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# Russian Foreign Policy: Modernization or Marginalization?

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The global economic crisis of 2008–09 has had a profound effect on Russia. The country entered the crisis hoping to remain an “island of stability,” immune from financial troubles plaguing the Western world. The skyrocketing price of oil, just before the crisis struck, had strengthened the financial power of the Russian state. As a member of the virtual BRIC group of fast-growing, major non-Western economies,<sup>1</sup> Russia counted on the crisis, if anything, to facilitate its advancement through the ranks of the international economic power hierarchy. The troubles of the US dollar appeared to make a compelling case for the Russian ruble as a regional reserve currency. Not only was a multipolar world, no longer dominated by the United States, a near reality but also, as many Western institutions—in finance, government, and ethics—became discredited, the political systems of China and Russia showed remarkable resilience.

Within a few months, however, many of these hopes were dispelled as illusions, and many high ambitions were set back. Having lost 8 percent of its GDP in 2009, Russia was more severely hit than any Group of Twenty (G-20) country. However, the crisis failed to produce a social backlash that domestic adversaries of the Russian government hoped for. President Dmitri Medvedev praised the continuing social and thus regime stability as the biggest achievement of 2009. Russia did shed about \$200 billion currency reserves while trying to salvage the ruble, but with more than

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1. A group named after a 2001 Goldman Sachs report that lumped together the world’s four largest emerging markets, Brazil, Russia, India, and China.

\$400 billion remaining, it has enough to feel reasonably secure. Observers who had calculated that the mounting economic difficulties would make Moscow's foreign policy more pliable were largely confounded as the oil price rebounded quickly enough in 2009 before their hypothesis could really be tested.

Yet, at the beginning 2010 there was a widespread feeling of malaise within Russia. The "Gilded Age" of the 2000s had suddenly lost much of its luster. It is becoming clear that unless the country modernizes, Russia will further marginalize its position in global affairs. Russia's foreign policy is as much in need of a fundamental overhaul as are its economy and social and political systems.

## Still Searching for a Global Role

Twenty years after the Soviet withdrawal from Afghanistan and the fall of the Berlin Wall, and 18 years after the breakup of the Soviet Union, Russia has shed communism and lost its historical empire. But it has not yet found a new role; instead, it sits uncomfortably on the periphery of both Europe and Asia while apprehensively rubbing shoulders with the Muslim world.

Throughout the 1990s, Moscow attempted to integrate into, and then with, the West. These efforts ended in failure, both because the West lacked the will to adopt Russia as one of its own and because Russian elites chose to embrace a corporatist, conservative policy agenda at home and abroad.

As a result, somewhere between 2003 and 2005 Russia abandoned its initial goal of Western integration and returned to its default option of behaving as an independent great power. It redefined its objectives: soft dominance in the immediate post-Soviet neighborhood; independence from, and equality with, the world's principal power centers of China, the European Union, and the United States; and membership in the global multipolar order.

Half a decade later, this policy course has revealed its failures and flaws. Most are rooted in the Russian government's inability and unwillingness to reform the country's oil-dependent economy, the noncompetitive nature of Russian politics, and the trend toward nationalism and isolationism. In terms of foreign policy, Russia's leaders have failed to close the books on the lost Soviet empire. It is as if they exited the 20th century through two doors at the same time—one leading to the globalized market of the 21st century and the other opening into the Great Game of the 19th century.

As the economic crisis has demonstrated, the model Russia's contemporary leaders have chosen—growth without development, capitalism without democracy, and great power policies without international appeal—can run only so far. Russia will not only fail to achieve its principal

foreign policy objectives but also fall further behind in a world increasingly defined by instant communication and open borders, endangering not merely its status but also its existence. Russia's foreign policy needs more than a reset: It requires a new strategy and new policy instruments and mechanisms to implement it.

