

## Event Transcript

### Speaker:

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*This transcript is unedited.*

Michael McFaul: Thank you Andy. Thanks for that information about Montana that I didn't know. And this is literally since you mentioned it I'll echo it. The first time in my entire time in government, I started the day after the inauguration, that I have ever spent this much time in Washington out of my office. And that is a testimony I hope to how important we think the issues that you are talking about today are.

What I want to do in a few minutes is to try and broaden the discussion. And it was a very nice segue from the last panel to what I want to talk about. I actually want to focus exactly on what the panel was focused on before. But I want to put it into a larger content of US/Russian relations and where we at the White House and the Obama Administration see the issues that you have been talking about in the morning both on the economic dimension of our bilateral relationship in general and specifically on the WTO and Jackson-Vanik.

Let me begin by reminding you where US/Russian relations were when we showed up for work that first day after what was to me was a fantastic day. Another very cold day by the way Andy and inauguration day and I hope some of you were with me (I shouldn't assume) maybe you were watching on TV. We were out there on the mall and it was fantastic and it was great and I remember the first day of work at the National Security Council. Everybody would look at me and say "Oh my God you are the guy that has to deal with that problem." Right, because you have got to remember where we were in terms of US/Russian relationship in January 2009. It was punctuated of course by the Russian Georgian Military Conflict and the continuing occupation, I would say, of Georgian Territory.

But well before that event there had been what the President talked about in his first meeting with President Medvedev a dangerous drift in US/Russian relations that really goes on well beyond that by a point. And our job as in the transition and then in the first moments of trying to define a policy was try and figure out what's to be done with that. And after the, I think the Afghan Policy review was finished faster than we were but then they of course redid their review as some of you will recall several months later.

But ours was one of the top priorities and it was a thorough review. It went through the process up to the principles and then to the President and since then, since the spring of 2009 we have basically been trying to execute this policy. So what I want to start with is just to tell you what the strategy is. Second, to pivot to the kind of win loss record that we have. And then third, pivot from there to what is the next biggest item which is developing the US trade and investment relationship in particular WTO and Jackson-Vanik.

So first the strategy. The first idea and the President's idea, and you have seen him apply this kind of concept to other bilateral relations as well is that one: We need to engage, as opposed to disengage, or sanction or coerce or invade, I guess, there's lots of things you can do with countries. His first impulse is always to engage whether it is with friend or foe as a way to look for what he said many, many times in the bilateral relationship with Russia to look for win/win outcomes. And so rather than thinking in zero sum terms – you know two points for us that means minus two for Russia and we are happy about that, his world view and is most certainly applied to the bilateral relationship with Russia is let's look where our interests overlap and where we can do a deal that is good for Russia and good for the United States. And in academic terms, which I know better than policy terms, that is a very classic divide intellectually and the theories of international relations he is firmly in that liberal institutionalist camp as opposed to the realist camp that looks at the world in more zero sum terms.

Second principle of the policy when we started was we have to expand the agenda of US/Russian relations. I remember very vividly being in an early meeting at the White House where somebody, because we were talking about the Start Treaty, and somebody said "Man I feel like it is 1973 all over again". And the President weighed in and said "We cannot repeat that. We cannot just have a relationship with Russia that is just about arms control again. This is the 21<sup>st</sup> century. The cold war is over. It has to be beyond that". So that was the second piece of the policy, of the strategy that we adopted.

Third: We need in order to achieve those first two agenda items, those first two objectives, we have to engage more widely and more often with all aspects of the Russian government. It can't just be left to Under Secretary Burns or to Mc – well not me I don't do diplomacy, but it can't be left to just some other people. We have to involve the President at the highest levels and we have to involve the whole of government. We have to have everybody involved in this campaign. Not just one or two individuals.

And so what we have done to do that the President has met, as you all know, many times with President Medvedev. I'm sure we are not counting. We don't want to count because we don't want to offend others. But I know that it ranks as in terms of bilateral meetings one of the most frequent relationships, frequent meetings that the President had with other leaders around the world. But we also have other senior government officials that are involved. We had Secretary Gates there. Admiral Mullen is on his way. Secretary Clinton met with Leveroff (ph 06:11) this morning. General Jones used to meet frequently with both his national security advisor counterparts. My boss Tom O'Donnell has been a little bit distracted with the Middle East over the last several weeks.

But the notion is we have got to get everybody in the game. And part of that is what we created this Presidential Commission now with eighteen working groups precisely to routinize contact with the Russian government. So it is not just this ad hoc thing. And even when we disagree at least we are sitting across the table and we are disagreeing, looking at each other eye to eye as the vice-President just did with Vladimir Putin. Very interesting conversation about Georgia where he stared at him and said I'm looking you right in the eye and here is what I'm going to tell you. That is better than having them infer what our intentions are and what we are doing. At least that is part of our strategy.

Fourth part of the strategy is a concept that we call dual track engagement. So as we are engaging in the government to government channel we have really accelerated and expanded and made more frequent interactions. We are also engaging directly with Russian society. And by Russian society here I want to say civil society but also economic society or businesses as well.

So part of our engagement is not just to go and meet your government counterpart it's to go and engage with Russian society and Russian business as well. And every single trip you now see that started with the President, where the President spent day one meeting with the Russian government when he was in Moscow in July 2009. He spent day two meeting with various aspects of society. And many of you are represented here today I'm very proud to see. We went to your school Sergei. We did a bilateral meeting with the business community. He attended a parallel civil society event and then he ended the day meeting with the most critical people we could find of the Russian government.

