

## **THE NEXT PHASE OF U.S.-RUSSIA RELATIONS**

PANEL TO ASSESS WHAT A NEW PUTIN PRESIDENCY MEANS FOR RUSSIAN  
DOMESTIC POLITICS, ECONOMICS, AND RELATIONS WITH THE UNITED  
STATES.

THURSDAY, APRIL 19, 2012

WASHINGTON, D.C.

### **WELCOME/MODERATOR:**

**James F. Collins**

**Director of Russia and Eurasia Program and Diplomat in Residence  
Carnegie Endowment for International Peace**

### **SPEAKERS:**

**Lilia Shevtsova**

**Senior Associate**

**Russian Domestic Politics and Political Institutions Program  
Moscow Center**

**Angela E Stent**

**Professor**

**Director of the Center for Eurasian, Russian & East European Studies  
Department of Government at Georgetown University**

**Dorothy Dwoskin**

**Senior Director of Trade Policy and Strategy**

**Microsoft Corporation**

Transcript by Federal News Service

Washington, D.C.

JAMES COLLINS: If you give us just a moment, we'll be – we'll be ready to begin here. Well, perhaps while my colleagues are getting their microphones set, I can simply introduce them. On my immediate right is Angela Stent, I think someone quite well-known to those who follow Russia and Russia's neighborhood in Washington. She is at the Georgetown University, formerly also was the national intelligence officer for Russia and is a very well-recognized scholar on the region here in town.

[00:00:47]

Next to Angela is Dorothy Dwoskin. Dorothy and I go back a long way. She is a veteran from the negotiations of WTO membership with Russia, worked in the USTR for I don't know how many years, Dorothy, but certainly many years, and is presently in government – in government relations for Microsoft. And finally, but certainly by no means least, on the far right is Lilia Shevtsova. Lilia is our own colleague from Carnegie, from the Moscow Center, is a very, very well-known commentator and scholar and analyst on Russia's domestic political scene and on the developments of her country over the last 20 to 30 years. So, Lilia, it's great to have you with us.

LILIA SHEVTSOVA: Thank you.

MR. COLLINS: The senator made two or three comments, and I think I'd like my colleagues to spend five minutes or so simply reflecting on some of the points he made, and also whatever they would like to say about it. But it struck me that he had two or three major points. One was that for the United States, peace is linked to the observance of human rights. And put another way, you're not going to have durable peace and stable peace unless you have a community of – that is prepared to observe basic human rights for the citizens of the – of the nation-states in a given region or globally, for that matter.

[00:02:33]

That's a fairly major point. And it's a very, I think, fundamental part of American policy. It certainly was over my career and it remains so. And it remains even more complex these days as the world has become much more open to globalized trade, globalized travel, the information revolution, which basically has no borders, and so forth. And so, you know, the question of human rights is more immediate, in some sense, because everybody is linked up with everybody else in a much more human and personal way than perhaps was the case 20, 30 years ago, when we were in the Cold War period and the nation-state was not even under question.

The second thing, I think, that was important that he had to say is that there is a link between good economic relations, trade, the ability of economic relations to function well and human rights. Now you know, the – Americans are very fond of talking about rule of law. And I would simply say that fundamentally what we're talking about here is that a good economic relationship, I think the senator was saying, requires a rules-based system, something that allows those people who are moving money or investing or trying to do business or trade to have a predictable environment within which to conduct it, and that if you don't have that, you have a strange relationship. You have one that's got unpredictabilities in it. Money doesn't like unpredictability.

[00:04:20]

And finally, it seems to me, he made a third point, which is a basic one. And that is that for the United States, human rights, human dignity, those things that in some ways are embodied in our Constitution and in our Bill of Rights and so forth, are really very fundamental to American thinking, American values, the way Americans think about our society. Now, it's also true that Americans have no illusions that we've got it all perfect. I mean, we know, and God knows, over the history of our country, with slavery and with discrimination and any number of things, we have a lot in our past that makes us less than perfect, but we have kept trying.

And I think what the senator's really saying here is that the important point here is to keep trying, to try to build this. And in that sense he was saying, I thought, his intent is that this legislation is an effort to try to provide a tool for those in Russia who want to see those kinds of things that are essential to human dignity to be a part of the relationship between Russia and the United States, just as nuclear disarmament is, just as a growing economic relationship is.