## Project CIS on Life Support

When Russia, during Vladimir Putin's second term, abandoned its aspirations to join the West, it set about working on what could be called "project CIS." This effort attempted to turn the Commonwealth of Independent States—a loose association of ex-Soviet republics minus the three Baltic countries—into a Russian power center. Russia did not aim to restore the Soviet Union but to ensure political loyalty of these new states to Moscow, a privileged position for Russian business interests, and the predominant influence of Russian culture. After the 2008 war in Georgia, President Medvedev called the region "a zone of privileged interests" of the Russian Federation.

Russia's victory in that war seemed to strengthen its claim to that role. Moscow defended South Ossetia from the advances of the Georgian military and sent troops to allow the breakaway republic of Abkhazia to evict Georgian forces from the strategic Kodori Gorge. In a departure from its long-standing adherence to post-Soviet borders, Moscow recognized the independence of South Ossetia and Abkhazia, two enclaves that had seceded from Georgia in the early 1990s.

In contrast, the war made the United States appear ineffectual and irrelevant. First, the George W. Bush administration failed to restrain Mikhail Saakashvili from taking reckless action against South Ossetia, provoking Russia's darkest suspicions about Washington's motives. It then failed to come to Tbilisi's rescue once the war began, raising questions among US allies along Russia's borders about its credibility as a guarantor of security. Europe seemed equally disjointed. In a largely symbolic move, the North Atlantic Treaty Organization (NATO) froze relations with Russia because of Moscow's disproportionate use of force, while also putting enlargement plans for Georgia and Ukraine on the back-burner, essentially fulfilling a long-time Russian wish. The media briefly discussed sanctions by Western countries against Russia, although such measures were never under serious consideration.

A year and a half later, the picture looks less rosy for Russia. No other country in the Collective Security Treaty Organization (CSTO)—the mutual security pact of six CIS states—has recognized the independence of Abkhazia and South Ossetia. Russia has tried to cast this in a more positive light: Prime Minister Putin says that such *de jure* recognition is unnecessary and what really matters is Russia's protection and support for the

two provinces; for his part, Medvedev reports that several foreign leaders privately complain that they would recognize Abkhazia and South Ossetia if only they could, citing diverse reasons—from sensitivity to ethnic disputes to outside pressure. Although both Putin and Medvedev may be right, the wider context is clear: Not a single Russian ally wants—or can afford—to be seen as Moscow’s satellite.

Other indicators suggest that Russia’s plans for a regional political system centered on Moscow are not taking shape. In 2005 there was glee in Moscow when Uzbek President Islam Karimov closed US military bases in his country and rejoined the CSTO and later the Russia-led Eurasian Economic Community (EurAsEc). That same year, Karimov brutally suppressed a revolt in the city of Andijan, making him a pariah in the West and something of a prodigal son in Moscow. The mood has changed since then, however. Uzbekistan is unhappy with the terms of its economic cooperation with Russia, angry about Russia’s plan to establish a second military base in neighboring Kyrgyzstan, and warming to the presence of the US military.

Even smaller countries in Central Asia are feeling similarly emboldened to contradict Moscow’s preferences. For years Russia had publicly expressed its desire to see a US air base in Kyrgyzstan closed. And in early 2009 Kyrgyzstan obliged: It was seeking a large economic assistance package from Russia and sought to please Moscow by expelling the US military from the facility. But some months later the seemingly disorganized and cash-strapped Kyrgyz government managed a double act: It allowed the United States to stay, raised the rent on the use of the base, and also received the Russian aid package worth around \$2 billion. Moscow was left bewildered by Bishkek’s volte-face and had to be content with the promise of its own base in Kyrgyzstan.

After the war in Georgia, Russia was very keen to demonstrate that drawing new borders around Abkhazia and South Ossetia was a special case and that it was serious about its responsibility as a peacekeeper and facilitator in the contested enclaves of Nagorno-Karabakh and Transnistria. Medvedev held a series of joint meetings with the presidents of Armenia and Azerbaijan and conferred with the president of Moldova. Yet, there has been no breakthrough in any of these conflicts, and it has become clear that Moscow is unable to single-handedly broker any peace settlement.