That was the criteria. Who are they? Who do they really not like us to meet with? You know who they are. Some of them have been in jail recently in fact. Those were the people who he spent the last part of his day with in Moscow. We think that is part of the way that we are going to achieve our goals vis-a-vis Russia.

And then fifth part of the strategy is that we are not going to accept the – we are not going to do it nor are we going to accept the criticism that an order, or the argument I think I would say also (thinking about some of my interlockitories in Moscow) or the argument that in order to have a better (that is even the wrong word) a more summative relationship with the Russian government we are going to have to downgrade our bilateral relationships with other countries in that region. We just fundamentally don't accept that. And we are not going to do that. And we have been criticized by people in the region around Russia and in Moscow for doing that. From a different perspective we are not going to do that. We think in the same spirit of win/win we can have a reset relations with Moscow and also continue and expand relations with other countries in the region as well. So that's in a nutshell what we are trying to do. That is what the reset means for President Obama and the Obama Administration.

What have we done? And what have we not done? I want to go through this list quickly. Most of the people here are interested in economics but partly what I want you to know is I'm going to give you eleven or twelve things. I'm skipping the little ones because we don't have time. Anders told me not to use slides because he said it is going to be after lunch. If we turn down the lights you might all fall asleep.

So I didn't bring my slides today. If you do fall asleep however I do have slides and they will be posted on the website and then we will get into the granularity and I'm not going to take the time in. Fifty five slides I think Anders. A lot of detail there that probably would have put you to sleep but it will be there if you fall asleep you can do the details. So I'm just going to do the highlights. Okay?

One: Afghanistan. When we came in almost all of our supplies to our troops and to our allies in Afghanistan went through Pakistan. Today that number, as a result of what we are doing with Russia and other members of the Northern Distribution Network is plus or minus fifty percent and it's accelerating. That is vital to our national interest because something that is most important to us is not something we are doing to like create better mood -- mood music in the US/Russia relations.

This is actually one of the most important things we are involved in. The execution of that war and stabilizing that country. Russia has been vital to that effort in terms of what they do in the Northern Distribution Network. And by the way I would say parenthetically not only has NDN expanded in all kinds of ways. But on military sales, that came up today...Actually we are interested in Russian military sales these days. And it has to do with what we are doing in Afghanistan.

And some other things that we don't talk about counter narcotics cooperation has expanded fantastically over the last two and a half years. Because we have common threats and common enemies that come out of Afghanistan and we realize that and we are now cooperating on those things as well.

Two: The new Start Treaty. I hope you know what that is. An important treaty done at a (now that we can say it is done) done at a faster pace than ever been done before with other treaties and ratified in a faster way than was ever done before. Never mind I'm just going to leave it at that. And I think just the last couple of days our inspectors went there for the first time. That's a good thing. That's a win/win for Russia and the United States.

Three: Iran. For me this is one of the most important achievements in US/Russian relationships over the last two and a half years. And maybe we had this cooperation before. I see other people from other governments other administration and maybe we did. But I don't want to judge the past. I can do that back at Stanford. I'll let somebody else judge the past.

But what I do know for a fact is that on January 2009 our ability to cooperate with Russia on Iran was extremely difficult because of other things that were going on in the relationship. So what we have done over many iterations beginning with the first meeting between our presidents in April of 2009 in London was to make two kinds of arguments. One is to say that what is going on inside of Iran is actually a threat to Russia. This is not just a problem for the United States and our allies in the Middle East. This was actually a problem for Russia as well. And we made some progress on that. We don't have the same threat assessment but we are closer in that threat assessment than we were two and a half years ago.

But the second argument that President Obama has tried to make to President Medvedev is to say we understand you have a important geopolitical relationship with Iran. And an important economic relationship with Iran. That was true when we came into government. What the President has tried to do, what President Obama has tried to do is to say, “Look I want to make our geopolitical relationship, US/Russia relationship, more important to you than your bilateral relationship with Iran.

And second I want to make our economic relationship to you in the long run to be more important than your bilateral relationship with Iran.” That’s been our set of arguments. And I think we have seen some real achievement although there is a lot more work to be done on Iran in the future, unfortunately.

But one on the cooperative side particularly on this offer that we made (the Tehran Research Reactor Deal) where it was really a Russian American initiative vis-a-vis Iran we were offering new incentives to the Iranians that had not been offered before in this context. They rejected them and then we had tremendous cooperation with Iran with Russia. No cooperation with Iran on UN Security Council Resolution 1929, the most far reaching sanctions that there ever have been in place vis-a-vis Iran.

And in particular there were sanctions on weapons that were not only symbolically important vis-a-vis the rest of the international community, I think in some ways that long term could be debilitating for Iran’s capabilities, but they cost Russia real money. Real money not fictitious money. Some estimates as high as 15 billion dollars in trade was lost. So that’s a real cost. That’s not just make believe. And that was a big move in terms of what Russia did in terms of our cooperation on Iran.

And then quite dramatically they cancelled the S300 contract which literally, the Russian government had to send money back to Tehran. They had already been paid some of the money for that particular system. They sent it back to Tehran. That to me is a real achievement in terms of US/Russian cooperation.

