjourned.

Mr. SHERMAN. Madam Chair? I will talk to you folks privately, but you will remember that last question I asked I didn't get an answer to.

Ms. WATSON. Yes, they did. They did respond.

Mr. SHERMAN. They did?

Ms. WATSON. Yes, they did respond. We started with that, so you might want to see them down there.

Mr. SHERMAN. I will see them down there. I am glad they responded for the record.

Ms. WATSON. Yes.

[Whereupon, at 3:25 p.m. the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for convening this hearing. The growing trend toward authoritarianism in Russia is extremely alarming to those of us committed to democracy and the protection of human rights, and I am extremely glad to see this full committee addressing this issue. May I also thank the Ranking Member, and welcome our three distinguished witnesses, Dr. Stephen Sestanovich, the George F. Kennan Senior Fellow for Russian and Eurasian Studies at the Council on Foreign Relations; Dr. Michael McFaul, Professor at Stanford University; and David Satter, Senior Fellow at the Hudson Institute.

Mr. Chairman, during the presidency of Vladimir Putin we have seen Russia's Freedom House rating lowered from "partly free" to "not free." We have seen a growing cadre of former security officials appointed to key positions in Mr. Putin's administration. We have seen clamp downs of the press, particularly the broadcast media, with all nationwide TV and radio networks now owned or controlled by the state. We have seen a series of political "reforms" in 2004; regional governors are now appointed rather than elected, and Duma Deputies are elected via national party lists, effectively eliminating independent Deputies.

In particular, Mr. Chairman, I would like to express my extreme concern about the declining respect for human rights in Russia. Just last week, this Congress passed a landmark piece of hate crimes legislation, of which I was a proud co-sponsor. We stood on the House floor and proclaimed that crimes of hatred and intolerance were unacceptable. As a strong advocate of this hate crimes legislation for our own country, I would like to convey my extreme distaste over the increase in crimes of this nature in Russia, where they are perpetrated particularly against Chechens, "guest workers" from Central Asia, foreigners, and Jews. According to Deputy Prosecutor-General Viktor Grin, the number of occurrences of hate crimes in 2006 doubled from 2005.

In addition, there have been recent declines in religious freedom, and, though reports indicate these are not as drastic as the increases in hate crimes, they too are extremely worrying. In particular, discrimination has been reported against members of minority religions, including Muslims, Jehovah's Witnesses, the Hare Krishna Society, Pentecostal churches, and the Mormon Church, while the Russian Orthodox Church has received such increases in support that it is now a de facto official religion, according to State Department reports.

A third human rights concern I would like to draw particular attention to is the ongoing problem of human trafficking. Russia's 2006 witness protection program represents a positive step forward, but reports indicate that it has not provided adequate resources for shelters and victim assistance. As a member of the Congressional Women's Caucus and the Chair of the Congressional Children's Caucus, I am extremely concerned about the trafficking of women and children abroad for sexual purposes.

In addition to these very serious human rights concerns, I believe we need to focus a great deal of attention on a number of serious security concerns, particularly those regarding Russia's complicated relations with Iran. Russia is currently nearing completion of a program to construct a civilian nuclear reactor in Iran, which many in the United States government fear will act as a cover for a covert nuclear weapons program. However, because Iran has proven an unreliable partner, some analysts suggest that further cooperation is not necessarily in Russia's economic and security interests. Additionally, Russia voted for the U.N. Security Council Resolutions in December 2006 and March 2007 to impose modest sanctions on Iran. I hope

that our witnesses today will speak to Russian relations with Tehran, and the implications for US policy toward Iran.

The final issue I would particularly like to address today is that of energy. Rising gas prices have had a positive economic effect on Russia, but under Putin we have seen a return to state control of key sectors of the economy. This reassertion of the state over the economy was particularly evident in 2003 and 2004, when the founder of oil giant Yukos, Mikhail Khodorkovsky, was charged and convicted of tax evasion. Yukos was subsequently broken up by the state.

Additionally, as Russia is a major supplier of oil and gas to many of the states in Europe, it has been able to use energy as a political tool by threatening or cutting off the flow of oil, particularly to the many Eastern Europe states which are dependent on it. I hope that we will also take time today to examine the role of Russia's "energy superpower" aspirations in its relations with its neighbors and the rest of the international community.

Mr. Chairman, there are many aspects of the move toward authoritarianism in Russia that I find very disturbing. I thank the Chairman for convening this hearing, and I look forward to the testimony of our witnesses. I yield back the balance of my time.

PREPARED STATEMENT OF THE HONORABLE DONALD A. MANZULLO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for holding this important hearing on Russia. Under the rule of President Vladimir Putin, the Russian state has launched a systematic attack to roll back Russia's earlier progress on democracy, privatization of the economy, and on human rights. While most attention in the United States is rightly focused on attacks against civil society and freedom of speech, the Kremlin's attack on private enterprise and its willingness to use energy as a weapon should be noted.

In July 2004, Russia launched its most audacious attack on private enterprise by accusing the Yukos Oil Company of evading over $7 billion worth of taxes. However, as it soon became clear, the tax evasion charge was simply a cover by the Kremlin to dismantle a private enterprise. The "fire sale" of Yukos assets and the imprisonment of its chief executive leave no doubt in my mind that the decision to clamp down was purely political. Undue political involvement in the private sector undermines confidence and breeds rampant corruption.

The lack of commitment to private sector and market reform hits close to home. In the northern Illinois district I am proud to represent, one small manufacturer sold equipment to Russia and was never paid. The company took the unprecedented step of taking legal action in Russia and received a summary judgment from the court for the Russian bank to release the money due my constituent but that never happened. I'm sure this is emblematic of the problems many U.S. businesses of every size has in dealing with the murky business environment in Russia. This behavior puts a chilling effect on our ability to maximize U.S. exports to Russia.

Even as it seeks membership in the World Trade Organization, the Russian government has shown disregard towards the shared principles of free trade and economic stability when it suits their political interests. The continued problems of rampant intellectual property rights piracy in Russia is of grave concern. By shutting the vital pipelines that fuel Europe in January, Russia sent a crystal clear message that it would stop at nothing to make a point. Such irrational moves threaten American economic security and places at risk our financial wellbeing give the nature of the world's highly integrated markets.

Mr. Chairman, the Russian people are rich in their cultural history, and they should be proud of all the progress that has been made since the fall of the Soviet Union. However, President Putin is reversing the years of progress his country has made in a multitude of areas, from religious freedom to an open and transparent marketplace. This hearing couldn't be timelier. I look forward to hearing from the witnesses.