Before the global economic crisis struck in fall 2008, the Kremlin was confident that Russia was on the rise as an economic and geopolitical powerhouse. In June 2008 Medvedev hailed the Russian ruble as the region’s future reserve currency. Since then, Russian reserves have shrunk, and the ruble has lost much of its value and potential appeal as an international currency. When Moscow offered Minsk \$500 million worth of rubles instead of dollars—in a reversal of an earlier agreement—the Belarusians felt short-changed and insulted.

The crisis has hit Russia harder than any other major country. The Russian economy has only grown more dependent on oil and gas since its default in 1998. As global commodity prices dropped, so did Russia's GDP, falling more than 10 percent between mid-2008 and mid-2009. Still, other CIS countries have been affected even more severely: Ukraine's GDP contracted nearly 20 percent. Conscious of this, Moscow is attempting to use the crisis as an opportunity, offering cash to its neighbors in the hope that economic assistance can buy a measure of political influence. Kyrgyzstan, as seen earlier, played this game to its benefit. Ukraine never claimed the \$5 billion Russia offered it to help with its energy needs and instead chose to bypass Russia and secure a much smaller sum from the European Union to modernize its gas transportation network. As for Belarus, Minsk collected most of the \$2 billion package offered by Moscow but then quickly became embroiled in a dispute with Russia over issues ranging from the two countries' trade in dairy products to conditions for industrial privatization in Belarus.

At the same time, Moscow suspended its 16-year quest for membership in the World Trade Organization (WTO). Instead, it championed the creation of a supranational customs union comprising Belarus, Kazakhstan, and Russia, which has yet to be implemented and may take a long time shaping up. Although Russia was certainly frustrated with protracted negotiations and saw an opening for crisis-related opportunism, Moscow's decision to abandon WTO membership showed its ambition and desire to reorder its foreign policy priorities. The snag—and irony—was that as Moscow took this momentous decision, its spat with Minsk exposed the officially existing (on paper) Russo-Belarusian union state as a sham. The union's 10th anniversary in December 2009 was marked by new bitter rows over Moscow's withdrawal of oil and gas subsidies for Minsk.

Since 2003, when the United States invaded Iraq, Mikhail Khodorkovsky's Yukos company got in trouble, and oil prices started their spectacular five-year-long rise, Moscow had championed its new position as an energy power, comparing its oil and gas resources to the nuclear arsenal that once gave the Soviet Union superpower status during the Cold War. But the use of energy as a weapon proved to be a disaster, as the state oil giant Gazprom's clumsy gas cut-offs to Ukraine in 2006 and 2009 made clear. Over the past several years, Gazprom has been scrambling to buy the gas produced by other CIS countries and to maintain control over its export routes. In 2003 it acquired rights to the entire gas production of Turkmenistan for the next 25 years; and in 2007 Russia agreed with Kazakhstan, Turkmenistan, and Uzbekistan to build a new pipeline from the Caspian Sea.

By 2009, however, much of this unraveled. Gazprom's relations with Turkmenistan have soured: A newly price-conscious Russian government refused to buy any gas from Turkmenistan in the spring of 2009, leading the Turkmen government to look West for new customers. By the end of

the year, China completed a gas pipeline that begins in Turkmenistan and heads east—the Caspian region’s first pipeline that does not traverse Russian territory. Ironically, it is Beijing, not the West, that has broken Moscow’s historical monopoly on gas transit from the region.

Thus, the fear of a Russian “gas caliphate” in Central Asia was revealed as a myth. At the beginning of 2010, there was no gas war between Moscow and Kiev: On the eve of Ukrainian presidential elections, the Russians had resolved to reach an agreement on prices and transit fees without recourse to ultimate measures. In its previous gas crises with Ukraine, Russia did the wrong things (shutting off supplies to Ukraine and thereby to Europe) for the right reasons (claiming a fair price for its product). The result was doubly damaging for Russia: Its reputation as a reliable gas exporter was left in tatters, and Europe finally decided it needed to find alternative energy sources. As a result, the Nabucco pipeline—which Europe imagined as an alternative supply route of natural gas and Russia long derided as infeasible—started to look more realistic. Russia, for its part, has been able to sign a deal with Turkey on Blue Stream II, which could potentially reach Israel. In the end, Europe will continue to depend heavily on Russian gas supplies, but Russia will have to tolerate multiple pipelines from the Caspian going in all directions.