Fourth of the one, two, three agreement –lots of people had tried to do it before – we got it done last year.

Fifth – Kyrgyzstan. This one is interesting because one of the things I inherited, one of the first crisis I inherited as a government official was when the Russian government allegedly (I’m going to use some vague language because I see TV cameras staring at me), so basically put a lot of money on the table for Mr. Bakiyev, President Bakiyev at the time.

Some people say as much as two billion dollars. And the price to be paid allegedly was to kick up out of what used to be called the Manas Air Base which is now the Manas Transit Center. That air base is a vital security interest in the United States because it is where the vast majority of our troops go in and out to Afghanistan. And in our first meeting with President Medvedev this was on the table. We were scrambling. We were trying to deal with this crisis.

And the president kind of articulated the argument that I started with. He said, "Help me understand President Medvedev why you want us to leave Manas, because what are our soldiers doing? They are flying into Afghanistan after a short amount of time in Kyrgyzstan and they are fighting people that if we weren't fighting them you would have to be fighting them." That is more or less what he said.

In other words this is not a zero sum game. We can talk about some cockamamie (that's my words not the President's words I want to be clear). He speaks much more elegantly than I do. But the basic argument is that the 19<sup>th</sup> century having bases and somehow you control the country because you have bases. And by the way we both had bases there and it didn't do us any good when Bakiyev fell right? The notion that we were controlling it because we had bases there it was just a kind of different argument. Like let's leave the 19<sup>th</sup> century behind and think about the real threats here and what really matters to our interests. And we are still working on it. I don't want to say it is done but I think that we are in a very different place the way we talk about Kyrgyzstan and that region as a whole compared to where we were two and a half years ago.

Six – The NATO Russia Reset. Again a lot of work to be done but President Medvedev did come to that meeting in Lisbon which I think was a historic moment. And a whole range of things on missile defense, Afghanistan that we are now trying to do together. That as you know, that relationship had gone off the rails before we came in.

Seven – Missile defense cooperation. We are in the early stages of this. We have a fantastic amount of energy and activity underway right now at all kinds of levels to try and make this happen. Let me tell you frankly we initially had to have a lot of fantastic activity within our own government about this because let's be honest the notion that for some people that fought the Cold War that we would then cooperate with Russia on missile defense is a pretty extraordinary thought. But we are doing this strictly because it is in our security interests.

We believe that more cooperation with Russia on missile defense, in terms of sensors, in terms of data sharing in particular will make us safer and will make our allies safer. So we put together some rather bold ideas and I don't want to pre-judge them but we have a real dialogue going on in a way that we didn't a couple years ago.

Eight – Russia's reset with several European countries. I'm thinking about Poland, Norway, Latvia and maybe now even the UK. I'll let those countries speak for themselves about why and what happened there. But I'll tell you that when they come to us they say to us that the new atmosphere of US/Russian relations has made it safe for them to tip toe into their resets with Russia. In particular if you think of some of those countries that I just mentioned some of them have had very difficult bad relationships with Russia for a long, long time.

Ninth – Libya. UN Security Council resolution 1973. Of course we know Russia did not vote for that. But there is no doubt that the abstention was a dramatic change in Russia's attitude and I would say the Soviet Union's attitude about the role of the UN Security council in condoning the use of force in internal matters

in other countries. Very unpopular in Russia as people here know. So President Medvedev is exposed in his position. In abstaining on that. We see that as a very positive thing and we recognize it.

Tenth – More generally, I want to get to Jackson-Vanik in a minute, but more generally on a whole host of regional conflicts I think of North Korea, I think of our Ivory Coast where Russia could have had a very different position and had a pull back position. I think of Sudan where the president asked Russia to provide four helicopters in a crucial moment and they just did. Lots of cooperation in ways that flowed below the radar screen but we see it and we want you to know that we see it.

One big reduction of course and that is Georgia. And this is the way I would describe our conversation, an ongoing conversation about Georgia with the Russians. We believe that there is more security in that region of the world and Georgia is more secure than they were two years ago. And we have been actively engaged with both Tbilisi and Moscow, not just one but both places to try to do what we can to help make that region more secure. But it is still unstable. Russia still occupies parts of Georgia and we think that there is a lot more that could be done to make that situation better. So I've listed a lot of achievements. This one to me as far as I'm concerned is still in the failure column. There is lots more that we could be doing that we haven't done there.

Eleven – Russian attitudes about the US and vice versa. Our positive approval rating right now in Russia, well it fell over Libya. Before Libya, and let's hope that is going to be short and a blip on the libata (ph 22:34) numbers okay? But before Libya we were up to sixty two percent. That and depending on which numbers you look at we are at thirty five – thirty eight – and one number during the war we were at seventeen percent in terms of a positive attitude toward America within Russians.

That was in August 2008 I believe. This is the greatest jump, percentage jump, of any country in the world during the Obama administration. Now there are other countries where it is higher. But we started at a lot higher place. So in other countries, Europe for instance it is higher, but we started January 21, 2009. This is the highest jump in the entire world. Likewise, Russia was a top five threat for Americans in the fall of 2008. Now it is such a low (we've got other threats everywhere) it is so low that it doesn't even register in a lot of opinion polls. That I think is a good thing.

