

The key to security in energy is diversification in the form of energy. Simply switching to solar is not going to solve the problem of energy security

Vandenberg Air Force Base, California, United States. An unarmed Minuteman III intercontinental ballistic missile launches during an operational test (Senior Airman Kyla Gifford / Public Domain)

U.S.-Russia Relations: Energy Security & Beyond

A Conversation with Dr. Celeste Wallander

Interviewed by Ishan Khokar

Fletcher Security Review: What in your experience have been the biggest challenges of leading an organization with an objective to strengthen relations between the United States and Russia and to promote the development of the private sector in the Russian Federation?

Celeste Wallander: The United States and Russia, at the official level, have very different priorities and very tense relations. Having defined the respective countries' national interests in very different ways and with so many of the presumptions America had at the end of the Cold War, seeking the room for cooperation, for common interest and for joint problem solving is either no longer relevant or is so problematic that it does not support the relationship. The question for me and the others who are outside of government is how can we invest at a people-to-people level in a Russian generation that will be the leadership in a future Russia? How can we improve their knowledge, their understanding, and leadership in their societies in ways that support their country's interests and in turn find some common ground to believe that the two countries have some common interests and may again work together?

FSR: Having served in the U.S. Government, how

positive do you feel that organizations such as USRF [United States Russia Foundation] can actually strengthen diplomatic ties between these two superpowers when conventional modes of dialogue have struggled to reap any benefits?

CW: NGOs such as USRF or universities that are doing research and investing in knowledge need to understand that they cannot make a direct impact on official relations. One has to think about investing in understanding, expertise, and in relationships over a longer term view. If you look back at the end of the cold war, we began to talk about things like a common European home, and non-zero sum interests between the United States and the Soviet Union. Soviet scholars, and sometimes Soviet officials, went to international conferences discussing concerns about nuclear weapons, and some of the challenges to security. Though they [and the non-Soviet scholars they met] did not agree at the time, the fact that they were able to know one another and at least get used to listening to one another really mattered when Gorbachev came to power and decided that he wanted to find a different path for the Soviet Union. I hope that it will not take as long as it did from the beginning of the Cold War to the Gorbachev era.



44th President of the United States Barack Obama and 47th Vice President of the United States Joe Biden meet with Former Chairman of the Soviet Union Mikhail Gorbachev
(Pete Souza / Public Domain)



I think that is the right perspective to have when we think about what we do as scholars and as students. We lay that groundwork for when that kind of opportunity may come around again.

FSR: How do you think, moving forward, the geopolitics of Russian energy resources will impact European energy security and Chinese energy security (as the dependency of Russia on the import of natural gas will create a lock-in position)?

CW: Having to import energy resources is not a source of insecurity in itself. What is a potential source of insecurity is being dependent on single sources, because energy, like any other good and service that is traded, in theory, can be withheld and cause harm either financially or in trade or security terms. The key to security in energy is diversification in the form of energy. Simply switching to solar is not going to solve the problem of energy security, although it may solve the problems of climate change. Diversification [of energy resources] helps to solve that. This is not only diversification in the form of energy, but diversification in the suppliers of energy resources. The problem that Europe has faced, and China is managing with Russia as a major source of energy, is to not be excessively dependent on only one country.

FSR: You brought up the point that China is handling this differently, how so?

CW: In the past, China had been pretty dependent

on coal and invested a lot in both natural gas delivery through regular pipelines and LNG [Liquefied Natural Gas] terminals. Now, China has sought diverse sources of energy from a broad list of countries through negotiated contracts. These contracts include Russia, Kazakhstan, Japan, Middle Eastern countries, South East Asian countries, and African countries. China spends a lot of money to ensure diverse sources. They clearly do not want to be dependent just on Russia or just on Kazakhstan. They have learnt the lesson of not being dependent on a single source of energy. One could argue that they have an advantage in that they are positioned to have multiple potential sources of energy. One could also argue that since they were starting from scratch, it was easier to make that financial commitment. In many cases, Europe is still reliant on Soviet era pipelines.