Finally, the demonstration of Russian military power in Georgia has done nothing to forestall a deteriorating security situation in Russia’s own North Caucasus region. The republics of Ingushetia and Dagestan are especially dangerous flashpoints, and Chechnya, newly pacified after years of war, is again experiencing a spate of terrorist attacks. Moscow’s strategy of buying off corrupt local elites in the region has not purchased stability. Islamist radicals thrive on official corruption, interclan warfare, and the heavy-handedness of the police and security services. As a result, Russia’s grip on the North Caucasus is loosening, and the failure to stabilize the situation there could result in terrorists and extremists turning the mountainous region into a base along the lines of Pakistan’s northwestern frontier province. Conscious of the seriousness of the situation, Moscow decided in early 2010 to carve out the North Caucasus from the Southern federal district and place it under control of a special viceroy.

South of the mountains, the situation presents different challenges. Abkhazia and South Ossetia may be the only places in the former Soviet space that firmly fall into the Russian sphere of influence. But each poses a problem. In Abkhazia, Putin has said that Russian recognition was enough. But in the long term, Abkhazia wants to become a genuinely independent state and not a protectorate on Russia’s Black Sea coast. The Abkhaz presidential election of December 2009 was generally free and fair—ironically, more so than elections in the Russian Federation itself. In South Ossetia, the situation is the reverse: Contrary to Russia’s wishes, it probably cannot become a viable state, but its otherwise seemingly natural accession to the neighboring North Ossetia in Russia would be seen by Russia’s neighbors

as evidence of Moscow reverting to the historical pattern of territorial aggrandizement.

Russia may have many interests and a measure of influence, but it does not have—and is unlikely to have—anything it can call a “zone.” Yet, Russia is hampered by its territorial thinking, a view in which the world is set up as a handful of imperial poles battling for influence in smaller countries. Such an understanding ignores the real nature of contemporary global politics and will surely lead to failure.

At the same time Russia aspires to primacy in the former Soviet space; it craves equality with the United States and the European Union in the Euro-Atlantic area. In a 2007 speech at the Munich Security Conference, Putin made clear that Russia no longer accepted the rules of the game set after the collapse of the Soviet Union, when Russia was weak. Putin’s declaratory revisionism was backed up by Russia’s suspension of its responsibilities under the Conventional Forces in Europe Treaty. Then, as tensions over Georgia rose in 2008, Moscow resumed its air patrols off the coasts of Europe and North America and sent its bombers and navy ships on missions to Venezuela. The message from Moscow was clear: Ignoring Russian security interests could be hazardous.

Although the Kremlin did succeed in proving its strategic independence from the United States, there could be no talk of Russia’s overall equality with America and Europe. Moscow’s problem with the West is that it would not become a junior partner of the United States/European Union and would not be accepted by them as an equal. Thus, while Medvedev was right to call attention to the issue of Russia’s absence from meaningful European security structures, the notion of a treaty that would de facto block further NATO enlargement has been roundly rejected, as has the idea that Europe’s security should be jointly managed by a trioka of the United States and NATO, the European Union, and Russia and the CSTO. The draft text of such a treaty, made public in November 2009, leaves one with the conclusion that, while the issue of an inclusive security space in the Euro-Atlantic is as relevant as ever, the specific proposal for creating a latter-day League of Nations is definitely flawed.

Similarly, the idea of a grand bargain—Washington’s acquiescence to Moscow’s dominance in the former Soviet states on Russia’s borders in exchange for Russia’s support for US and Western policies in the Middle East and elsewhere—is a chimera. Unlike during the Great Game of the 19th century, the political futures of these countries—such as Georgia, Moldova, and Ukraine—will not be decided by strategists in Washington or Moscow but by people on the ground. Thus, the issue of NATO membership in Ukraine has been put on a back-burner not by Moscow’s opposition to it, or lack of interest in Washington, but rather by the Ukrainian people themselves, who, in the 2010 presidential election, voted out the one Ukrainian leader for whom joining NATO was an article of faith: Viktor Yushchenko.