And then finally on the list of achievements I just remind you of all the things that aren't happening. The dogs that aren't barking, right? And I know that these are counterfactuals but if I think about previous times in US/Russian relations you know, we don't have gas wars, we don't have cyber wars and we don't have real wars. Now all of those things can happen again. We are fighting very hard to make sure they are not. But there are a lot of bad things that could be happening that aren't happening. And I don't know if it is actually attributed to the reset but I got to believe that we had something to do with it.

Now if you'll notice on this list there is only one piece on my list that I would say that is a real true economic issue and that is the one, two, three agreement. And

that is a good one. And Mr. Kryenka was here and he announced some multi-billion dollar deal. That's great we were very proud of that but what is missing is the multiple dimensions that the President articulated two and a half years ago for us to focus on. Without question this year as the President has said multiple times the focus is on enhancing trade and investment between our two countries.

That is the number one achievement. And the reason why a member of the national security council -- I think about my job, my job is not just what you guys have talked about. I've got a lot -- all those things that I mentioned are part of my job. The reason I was here for six hours today is because this is the top priority in our entire bilateral relationship. I want to make sure everybody heard me on that. If you fell asleep I want to make sure you heard me on that. That is our top priority in terms of US/Russian relationships.

Now we believe in the free market and I want to make that clear too. That when we talk about trade and investment the people that are going to make trade and investment grow it is not the US government. By definition if it was us that would be wrong. And by the way the government officials are here every now and then the Russian government comes to us and says we need that trade and investment and that is why we need this US/Russian government project to do the X or Y or that. Some multi-billion dollar investment project. And we said take it to Boeing. That is a hint to one that some of you probably know about. That is not who we are. That's not what we want to do. We understand that it has to be the private sector first and foremost.

We do see our job as to facilitate and to cheerlead. And I just want to spend a little bit of time on what we have done and then the agenda for the future. So first, high level meetings this is always a top agenda. I mentioned the parallel business summit in July 2009, the CEO summit we had here last summer, (thanks to those of you who are in the room that helped to do that), the Vice-President's trip just recently had a government to government component of course but also a business component. He went to Scolkava (ph 26:39) on purpose.

I see some colleagues of mine who were there supporting the VC trips which are coming out of Silicon Valley. Medvedev's trip to the Silicon Valley. I'm from the Silicon Valley by the way. I've been up there for thirty years. That wasn't a coincidence. That was part of our interaction about if you wanted to do Scolkava don't go to Cambridge, go to the real Silicon Valley. Sorry for those of you who wanted him to go to Cambridge. And it was good that he went there because he saw the real Silicon Valley. He saw Stanford too by the way. And he met the governor and the governor got excited about Russia and the governor showed up in Moscow as well. We are not doing this but we are facilitating these contacts -- we are trying to make this stuff happen.

Second: we try in the margin and very tedious things through the business development and the economics relations working group we have to try to solve problems. And if you have more problems bring them to us, those in the private sector. We want to do more in that committee. They were just in Moscow last week. They are working things. We want to do more in that and in that we do think is our job.

And third visas: the Vice President and the Prime Minister joked about visa free travel. Let me be more precise. The Prime Minister Putin joked about visa free travel with the United States when we met him two or three weeks ago. But the truth is we hope to have a new visa agreement. It won't be visa free travel but it will be better than anything that has ever happened before. We take that as a serious thing, they told us it's serious. Our Russian friends think it is serious. We are working on that.

But without question the number one biggest thing that we want to do this year in order to show a credible commitment to advancing trade and investment with Russia is getting Russia into the WTO. And facilitating that process this year. Let me be clear. The President has said, the Vice President has said, Ambassador Kirk has said, every single government official that has anything to do with this, Larry Summers before he left the government has said we support Russia membership into the WTO and we support it this year.

And it is not just words by the way. I want to be clear about this. We have taken a very active role in helping Russia in Geneva and our bilateral relationship. We had a very important meeting about a year and a half ago when Mr. Shuball (ph 29:07) came with big delegations and our side was chaired by Larry Summers with all the proper people in the room. And with all due respect to the Russians in the room the talking points were kind of the old fashioned ones. For some of you who were doing this before us it's like this is a political decision, you have got to do this for us, in the name of the Resa (ph 29:34) right? And we said no way. We are not doing that. We are not doing you a favor by cutting some political deal so that you can get into the WTO. If somebody back in your government thinks that that is the way the WTO works they are wrong. But if they think that is the way the Obama Administration works they are really wrong. And it was a pretty tense conversation.

And what we arrived at in this very interesting language we are not going to do WTO minus -- which was kind of the plea. You know let us get in on this. We don't really need take care of this problem right now can't we do it later? Can't we do it ten years after we join? I mean you did this for them with that. No we are not going to have that conversation. So the WTO minus conversation we just said we are not doing that. If you want to do that we can negotiate for eighteen more years.

But we also said, and we made a commitment which I think we have held, we also are not going to do WTO plus. Which is to hold Russia to a higher standard where they have to do what they think are extra-ordinary things that were not required of other countries joining the WTO. So we hammered out a work plan that precisely defined what is right between WTO plus and a WTO minus. It took lots of negotiations. I only sit in on these meetings at a political level. The USTR colleagues and the Chris Wilson in particular by the way our negotiator has done a fantastic job at taking from that meeting to where we are today to make literally tremendous progress to get this done. But I want to be clear.