FSR: Given that the top-down approach has failed and Russia's economy has been dependent on oil and gas solely, do you see any prospects of the Russian economy being driven by bottom-up entrepreneurship?

CW: Not in the current political context. Bottom up entrepreneurship in other sectors of the economy depends not just on talent, skill, knowledge, and education, which Russia actually has in abundance, but it depends on a regulatory environment, a political environment, a tax environment, in which small startups do not face unreasonable or repressive constraints on experimentation, on innovation, and on attracting financing. That is really missing in Russia right now because of the political system. Entrepreneurship requires a favorable

investment climate which means government creating a structure of Rule of Law, contracts, transparency, accountability and infrastructure development that supports business. That has not been developed in the Russian context for the last 15 years.

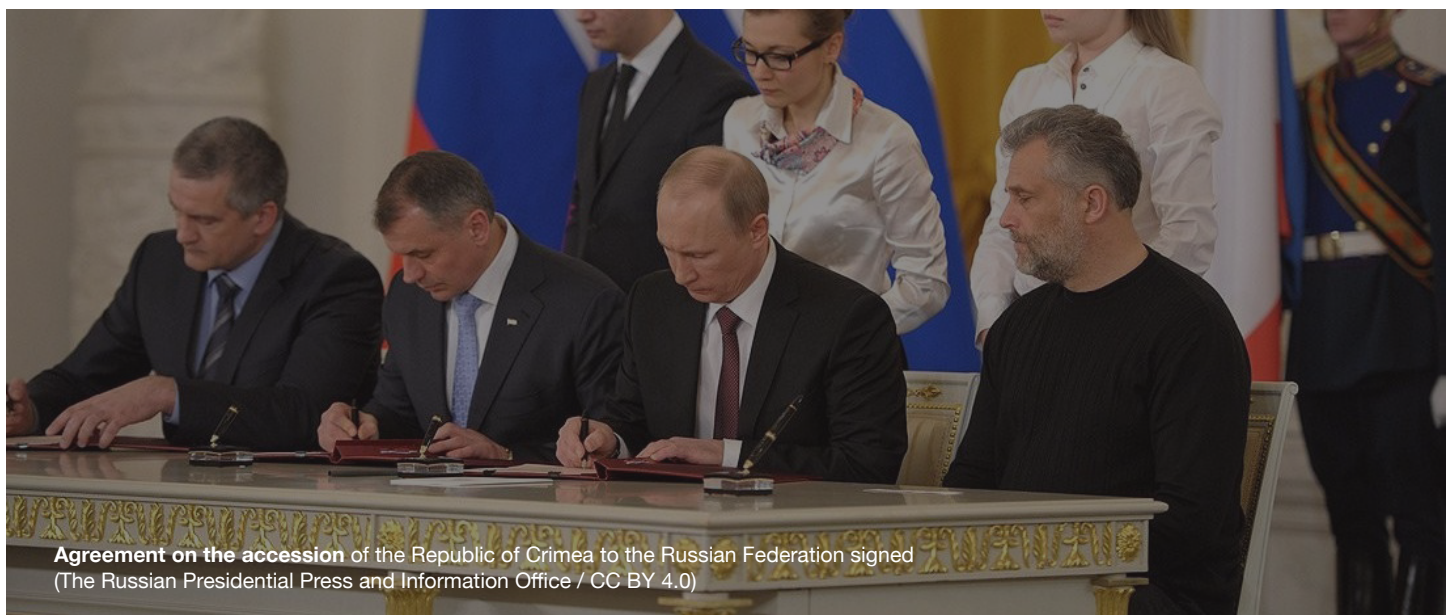
FSR: In light of the sanctions imposed by the United States and EU (championed by Angela Merkel) on Russia, post Russian adjustment of the border with Georgia, Crimea and other actions in Ukraine, how has the environment changed for those encouraging private sector development in Russia? Can sanctions go hand-in-hand with promoting development? What do you think the Western response should be?