In the 21st century, the power of attraction trumps that of coercion, which runs contrary to the view of many in the Russian leadership that the world is composed of sovereign empires competing over zones of influence. Russia, a nuclear superpower, is fighting a losing battle for influence in Ukraine, Moldova (where the post-Soviet generation looks to the European Union), and even Belarus (where younger urbanites consider themselves European). Georgia is overwhelmingly pro-Western, largely because Moscow's policies over the last two decades have made the population vehemently anti-Russian. Azerbaijan, in contrast, has managed to do business with Western oil companies while staying on friendly terms with Moscow and avoiding being dominated by it. Armenia notionally depends on Russian security guarantees but as a result of the continued Russia-Georgia confrontation it is more physically isolated from Russia. Recently, Armenia engaged in a dialogue with Turkey, which ultimately promised to lift a 16-year-old economic blockade imposed by Ankara at the height of the conflict over Karabakh.

This suggests that the vision of a "binary Europe"—made up of the NATO/EU community in the west and the center and a Russian-led bloc in the east—is less likely now than at any moment since the end of the Cold War. Even if bodies such as the CSTO and the customs union become more competent and effective, their effectiveness will be limited by Moscow's desire to turn them into its own policy instruments—a development that clashes with the interests of Russia's closest partners in Belarus and Kazakhstan.

## Russia's Great Power Pretensions Need a Reality Check

The Kremlin leadership consciously ignores the relative modesty of Russia's economic potential, its dependency on raw materials, and its technological backwardness. Russia has slightly over 140 million people, produces around 2 percent of global GDP, has a level of economic productivity four times lower than that of the United States, and is dependent on fluctuations in the price of oil. Such a country may wield a measure of power and influence with distant partners and near neighbors but needs a monumental effort to upgrade its economic clout, technological prowess, and societal appeal before it can claim the status of a world-class power center.

In the tsarist and Soviet past, Russia compensated for its weakness and backwardness with superior manpower, political centralism, and militarization of its industry. Today, it is unable to do the same. The country is in the midst of a demographic crisis that threatens to cut its population to 120 million or less by mid-century. Raw military power is also on the decline. Russia's remaining nuclear arsenal aside, its defense industry is no longer capable of producing a full range of weapons systems and it

has been forced to buy arms from abroad, such as drones from Israel and ships from France. The continuing test failures of the Bulava ballistic missile suggest that even Russia's superior nuclear weapons sector is plagued with deficiencies.

Three hundred years ago, the newly reformed Russian army defeated Swedish forces at the Battle of Poltava, heralding Russia's emergence as a European power. This long historical era has now come to an end. Russia is the European Union's largest and most important neighbor, but emphasizing power relationships is not to Russia's advantage. The currency of world politics has changed, and Russia will have to work hard to acquire it. Unfortunately, Russia's leadership is looking not so much to build a new power base at home but to find detours to borrow power from others.

In the summer of 2009, Ekaterinburg, the regional capital of the Urals, hosted three international summits at nearly the same time: the CSTO; the Shanghai Cooperation Organization (SCO); and the first meeting of the leaders of the BRIC countries.

Moscow has been keen to promote closer links among the leading non-Western powers in order to expedite the withering of US global hegemony and to establish a multipolar world order in its place. In his 2007 speech in Munich, Putin sounded like not only the leader of Russia but also the spokesman for the non-West. He was the only major world figure willing—and who thought he could afford—to openly challenge US foreign policy.