The President's meeting with Medvedev last summer almost three quarters of the meeting was talking about WTO. And I'm not so sure by the way President Obama was so thrilled about that. But getting into some real details about what

we need to do to make this the best deal that we can have. Not plus, not minus. Same with the Larry Summer's trip last fall and same with the Vice President's trip a few weeks ago, where the main focus of his trip was on economics WTO and Jackson-Vanik. And I will get to that in a minute. I know, because we are preparing for it right now when the presidents meet in Denville (ph 32:06) at the end of May again this will be the number one issue. Well before any of the other things that I just mentioned.

So we think we've made progress in terms of those negotiations and in particular what is happening out in Geneva. Let me just tell you why and I should end quicker with where I think is left to be done. So why do we care so much? And a lot of work has already been done in the morning so I'm not going to repeat it. But first that we think that the terms of Russia's accession are solid. It's a good deal. Now as was pointed out in the morning we don't have the deal done yet.

And so I can't talk about the tariffs, I can't talk about a lot of things, I saw Chris Wilson last night and sure I didn't say things. I don't know if he is still here. And the truth of the matter is, is the negotiation is not over so we can't present it. We need to get to that point as soon as possible and to my Russian friends in the room I would just reiterate until we get that done the real negotiations here in terms of Jackson-Vanik and PMTR can't happen. Because then it is all kind of abstract conversation. But we think once it is done we are very satisfied. We think we have a really good deal that is good as a WTO package. Two: that follows from that we believe as others have said that Russia's entry into the WTO will make Russian economy more transparent more diverse and more predictable.

That is good for us. We also think it is good for the good folks in Russia as well. Again we think it's a win/win, we think that is a good thing. That is in our national interests.

Three: following from the first two. We think there are real benefits to the American economy. And I can't improve upon what you all presented this morning already on this. All I would say to you guys, the two authors, one please print this thing as soon as possible. Two have a one page, maybe two pages, but please not five pages that can be circulated to members of Congress so that they take your regressions and your statistics and you make that story out there.

Because as you heard in the audience most people on Capitol Hill, most people in the city do not know that story. They just don't. Ed knows this. They just don't know the story. There is a lot of Russia circa of 1985 conversations that I have. And don't get me wrong there is lots of problems in the Russian economy too and I'm going to get to those in a minute. But the basic facts where you can say this is the deal (that has to come from us) and this is how the deal helps America. That is empirical conversation that needs to happen right now. I think it needs to start and I applaud you guys for doing this and I hope you all will continue to do that with members of Congress, because that story needs to be told.

And by the way it is way more credible for real businesses and real economists to be making that story than it is for political hacks from the White House who

we're the pinko communists that love the reset in Russia. Right? We need that voice, we need that voice out there it just can't be us alone.

Four: however, we are going to take on two other articles that I already mentioned. Fourth: we are going to make the case that this is the time for Russia to join the WTO and by that I mean also termination of Jackson-Vanik and PNTR. We can get into the sequencing that we did in the last panel if you want about what would happen. We are not talking that way. We are deliberately not talking that way. We see these things happening together.

We need this because we want to maintain the momentum in the US/Russian relations that I just described. It is. It is not a gift to Russia. That is a silly way to talk about it. I think it is in our national interest for Russia to be in the WTO but we also want to keep pledging what President Obama said to President Medvedev before we want to make this bilateral relationship to you more important than your bilateral relationship with Iran.

And for me when I look out at the things rolling down the pike that are not in the press today but are really vital to our national security interests. How we manage Iran really in the next twelve to eighteen, to twenty four months this is a vital big security issue. We are reading about other things for a good reason. But when I think about that region and I know that I speak for the entire administration when I say this: This is a giant national security threat. And a national security problem that we are dealing with, and we are going to have to deal with in the timelines that I talked about. We need to be cooperating with Russia on that issue. Not to be on the other side of the barricade.

Fifth: some people mentioned the democracy and human rights thing. We do not believe withholding a vote on Jackson-Vanik actually helps the cause of democracy in human rights in Russia. That linkage that may have worked in 1974 as an academic, and as a kid by the way in college I wrote about Jackson-Vanik. It was a fantastic piece of legislation that did a lot of great things in terms of Jewish immigration. But it doesn't serve the cause of democracy in human rights in the 21<sup>st</sup> century today.

That is our argument. It doesn't create leverage with us. Somebody mentioned that, I don't even understand that argument any more. What leverage does it create in what we are doing either in Geneva or in conversations about these things? I would add that increasingly Russian democrats themselves are the voices you should be listening to.

So when the Vice President met with leaders of the democratic opposition in Russia just a few weeks ago we had this conversation. And several of them privately and others publically, Boris Nemsoff (ph 00:38:26) for instance, and we went out and said we don't support holding Jackson-Vanik again anymore. That's not in our interest. They see it in their interests for Russia to be in the WTO and to take this issue that is easily politicized by their opponents by the way, to take it off the issue and talk about other things.

What they talk about, which I think is a creative idea, let's have another act. Call it the Jackson-Vanik Act of 2011. And do think there that could be useful to the

purposes of advancing democracy and protecting human rights in Russia. We are all for that. We are all for that when it comes to visa bans, when it comes to more support, when it comes to any -- when we want to have a dialogue about it we are not going to have an argument with Congress about that. We actually agree with Senator McCain and others who are worried about these things. We just think that this mechanism that they are using is not having the effect that they desire. So that is going to be our approach to those set of issues on this debate.