CW: I do not think sanctions help to create a more positive investment climate in Russia but they were not meant to. Sanctions are an instrument of diplomacy and foreign policy to impose costs on the Russian leadership for its foreign policy choices in Ukraine and then its election interference in the United States elections in 2016 intended to incentivize a change in behavior. If you cannot get a change in behavior, [the goal is] at least to raise the costs so that the Russian Government does not continue to escalate. Sanctions are not, at least in this instance, an instrument of trade policy or financial policy. Having been part of the design of the G7 sanctions connected to Russia's intervention in Ukraine, there was a very careful and very sustained set of choices to target the sanctions so that they would not directly hit average Russians. There were many options that were avoided because they would have meant harming the financial and economic well-being of average Russians.

To the extent possible, the sanctions focus, in the energy sector, on the future exploitation of energy resources to not disrupt current production. Current production is essential to a lot of U.S. allies in Europe but also to the fundamental stability of the Russian economy. I do not think anyone thought that sanctions would help the cause of economic reform in Russia. In fact, one of their disadvantages is that they probably made the West and the project for economic reform look more problematic in the eyes of many Russians. The decision was to prioritize Russia not continuing to strike at European security in Ukraine.

FSR: Do you think Russia is a declining power? If so, what are the key reasons that make you think so? Also is Putin capable of making the economic reforms Russia needs, with high hopes of being re-elected for yet another term next week?

CW: I regret that I think that Russia is a declining power and it is because the Russian economy is excessively dependent on energy resource production and export. It is not developing innovative 21st century emerging sectors of the market that can compete globally and serve as sources of growth. Unless the Russian political system wakes up to the importance of changing the internal atmosphere for innovation, competition, entrepreneurship and new sectors of the economy, I think Russia is going to fall further and is not going to be able to compete with those successful new economies. I regret that Russia could have been the great new emerging economy of the 21st century with its extraordinary people and their knowledge and education. There are lots



of signs that when Russians have the right atmosphere for innovation, they actually do great but I do not see it right now in the Russian context and I do not see the situation changing after the Russian election in March.

FSR: How do you think that two domains, nuclear and cyber, impact United States and Russian military strategies? Do you see any prospects of cooperation between the United States and Russia in the field of cyber security when it comes to protecting critical infrastructure like nuclear technologies?

CW: The only reasonable role for nuclear weapons in any country's security policy is as a secure second-strike capability, as the ultimate deterrent. No one has an incentive to use nuclear weapons because both sides know that they are vulnerable to retaliatory attack. The problem is that there are indications that the Russian defense elite is thinking of roles for nuclear weapons beyond that kind of secure second strike capability; that they might be useful to 'prevail' in a lower-level conflict. That is destabilizing.

Even though the cyber realm is not one-to-one mapped to the nuclear realm, it is useful to think in similar terms. Mutual deterrents should help to stabilize the relationship and work against any temptation to strike first. The danger right now is that we do not have a fully developed concept of cyber capabilities that mirrors the kind of understanding of what is destabilizing in the nuclear realm. It is not clear that Russia is invested in

trying to understand those distinctions and I think the most important area of dialogue that I would like to see among American and Russian non-governmental experts would be in this realm of thinking about what mutually assured destruction would look like [in the cyber realm].

FSR: As a continuation to the same question, as U.S. influence in Pakistan diminishes and as Russia is building military, diplomatic and economic ties with Pakistan that could upend historic alliances in the region and open up a fast-growing gas market for Moscow's energy companies, what in your view can be the outcome of this possible alliance as China's OBOR [One Belt One Road] project is also being executed in Pakistan?