And so I think – I think it's those points that we ought to be discussing. And so with that, I am – ask each of my colleagues, maybe they could give five minutes or so on this, and then we'll sort of have a discussion with the audience. So let me begin with Angela, if I may, OK?

ANGELA STENT: Well, thank you, Jim. And thank you for inviting me here – Jessica too. So in the – one part of the senator's speech did have to do with the importance of the U.S.-Russian relationship. And I would just going forward, you know, remind the audience that right now there are areas where we are cooperating with Russia that are very important to our national security.

And the main one is the Northern Distribution Network, which enables us to transport people, goods, even weapons in and out of Afghanistan. And given our very difficult relationship with Pakistan, this Northern Distribution Network has become more and more important. Now, it's in Russia's interest, obviously, to cooperate with us because they don't want us to leave Afghanistan before the situation is stable enough.

[00:06:48]

And just to show you, in a sense, the contradictory elements in this relationship that we certainly heard from the senator, I mean, on the one hand Putin himself and the – and Russian officials criticize NATO. But last week Mr. Putin gave a speech saying, yes, NATO's a Cold War relic, but there are some areas where we can cooperate, and he talked about Afghanistan.

And then the same week one of his deputy prime ministers, Dmitry Rogozin – not known as a fan of the United States – vigorously defended the establishment of a transit hub in Ulyanovsk, in Russia, the birthplace of Vladimir Lenin, in case anyone had forgotten, where we're going to have – where NATO is going to transport out from Afghanistan

goods. And they will go through Russia and then they will go further west. And there have been demonstrations in Ulyanovsk of citizens against – we don't want NATO in Russia. It's the first time ever.

[00:07:42]

And Mr. Rogozin's saying, this is great for us. We're going to get between \$1.3 (billion) and \$3 billion, you know, running this transit hub. So the contradictions here, but also showing that certainly on the Afghanistan issue, we do need to cooperate and we are cooperating with Russia. The same is true vis-à-vis Iran, even Syria. It's very complicated, but at least we need to work together. And so this is an important relationship.

Now on the other hand, you're quite right, Jim, and the senator's quite right. Human rights – the advancement of human rights and the rule of law is something that we basically believe in and is an important tenant of our own foreign policy. What I would say is that the Jackson-Vanik amendment of course applied to many countries. It applied to all countries that, you know, restricted immigration. And the issue with the Magnitsky legislation, I think, is the question of whether it is wise at this point in our relationship with Russia to have a piece of legislation that only applies to Russia.

And there is a discussion, as I understand it, on the Hill and certainly between the administration and the Congress about a form of legislation that would be broader, that would apply these criteria to more than one country. And in that sense, it would be a true heir, if you like, the Jackson-Vanik legislation. I would also say that the State Department – and Senator Cardin himself discussed this – does have the ability to deny visas to people whom we think shouldn't be here. And it does all the time.

And obviously there are Russians that have been denied visas and surely will be in the future, if the State Department considers that their actions in Russia and their connections are such that we do not want them visiting this country. So we do already have, you know, the wherewithal to do this. And I think you do have to have – and the senator, I think, touched on this – also a discussion about what works best.

[00:09:44]

If you look back over the past 20 years of U.S.-Russian relations or even in the Soviet period, is public naming of people – is that more productive, or is more behind-the-scenes and out-of-the-public-eye discussions about specific human rights cases – is that more productive? And I'm sure we can get into a discussion on that, and I would like to hear certainly Lilia's views on that. But I think at least that is a legitimate discussion that one needs to have sort of moving forward.

And I would just say, thirdly, I take your point about – that it's much better for U.S. business to operate in an environment which is predictable, where investments are protected by the rule of law. I will point out that last night in New York there was a dinner for Mr. Sechin to celebrate, if you like, this new deal between Exxon Mobil and Rosneft for joint exploration of the Arctic, where we will be, of course, exploring the Arctic with Rosneft, and what – Rosneft will be investing and will be involved in our own energy sector.

[00:10:50]

Now this is – I think the Obama administration believes this is, you know, something going forward as an example of what we would like to do. So clearly we do and we can operate economically without some of these guarantees, even though it would be desirable to do so.

So I guess my – I would just end by saying as we go – I think the title of this is “The Next Phase of U.S.-Russian relations.” As Mr. Putin comes here for his – for the G-8 summit in May, we do have important agenda items that we need to advance. And we have to, of course, bear in mind these human rights considerations. But I think we have to find, you know, a productive balance between them.