But the BRIC summit provided little more than a rare photo-op. The effects of the economic crisis made many analysts talk about BIC—rather than BRIC—because Russia's resource-based economy has been much harder hit than China's, India's, or Brazil's. Russia's approach to foreign policy bears little resemblance to that of the other BRIC countries. China, India, and Brazil are all WTO members and have been active in the Doha Round of trade negotiations, whereas Russia has deprioritized its accession process to the WTO. Geopolitically, China is cautious and India is insular, but Russia is assertive and openly revisionist. Russia's plans to use the BRIC to boost itself to a higher international orbit are unlikely to do the trick. The Chinese and the Indians are notorious *Alleingaengers* and now tend to look down on the Russians. Brazil, meanwhile, is just getting on its feet as an emerging world power.

Although Russian-Chinese collaboration is growing—as within the SCO—China is emerging as the state driving the bilateral agenda. For the first time in three hundred years, China is more powerful and dynamic than Russia—and it can back up its economic and security interests with hefty infusions of cash. In recent months, Beijing has offered \$10 billion to countries in Central Asia; provided a currency swap to Belarus, which was haggling with Russia over the terms of the dollar credit; and found a bil-

lion dollars of aid for faraway Moldova, double Moscow's promised sum. It is worth remembering that China refused to recognize the independence of Abkhazia and South Ossetia in August 2008, setting an example for the SCO's Central Asian members, who followed Beijing's lead.

The conclusion is not that Russia has no useful role to play in its own neighborhood, in the Euro-Atlantic area, or on the global stage. Russia's foreign policy priorities and objectives must change. Seeking political status and economic rents will end in failure and, in the process, waste precious resources and only breed more disappointment and resentment among Russia's elites and public. Russia needs a new foreign policy commensurate with its needs, size, and capacity—one that is shaped by the realities of the 21st century's globalized environment. In short, Russia needs to focus on overcoming its economic, social, and political backwardness, with foreign policy as a resource toward meeting this supreme national interest.

## Sketching Russia's Way Forward

Moscow's first priority should be Russia and its people, geared toward strengthening the country's own economic, intellectual, and social potential. Attempts to restore a "soft" equivalent of an empire would not add to Russia but only take away from it. This does not mean that Russia should ignore its close neighbors (which would be impossible) or shy away from close cooperation with them (which would be foolish). Instead, Russia's looming demographic crisis requires it to learn to win over people rather than "collect" lands and integrate many of them as full citizens.

Soft power should be central to Russia's foreign policy. Across the post-Soviet world, Russia possesses precious and virtually unused elements of this kind of power: Its language is widely used from Riga to Almaty, and Russian culture, from Pushkin to pop, is still in big demand. If Russia rebuilds its infrastructure, opportunities for higher education—especially in science—and research and development could become exceedingly attractive for its neighbors. And if Russia manages to fundamentally change how its political system and economy are run, the benefits become even more dramatic: Russian business interests would no longer be perceived as agents of the Kremlin and could become more welcome abroad; a Russian language television channel could become a Russophone version of Al Jazeera, and the Russian Orthodox Church could gain authority outside Russia if it were seen as a transnational institution and not an extension of the state. But such a vision would require transcending the model of a Russia defined by its leader—whether Yeltsin, Putin, or Medvedev—and instead envisage a Russia of multiple actors where the nation, and not the authorities, is sovereign.

Under such a strategy, policy toward Ukraine could become a touch-

stone. Rather than pressuring its neighbor not to defect to the West, Russia must reach out to the Ukrainian people directly, to attract new business opportunities, new workers, and new students. The Caucasus is another test: Solving the conundrum of Russia's relationship with Georgia and the final status of Abkhazia and South Ossetia are a *sine qua non* of Russia assuming the role of a benevolent regional leader. Meanwhile, settling the conflicts in Nagorno-Karabakh and Transnistria will require Russia to work alongside the European Union, the United States, Turkey, Ukraine, and the parties to the conflicts themselves.

Russia needs hard power, too, but the kind that addresses the challenges of the present, not the past. It needs a well-trained and well-equipped mobile army to deal with crises along its vast border, as well as a modern air force and navy. In many cases, Russia will not be acting alone. It will need to master the mechanisms of military and security cooperation in Eurasia with its allies in the CSTO, its Euro-Atlantic partners in NATO, and its Asian neighbors such as China, India, and Japan.