Finally on prospects I would just say this. Dorothy was very wise not to predict when these things happened if you have been doing it to eighteen years as some people have, you know, predicting when Russia was going to get into WTO is very dangerous. I'm not going to do that. I am going to say that we have never been closer. That we have a full government effort to do the things that we can do including facilitating what is happening in Geneva. Working very closely with our partners there Mr. Medvedkov and we fully expect that the deadlines that the Russian government have set are things that we think are reasonable. And I just want to leave it at that. But this is something that we want to get done this year.

What's left? Georgia hasn't been mentioned. Let's just mention it. Georgia is not done. Georgia is a member of the working group. The working group report will not go forward without consensus. That is an issue that has to be dealt with. We have some ideas. We have facilitated the contacts between the Russian government and the Georgian government. President Obama himself was personally involved in setting that up. It is a good thing that they are talking but it has to get done. And to those of you in the technicalities if heard some Russian government officials say well maybe we have to figure out a different way to resolve this. And they talk about votes. Ecuador comes up, Israel before the WTO.

Let me just be clear. That is not our view. We are not looking for a compromise that doesn't deal with actual issues in terms of US, in terms of Russian, Georgian trade relations. We want there to be a resolution. We also say to the Georgian government this is not a mechanism for you to resolve your political issues with Russia. We have been categorically clear to them on that. But we have also been categorically clear to the Russian government that don't expect us to squeeze the Georgians in the name of getting this done. It has got to be real and it has got to be a negotiation. And by the way the consensus has to be at the working group level, yes there can be votes in the council although it never happens. Maybe once. But you don't get there until you get consensus out of the working group.

Second: there is some technical things. I think I'll not go into that. I would just say one and others have already mentioned it. I will say one thing that we are going to have to show more on in terms of our arguments on Jackson-Vanik. I think that what has happened on IPR is very good, very solid. There is a perception (I'm just going to leave it as perception and not judge it) but there is a perception (I don't see if Stanislav is still here he said it's bullshit) well you have got to help us then to prove that it is bullshit. So we have got to have more data and we have got to have some evidence of some enforcement even if it is not obligated under the WTO that will just help the debate here. There are a bunch of things like that on the fight of sanitary stuff as well. But I think it is all

manageable. I don't think any of that is anything that will stop the progress of getting this done this year.

And then I'll just say in conclusion of our side we understand that the priority of a serious debate and a vote on Jackson- Vanik this year, we know it. Internally we are deliberating on it often. You need to understand that we also have a lot of legislative business up there. Just yesterday we finally got a deal on something that is very important to the American people. It's called the budget done and we only have so many people who work on legislative affairs. We also have three free trade agreements that we are working very hard on and I think we are making good progress on that by the way. And those we believe if we get those done in a bipartisan fashion which we are trying to do we think we will create the permissive condition to have the right kind of debate on Jackson-Vanik. That is our strategy in terms of that debate.

We understand that the debate as Ed said is going to be a debate about Russia generally. It's going to be about the economics. It's going to be about the geopolitics and the democracy in human rights. We have a set of arguments on all three of those. And we look forward to that debate and we think that this can be done this year provided that Russia gets its deal done this year. And I would just conclude on one thing.

Eighteen years it is time to wrap this up. That's enough. It would be a good achievement for Russia. We think it would be a good achievement for the American economy and we think it would be a good achievement for the reset in a way that would not have to divert our attention from important issues of democracy and human rights in Russia. And with that I'll conclude and maybe if I haven't exhausted our time take one or two questions Andy?

Andy: Mike that was a tour de force. Is it possible that we could hold you here for about 10 more minutes?

Michael McFaul: I know I went over time.

Andy: There have a lot of questions there. I want to put one on the table and then we will put several on the floor and you can respond and we'll see how much time we have time for. Mike do you see any risk to the US/Russia relationship? If you are not able to come through WTO this year and would that be a piece of the argument that would be put forward. Are there other things at risk in the broader relationship if we are not able to do this but we put so much emphasis and put in so much time, work and effort into it? Okay I see Sergei.

Sergei: I have two simple questions. One thing you mentioned is momentum. Momentum is important. You have done START, you worked on one, two, three. You did that and missile defense then Libya then WTO. What happens afterwards? It is human to doubt that it happens soon. What is next?

Michael McFaul: I can go back to Stanford.

Sergei: Visa free regime who will at least I know long term business, ten year business, what is the momentum of next things? And the other question is given that much

preparation is based on personal relationship between the two presidents and what happens if President Obama is in office a year from now but President Medvedev is not? How this relationship is going to develop? Or vice versa?

Andy: David.

David: Thanks for a great presentation. It's hard to imagine anybody would fall asleep through that. I'd like to follow up on your analysis of Georgia which I thought was – you outlined I think a brilliant strategy for the US mediating. I'd like to elaborate it a bit because as you know there are two key issues. One is the embargo that Russia imposes on Georgian exports which is a clear trade issue. And then the other is this check point which you alluded to which is more of a political we might characterize it rather than a trade issue.

And so in mediating this dispute it would seem to me that Russia is going to have to eliminate the embargo and that would then you mentioned you are not going to put pressure on Georgia but if all the issues are off the table including the Russian embargo and are only left with this political issue which you mentioned you don't think should be the basis for Georgian objection to Russian accession would you at that point be willing then to go to Georgia and ask them to allow Russia to accede and at the same time explain prior to that to Russian side the necessity to take the issue off the agenda by removing the embargo?