MR. COLLINS: OK. I think I'd like to ask Lilia to take the next one. Lilia, could you in particular address the question of the effect of this kind of effort by the Americans, and not just the Americans but others in the international community, and how does it – how does Russia itself look at its obligations under the Helsinki and other such agreements? You know, what – it's partly, what's the reaction here? How effective is this kind of activity or action likely to be or what reaction does it get?

[00:12:14]

MS. SHEVTSOVA: Well, Jim, if I may – for starters, I would like to remind us about the timing and the context when we are having this discussion and conversation. You know, in fact, we are having this debate at a moment when Russia has changed and when the old notions, instruments, terms, et cetera, cannot be adequate and relevant to the discussion of the Russian trajectory and Russian trends for the future, because in fact Russia has returned to the unfinished business that it failed to finish in 1991.

It tries again to find a way out of its traditional matrix, out of its personalist power. And of course, our search for a new destiny, for a new future will be dramatic. And every behavior of other international actors and, first of all, of the only elephant on the international scene – I mean the United States of America – could be viewed or could play a dramatic role in our domestic developments.

And I would argue that every step – Senator Cardin's legislature (sic) or even your policy on Jackson-Vanik, WTO – should be viewed from one point or one criteria: Does it help to prolong the Russian status quo that is viewed with, you know – mmm, with apprehension and which is rejected by the major part of the Russian educated population, or it helps a change? And then what kind of change – WTO, Jackson-Vanik, Cardin legislation or Helsinki process – helps?

And responding to your question, Jim, I would say that the previous Helsinki process – and you remember, it has been absolutely fantastically efficient. Firstly, it was efficient not only in order – well, when it helped Brezhnev, you know, to think about some kind of normative dimension, and it helped the Soviet emigration, to get out of the country. But it helped first of all the Western countries, and it helped the United States, during Carter and

afterwards, to overcome the Western malaise. So the West overcame its domestic and structural crisis in the '70s by returning to a normative dimension and by starting the Helsinki process.

[00:14:52]

And so when we – I'm just turning to your question from another side. And when we are starting to look at the Western society now, at the – America's dysfunctionality, if you can trust Fukuyama, and the European crisis, if we can trust the – you know, Western, German, British, French gurus, then apparently it's your salvation, too, to look at building your reenergizing of the Helsinki process in the new form. And maybe it's not only the exit solution for us and not only you are going to create external incentives for our change, but maybe it's medicine for your own crisis. So this is the rhetorical question responding to your – to your – to the problem that you put on the table.

But with respect to Magnitsky bill, I will – (inaudible) – I'm looking at Dorothy – I would say that we have two Western approaches to Russia and to nondemocratic countries. Magnitsky legislation and Cardin's initiative – absolutely wonderful initiative – it tries to find approach to force not only Russia elite but the elite in other nondemocratic countries to follow civilized rules of the game. Whereas WTO accession for Russia, it's the way, you know – it's anticipation that the Russian elite – just like the Chinese elite previously – will follow the rules of the game, based on hope. But hope, as you know, is always delayed disappointment. (Laughter.)

With respect to Magnitsky list, I would say – I'll then give my time to Angela and Dorothy – with respect to Magnitsky list, I would emphasize several elements. Firstly, the Magnitsky legislature, the – Cardin's legislature – and he's a great guy. We saw how passionately he's involved in the matter. And we in Russia would love to have as much of these senators as possible, not only in the United States but first of all in Germany and other Western European countries, we would prefer to have Cardins but not Schroeders there. (Laughter.)

[00:17:04]

So with respect to Magnitsky list, firstly, it's not about Russia. As I view it from my Russian perspective – and I would like my Russian colleagues and Russian citizens here to respond to that if we have time. So it's about America. It's about restoring of the – America's role as their normative power in the world, after two or even three – maybe two presidencies have undermined this role of the United States as the country that is sensitive, that cares about the principles it preaches. This is firstly.