CW: I think China's OBOR project is not meant to be, but it is, a real challenge to Russia in South Asia and especially more in Central Asia. Central Asian countries have pipelines, roads, and financial relationships as well as Russian language because of the Soviet legacy. They have been dependent on Russian pipelines to get their energy to the global markets. China's OBOR gives Central Asia and South Asia new alternatives. Once you have alternatives, you have better leverage. The South Asians have to be careful that they do not become too dependent on China or they will replicate the problems that Central Asia just had with Russia. So far, they seem to understand that. One of the most interesting developments is actually not a South Asian relationship with Russia but instead TAPI, the Turkmenistan–Af-



ghanistan–Pakistan–India gas Pipeline, which has been talked about for a few years but now appears to be going forward. If you can imagine, this is an agreement for a pipeline that Afghanistan, Pakistan, and India agree to because they are trying to avoid being fully dependent on one source of energy. Turkmenistan is essentially dependent on Russian pipelines and this will create all kinds of new options for Turkmenistan.

FSR: Ukraine remains the centerpiece of ongoing tensions between the West and Russia. Any effort to implement a negotiated solution to the crisis will require progress from both Ukraine and Russia on the Minsk Accords, but it remains unclear whether Putin will take such necessary steps without additional pressure. Are there possible steps forward that you think need to be explored that have not been adequately attempted thus far?

CW: In the best of all worlds, you could imagine a negotiating framework in which for every month or two months or three months you do not get successful implementation of Minsk you increase sanctions. You create costs for wasting time and delay. Realistically though, Europe is not there. I am not sure if the United States is either frankly. The Trump administration has shown little interest in actually implementing the sanctions that Congress mandated for Russia's interference in the U.S. elections. I do not see the chances of success given divergent views in the United States and Europe about Russia. When sanctions with Europe and the G7 were imposed on Russia in 2014 for the annexation of Crimea, it was a partnership that President Obama led. I do not see that kind of leadership coming from the United States right now.

FSR: How do you think that cooperation in “Saving the Arctic” and in managing shipping, resources, and environmental protection can be a possible area for the United States and Russia to work together and begin to build trust?

CW: One thing that stands in the way that the United States has completely within its control is that the United States has not joined the Law of the Sea [United Nations Convention on the Law of the Sea (UNCLOS)]. If the United States would actually become a treaty member to the Law of the Sea, we would have standing and a place at the table for discussing these issues of navigation. That is a big problem. Beyond that I do think there is an opportunity because Russia is going to be deeply impacted by climate change in the Arctic. In some ways, this impact could be positive as Russia may have more commercial fishing opportunities and more shipping opportunities. In some other ways the impact could be bad because we are going to have melting of the permafrost in the high north of Russia and significant dislocation in all kinds of transportation networks in Russia. Having the Arctic more open for shipping from the Russian perspective could mean there is increased risk due to the very long very vulnerable coastline. However, I actually do not think Russia is vulnerable there, though it could be a concern. There is an opportunity to try to see whether we could focus on the positive opportunities. For example, there is a good track record of U.S.-Russian cooperation on the environment relating to the Arctic. There are all kinds of success stories relating to wildlife management that do not make the headlines but they are there. So I think we have a window to be talking about that and I think the discussions should definitely be encouraged whenever possible.

Dr. Celeste Wallander

Celeste Wallander is President and CEO of the U.S.-Russia Foundation. She served as Special Assistant to the President and Senior Director for Russia/Eurasia on the National Security Council (2013-2017), as the Deputy Assistant Secretary of Defense for Russia/Ukraine/Eurasia (2009 to July 2012), professor at American University (2009-2013), visiting professor at Georgetown University (2006-2008), Director for Russia/Eurasia at the Center for Strategic and International Studies (2001-2006), Senior Fellow at the Council on Foreign Relations (2000- 2001), and professor of Government at Harvard (1989-2000). She is the author of over 80 publications on European and Eurasian security issues, focused on Russian foreign and defense strategy. She received her Ph.D. (1990), M.Phil. (1986) and M.A. (1985) degrees from Yale University. She is a member of the Council on Foreign Relations, the Atlantic Council of the United States, and the International Institute for Strategic Studies.