Andre: Thank you Andre. (Inaudible 47:45) from the Russian News Agency. Basically for clarification did I understand you correctly your strategies as you described it. Your strategies first FTA and then WTO for Russia? As a crest of the wave. Secondly if you could you said that President Obama was personally involved with working on the Russian/Georgian dispute. If you could elaborate on that. And then thirdly I am very personally interested in your visa and use that you gave us. Can you tell us a little bit more about what you have in mind especially if you are interested about public perceptions in both countries, journalist are important and the reason for visa for journalists for both sides is terrible. Thank you.

Andy: Okay Mike instead of quite simple questions which you could knock out very quickly so we could move on to the next round.

Michael McFaul: Andre I forgot your second question. I'm sorry I wasn't writing. Oh the personal...alright. Big questions. I want to start now to separate out WTO and Jackson-Vanik because they sometimes get completed. They are very related but in terms of the momentum we have been very clear in the way we talk about WTO is that is what we are talking about with the Russians. I would say parenthetically to echo something Andre said. A Russian effort to explain to engage on Jackson-Vanik, not on Jackson-Vanik but on WTO and why it's in the interests, it is missing. It is true and our colleagues on the Hill say this. And when they compare it with the free trade, with the other agreements there is a bigger dialogue about the South Koreans and China, you mentioned the PNTR with China, it is just different. I just echo what Andre said. And that is food for thought.

But I want to separate those out because when we talk about it in the bilateral we are talking about WTO. I would just put it this way we have a bilateral relationship that is delivering things, and I really want to emphasize this, because we had this debate. It's not, we are not developing a good relationship, a happy one where we can feel all good about it. We are actually like doing real stuff. And the idea is if you do that that creates the mood music. Not the other way around. That has been the President's view from the beginning.

So by the way Jackson-Vanik, somebody said in the early part of the transition you know a way to make the Russians really feel good is if we could lift Jackson-Vanik. And that would help us to get the START treaty and Iran and that would be -- it doesn't really matter but symbolically it would be really good for the mood music. And we said no we want to do it this other way.

And if you think about the way the President thinks about foreign policy generally he is very much in that way of thinking about things. So for us this is the next big win/win outcome. And so to not get it done would mean less momentum. It most certainly would mean less momentum. It doesn't mean the end of the world. We have lots of other things, I'll get to your question in a minute Sergei, that we have to work on and we're going to work on them in parallel. We are not going to stop working on say Iran or missile defense because we failed on WTO. We have been very clear with Russia. We reject their linkage and by the way in the early phases of our time in government there was a lot of kind of linkage. We'll do this on this country if you do this on this country. And we said no, no, no, we are not going to do that this way. We are going to try to keep these things in their own lanes. We would do that if we had to but let's be clear. It would not be good for the momentum because we have made such a big deal out of it to have failed. That means that we are not achieving things we set out to do.

Next steps. I can't even think about that because the steps in front of me seem so vague and daunting. But what I would say about that is missile defense is not something that we are going to do this year. That is going to be over several years. And we do believe that if it is done the right way, in a way that make Russia more secure and makes us more secure, makes our allies more secure, we think there are ways to do that. That is a game changer that really fundamentally changes these old debates about European security and NATO versus Russia and all this kind of tired baggage from yesteryear.

This I think gives us a real opportunity to move beyond that and talk about concrete threats and concrete ways we can cooperate to fight those threats. But I would also say in terms of our agenda there is a range of security issues (and Iran and North Korea come to mind right away) where cooperation with Russia is vital to solving those in the right way. Those things have not gone away. Just because you are not reading about them does not mean that those issues have been solved. And particularly in Russians role vis-a-vis Iran is going to be vital to us in the next coming years.

And then I would say something on, because I skipped it too long but I will say it now. You know we believe that it is in our national interest to advance and promote democratic institutions abroad, including in Russia. And we have a

whole argument that the President has outlined a full set of arguments in a set of speeches that he has given about why we think that would be true. And we have articulated a new strategy for how to do that vis-a-vis Russia and I'm happy to send you -- actually it will be in the slides under slides. Go to the website and get it later this afternoon. But you know trying to do peer to peer dialogue so that we engage Russian civil society with American civil society. Trying to modernize Russian society. President Medvedkov talks about modernization and we agree. But we want to do it in mini dimensions including civil society so that they use base things like Facebook and Twitter and social media things instead of doing kind of handouts at the Metro.

And there are a variety of transparency, open government initiatives with President Medvedev has leaned in to. We have a big open government initiative in the Obama Administration so we see this as a place for cooperation that empowers social society. But the results of all those new initiatives have been minor. I want to be clear about that. And so that means that we have a long term agenda that we have to be engaged in on those things.

On Georgia on the two issues the embargo and the customs union. I don't want to say too much because there is a negotiation going on. There is a mediator. And I'm not that. I'm not the mediator. And we are not the mediator very deliberately. We are not the mediator in this. We are keenly engaged in -- keenly aware of what is going on. I guess I would say the way I see it going right now is I don't think the embargo issues at the end of the day will be -- I think those will be resolved. I'm not worried about that. But there is this fundamental issue about the border. And for those of you who don't know the details can I take just a few minutes to -- because I think one needs to understand this precisely.