Secondly, of course, you know, this legislature is an attempt to change the whole old democracy-promotion paradigm in the world that is obsolete and outdated, the whole model that has been implemented by the Western countries, starting with the '60s, starting with the Helsinki process, which is based on the – in fact on the attempt to practice democracy within the nondemocratic countries, to teach democracy inside of the country. I don't think that, for instance, Russians need any kind of lecturing and preaching on that subject. And

I'm not sure that Russian society, civil society needs this \$50 million that had been offered by some representatives of the Obama administration.

So thirdly, these – this legislature is about – it never – it was never mentioned, at least in the United States. And Angela, you're mentioning this Exxon Mobil swap, absolutely fantastic swap, just recent swap, reminds me that this legislature can be – can serve as a warning, as a warning to the so-called – I wonder, maybe you've – you'll help me to find a definition for this class – is a warning for the service class within the Western society that helps the corrupted Russian, Belarusian, Kazakh, Azeri, whatever, Libyan, Syrian elite – to pursue and promote its economic and other interests within the Western society. So I'm talking about bankers, lawyers, consultants, PR agency – it seems to be, according to the list, some of these PR representatives or these PR agencies of the service class at present in this audience. So it would be a warning to them, folks, says Cardin: We care about principles. And maybe they will be less, you know – or they will be more reluctant to help the corrupt Russian and other elites to find a safe refuge in the United States, in France, Germany, et cetera.

[00:19:52]

And finally, I want – I want us also to take into account the concerns of the Russian foreign affairs ministry and the Russian embassy that have been expressed here.

I do believe that the question that was raised has relevance. And I would be thinking, you know, here that, for instance, the Western and American lawmakers could really look for this phenomena when, you know, the U.S. citizens are trying to steal the money from the United States budget and stash it in Sberbank or some other bank. Or we should together look for the U.S. citizens that are killing prisoners in the American prisons and try to find refuge in Russia. Why not? While it's – I do believe this is the relevant issue for analysis.

And besides, while this Exxon Mobil – again, you know, a footnote Exxon Mobil – we can start with Exxon Mobil. Of course they didn't kill anyone, but they helped to pursue one of the most corrupted deals in the newest history, when the American shareholders in fact legitimized their robbery of the Yukos assets in Russia. So let's start with a(n) analysis of the Exxon Mobil.

So I do believe that this initiative – Cardin's legislature – has such, you know, multifaceted, multilayered implications, and in fact could be an instrument even to restore the respect to the United States in Russia and even fight with anti-American sentiments, because we have at the moment such a huge consensus among nationalists, left-wingers, communists, liberals, with respect to Magnitsky legislature.

[00:21:43]

Sorry for my long speech, but well, I will give you –

MR. COLLINS: (Chuckles.) It's all right, Lilia.

MS. SHEVTSOVA: – opportunity to take my time afterward.

MR. COLLINS: As always, you're candid. (Laughter.)

Dorothy, you have experience on two sides of sort of the relation between trade and human rights and other political issues, both at – when you were at USTR and then now as part of a company that works around the world and including in Russia. And I wonder if you could simply try to give a perspective about the issue of how a company like Microsoft tries to deal with this, because Microsoft needs the – needs the rule of law; it needs the – protectable orders. And at the same time it is a company that is a global company.

[00:22:33]

DOROTHY DWOSKIN: So thanks very much. I should say that when I first met Jim I didn't need to wear glasses. (Laughter.)

I spent a long time working on the Russia file at USTR, from the beginning of the accession negotiations until 2007 when I left. And I think the transformation that we saw in the government is something that we're still continuing to see as a company. And some of the hopes I think actually have borne fruit. I mean, I think we're in – we're looking at some exciting times on the Russia front. There's a lot of potential. We've – you know, the accession is now not the first issue on the agenda when the political leadership gets together. There's not the sense that, every time business has to talk to the Russian side, that the WTO is mentioned as an irritant; and that it's just a sense that the relationship is going to get on a stronger footing.

I think there is something to what you say about, you know, old stereotypes and that, you know, finishing this and moving on in the economic relationship –

MS. : I'm sorry – we can't hear you back here.

MS. : Can you slide it up just – (inaudible) – a little higher – (inaudible).

MS. DWOSKIN: Sure. Sorry. So finishing the negotiations and implementing the accession package actually will allow the governments to take the relationship to a new level, but also companies to a new level. What does it mean? I mean, the – for – on the economic side it's, you know, certainty, predictability, transparency, and on the Russian side an opportunity to create some long-awaited moves towards really diversifying the economy and really joining the global system.