Rather than focusing on status and the international pecking order, Russia now must overcome its "institutional deficit" in relations with the West. Accordingly, it needs to identify modernization—not only technological or economic but sociopolitical as well—as its top priority. Consistent with this view, the principal task of Russian foreign policy—alongside protecting national security—must be to tap external resources for domestic transformation.

Such a vision prioritizes relations with developed countries that can provide technology, expertise, and investment. Luckily, the European Union, Japan, and the United States are Russia's direct neighbors, a fact that Russia can use to further regional development in areas near these shared borders, from the Kola Peninsula to Kamchatka and the Kurile Islands. Due to its geographical proximity and Russia's European roots, the European Union is Russia's most important partner for modernization. A 2005 EU-Russian agreement defined four areas for cooperation—economy, justice and internal security, culture and human contacts, and external relations—which are precisely the areas in which closer ties with the European Union would contribute to Russia's own transformation.

Russia's goal should not be to join the European Union but to create a common European economic space with it. When Russia finally joins the WTO, a free trade area between the European Union and Russia—with Belarus, Kazakhstan, Ukraine, and others joining in—will become possible. Energy could likely form the underlying basis for this common space, but to do so EU-Russian energy trade must be transformed from an area of contention into a tool of integration. Visa-free travel would also be a central human element of this new arrangement. As a guiding principle, former EU Commission president Romano Prodi's formulation—the European Union and Russia "sharing everything but the institutions"—remains sound and valid.

As Europe's own experience shows, such a common economic space can exist only in an atmosphere of trust and confidence. Therefore, Russia must seek to create a Euro-Atlantic security order that would finally demilitarize relations from Vancouver to Vladivostok, as was once said at the end of the Cold War. To this end, Russia must be convinced to give up its lingering suspicion of US power and intentions, and countries in Central and Eastern Europe must similarly be induced to let go of their fear of Russia. On the US side, this means moving away from the institutionalized hostility enshrined in mutually assured destruction, by pursuing a policy centered on collaboration on strategic defenses rather than on regulating strategic arsenals. Russia, meanwhile, should end its obsession with NATO and instead use joint projects with the alliance and its member states for its own defense modernization (but not seek NATO membership—to both keep its strategic independence and maintain relations with China on an even keel). Also, Russia's reconciliation with its Central and Eastern European neighbors is indispensable: For Moscow, Europe no longer starts on the Elbe but on the Narova and the Niemen. In Europe, multilateralism has taken over from multipolarity, and it is time for Moscow to pay attention.

China is one of Russia's leading trade partners and a fast-growing market that could also become a major source of capital investment. In addition, Beijing is an indispensable partner in assuring security and stability in Russia's near abroad, from Central and Northeast Asia to the greater Middle East. As such, there is no alternative to friendly and cooperative relations with Beijing. A key challenge for Russia's foreign policy will be to learn to live alongside a China that is strong, dynamic, assertive, and increasingly more advanced. This will require keen knowledge and deep understanding of Russia's great neighbor.

Russia's territory extends all the way to the Pacific, making it more of a Euro-Pacific power than a Euro-Asian one. The United States is its neighbor to the east, right across the Bering Strait. In fact, there are far fewer points of contention between Washington and Moscow in the Pacific than there are in the Atlantic or the Caspian. Russia's 21st century frontier lies to the east, where it has both a need and a chance to catch up with its immediate neighbors: China, Japan, and Korea. The global power shift toward the Pacific necessitates a new focus in Russia's foreign policy.

A new emphasis on the Pacific Rim would develop not only the Russian Far East but also the many time zones that lie between Vladivostok and St. Petersburg. Such a focus would turn Siberia—Russia's long-time periphery—into a genuinely central region. It would also push Russia to pursue economic opportunities in the Arctic Ocean, which is emerging as a potentially rich and productive area. The Arctic, which brings together Europe, North America, and Russia, is an area whose very harshness prizes cooperation.