There are borders that Russia and Georgia dispute obviously right? So let's just focus on the Abkhaz (ph 00:55:33) Russian border. The Georgians think that that is their border and Moscow think that that is a border between them and the independent state of Abkhazia (ph 00:55:45). So it is a dispute that by the way most of the world is on our side and we recognize that border as being a Georgian border, not and Abkhaz border. And I want to emphasize that clearly. That Russia here is out of step with the rest of the world including the rest of most of the members of the WTO. Let's be clear about that. The same folks that have recognized that border as being Georgia's are also members of the WTO.

What we have said to both sides is you are not going to resolve that issue of sovereignty in the WTO negotiations. And if that is what you are trying to do (on both sides by the way they both want to use it to defacto, to say this is our border). And we are saying that is a bad strategy. We can't support either side from politicizing what you rightly said should be about WTO stuff.

At the same time we can't ignore this very peculiar situation where from the Georgian point of view goods travel into what they believe to be their sovereign territory and they don't know what they are. Whether it is a legitimate WTO issue or not it is an issue about their economy and if they put trade officials on the Abkhaz-Georgian border it wouldn't be a problem but there is no way in hell they are going to do that because that defacto then creates facts on the ground about where the borders really are. So they have this stuff coming in and then

that goes into wherever in Georgia and they don't know what it is. We think there is a creative solution there. Without having to put customs officials – without having to resolve the border in a desure (ph 57:30) way.

We think that there are ways and I'll just leave it at this to increase transparency and information flows about what might be going across that border that could without figuring out who is in charge of the border and who defacto versus desure would create the information that would be good for everybody. And by the way the Russian government says they are for transparency. They want to increase transparency. Well that is a border that we could use a lot more transparency about even if it was recognized the way they want. So that to me is a possible way to think about it and to frame the problem and I want to stop because the negotiations are ongoing.

On the FTA and WTO. Andre I want to be clear. WTO is marching forward as fast as we can. It is Russia that is slowing down WTO. It has nothing to do with US Congress. I want to be crystal clear about that. There is confusion in the press about that right? It has to do with what I was just talking about. That is what we have to do to get Russia into the WTO. The other thing is a different debate. And I would say that I didn't – and I want to be clear about this too, until the deal is done we can't sell a deal to the Congress that is not done. We can't. They don't want to talk to us about it. Well it might be this, it might be that, we don't know yet the negotiations are still going on. They say to us come back to us when you know the facts, when you have the deal. And then we can talk about it.

Now it's got to be, informally there is way more of that going on and we brief them every week at the staff level. But until it is done we can't actually really have that debate because they say to us you are asking us to vote on something. That is the one place, if I can be clear Ed, that is the one place where they say we will not vote for Jackson-Vanik until we know what the WTO deal has done. That is the one place where I think it is legitimate. That is their leverage and I think they overestimate it but that is the one place where I think there is something to it. That we have got to be able to present them something before we ask them to vote on Jackson-Vanik.

Other countries have done it differently. They had that vote earlier and other countries, Moldova as being one joined the WTO and still Jackson-Vanik still obtains to Moldova. So it can be done in a range of ways. Our strategy is to time those things as closely as possible. Because that we believe is the way to not string out a political debate on the Hill about Jackson-Vanik. We want it to be as close to the deal that is there and we also think that because it will be imminent that it will focus the attention of US businesses and will kind of have a time where everybody will be focused on it at precisely the right time. If we start the debate now and we talk about Jewish immigration I know, believe me I've heard Mr. Putin and Mr. Medvedev tell me all the reasons why this is not fair and all that. But let me tell you there are a lot of things that are not fair and that are not logical that happens in terms of executive legislature relations in this country. That is not an interesting argument to roll up there right now. So we want to roll up that argument, we want to engage that argument when we have the deal at hand because we think it is going to be a really good deal.

On Obama I would just say (I shouldn't have said that) I would just say they like all issues. Major issues and US/Russian relations whether it is the START agreement or sanctions against Iran or this agreement. These two particular leaders for whatever reason get into the details and actually do a lot of negotiating. And that is a great asset that we both have I would say and that gets me to the final question about...

Well I'll end on visas. The thing about Putin versus Medvedev that is great you guys can speculate over coffee and all of that. We are not interested on that. We are not going to play that game. There is one president. We deal with why does President Obama deal with Medvedev is because he is President Medvedev not Prime Minister Medvedev. And that is the way it is. That means that when we go to Dovol (ph 01:01:59) just to be very practical about it or we go to APEC or we go to the multi-lateral meetings, we go to Unga it's President Medvedev that is there. Prime Minister Putin is not. And that is where a lot of business gets done. Having said that I would just point out the obvious fact that when Vice President Biden was in Russia he met with President Medvedev the first day and he met with Prime Minister Putin the second day. And we will continue to do that because that's the way we are going to advance our interests vis-a-vis Russia. And we will let those guys and you voter, citizen of Russia decide. Hopefully you will get a chance to decide who will be the next president of Russia.

Finally on visas. Let me just say this. We are negotiating Andre. We are working hard and stay tuned and maybe we will have something to announce the next time our presidents get together. Okay?

Andy:

Mike I've got news for you. I just got a text from President Obama. He does want to see you in the office. So we've got to wrap this up.