Russia would better serve its interests by strengthening ties to the

world's most relevant and influential actors, rather than focusing on power balances and exclusive zones. And instead of favoring the United Nations merely for the privilege of a veto right in the Security Council, Russia needs to engage in producing global public goods. Thus, closer to home it should focus on conflict resolution, as in the Caucasus and Moldova; in Asia and the Middle East, on reducing religious extremism and building political stability. With an indigenous Muslim population that has grown by 40 percent since 1989, Russia has a role to play in the Christian-Muslim dialogue. Finally, Russia could select functional areas where it could make a difference—whether energy security, climate change, clean water, or international law. Devising, together with the European Union, a new international energy charter; reducing its own vastly inefficient use of energy; protecting clean water and forest resources of Siberia; and helping find political and legal formulas to resolve conflicts in the neighborhood could become Russia's significant contributions to international well-being.

Acquiring a new role after 500 years as an empire, 70 years as an ideological warrior, and 40 years as a military superpower will be difficult. Russia's post-Soviet comeback proved those anticipating Russia's descent into irrelevance wrong. It will certainly survive the present economic crisis. But Russia has a long way to go before it becomes a modern state capable of pursuing a foreign policy in line with its needs and not its nostalgias. It will not formally join the West as its former satellites have done and as its erstwhile borderlands may do. But as Russia becomes more modern as a result of domestic transformation—and adapts its foreign policy accordingly—it can emerge as a serious, desirable, and indispensable partner, as well as a significant global actor.

Over the long term, the present global economic crisis can be a major driver of change. It is widely recognized that Russia cannot return to the model of growth without development, which characterized the precrisis "fat years" of high and rising energy prices. Russians also note that the world around them is surging ahead, drawing lessons from the crisis. Russian leaders, of course, are extremely jealous of the power they wield domestically, but they are also jealous of the place their country occupies in the international system. Paradoxically, great power mentality, which used to be an obstacle to modernization, may push it in the future, but only if great powerdom is redefined in terms of technological advances, economic competitiveness, social attractiveness, and a capacity to produce global public goods. This will require a broad and comprehensive, rather than limited and "conservative," vision of modernization.

Putting too much faith in a handful of leaders is certainly a risky proposition. Other potential drivers of change may be a financial crunch that would require a fiscal reform abolishing a low flat income tax. The Russian budget is feeling the pain of deficit, and the country is about to resume borrowing abroad for the first time since the 1998 default. For a decade, Russians have enjoyed a regime that, in fact, did not require the

growing middle class to pay much in terms of taxes. Seen from the other end, the federal budget has not depended much on citizens' contributions. In a way, the state and the people have lived in different financial worlds. When and if this changes, the issue of government accountability may arise for the first time in post-Soviet Russia.

Finally, an hour of truth is nearing on a number of fronts. Russia's conventional forces, even when they are eventually reformed—which will take more than a decade—will have only a limited capacity to act beyond the country's borders. More important, the Russian defense-industrial base will have to be fundamentally restructured to support even that capacity. The Russian civilian aircraft industry will have to decide whether it partners with Airbus or Boeing, or both. The Russian car industry has already essentially turned itself into an assembly line for European, American, and Japanese manufacturers. Russia's integration with the global economy will continue, making it harder to indulge in nostalgias of the imperial, and isolationist, past.

For Russia, the age of empire is definitely over, but postimperial adjustment continues. Russia's task is harder than that of Europe's former great powers, who were helped into their postimperial phases by security integration with the Atlantic alliance and economic and eventually political integration with what is now the European Union. Those countries, however, have lost both their imperial possessions *and* great power status: There are no great powers in today's Europe.

Russia's ambition is precisely to remain a great power, i.e., an independent strategic player on the global level and a center of attraction in Eurasia. This is difficult, especially given Russia's relative backwardness and declining population, but not absolutely impossible. Realizing this ambition will require the Russian people as a whole, including the country's elite, to go through a seminal transformation, economic, social, political, and cultural. This transformation will obviously take many years, even decades, but the next ten years are crucial. They will provide the answer to whether Russia is headed north or south.