[00:24:39]

I looked on – I was trying to figure out a good way to look at this over the longer view. And you know, if you look at, like, what the World Economic Forum has said about Russia, you know, Russia has a number of advantages and a number of challenges. And I think they all sort of are relevant here. Big domestic market, very educated population – most educated of the BRICs; I think it ranks about – according to the WEF it ranks 25th in the world. Brazil is 51st, China is 96th and India is 108th. And they have abundant natural resources. OK, those are all great advantages.

What are the challenges that are evident? You talked about it: the rule of law and the institutional framework. Clearly that's something very important for companies that are doing business around the world, having the ability to have a continued, educated, high-quality workforce. The education is an advantage; on the other hand, we're seeing that there's a bit of a deterioration there. Having more competition, getting away from a lot of state intervention and making the rest of the system work.

[00:25:56]

We've seen – I saw in my own case – and you helped with that, Jim – we looked at how Russia could actually grow and prosper if it had the right kind of infrastructure in the regions, and making all of the things work and management capabilities. So for us, I mean, as a company, I think that transparency and the rule of law actually are – you know, is essential ingredients. And they clearly, I think, go hand in hand with taking on good practices.

So you mentioned, you know, anticipation and hope. So the trends in IP, in intellectual property rights protection, which is obviously very important to Microsoft, have been encouraging. So from 2003, the business software piracy rate was at about 87 percent. It's trending down – 87 percent. That's – (laughter) – even higher than some of our other challenging – (laughter) – places around the world where we do business.

MS. SHEVTSOVA: (Inaudible) – very smart in piracy, yeah.

MS. DWOSKIN: But it's trending downwards. It's trending downwards. It was under 70 percent, and it's – the latest figures seem to suggest that it's going to go down even further. So there is, I think, a respect for the rule of law. And what comes with that actually is very helpful and is very important for the very important and emerging middle class in Russia that is demanding more and more rights.

So I do think that the work that's been done on the economic side actually helps the broader relationship, whether it's in the human rights sphere or in the economic sphere. Microsoft as a company – we've been in Russia since 1992. And we are doing a number of very exciting things in terms of joint research. We're participating in Skolkovo. All of those things I think are dependent upon seeing continued progress and opening. And we think that, you know, encouraging that process is a good way to go.

[00:28:20]

Is it perfect? No. I mean, Russia now is going to be the host – is the host of APEC. They're going to be the host of the G-20. They're going to host the World Cup. They're going to host the Olympics. There are a lot of things that – where Russia is going to be in the spotlight. And that's going to require a lot of change. And from what we've seen, if we can make the changes move in one direction, that that will help strengthen not only the economic relationship but some of the underlying issues that, you know, two important economies like Russia and the United States have to deal with.

So you know, it would be great if all this legislation for Jackson-Vanik was finished. I thought maybe you'd like me to read part of – (laughter) – the WTO accession package. This is only a third of it. So I mean, it's complicated, it's detailed – and what I think – what I want to leave you with is this notion that it has really, really been a long journey. And we've seen a lot of transformation on the economic side.

[00:29:31]

And I think if I had to pick out one thing, it would be the incredible progress that's been made on the transparency side. For people doing business in Russia, you have a situation where, you know, rules weren't – legislation or decrees weren't published. Nobody had an opportunity to comment on those rules and regulations. Sometimes they were applied in one place and not another. So in the context of the economic relationship, there's now much more certainty. The proof will be in the enforcement. But I think, you know, Russia, for its own sake in terms of its plans for diversification and for being a more important trading partner globally, needs to show that all of these important rules are going to be observed.

So you know, we're – well, I'm always optimistic; you know that, Jim. I think it's a really big milestone, and I think we have the opportunity to, you know, do more things together. And clearly Microsoft is looking very hopefully at this situation – maybe not hopefully in your terms. (Laughter.)

MR. COLLINS: All right, well, thank you – thank you all. I'd like now to sort of give the audience a chance to – if it's comment, please make it brief. If it's question, no more than two at one time. (Laughter.)

So let me start in the farthest back, the lady standing up.

Q: Microphone, or should I shout? Oh, here we go.

MR. COLLINS: Yeah, use the mic.

MR. COLLINS: Please.

[00:31:03]

Q: (Chuckles.) How are you? Michele Keleman with National Public Radio.

MR. COLLINS: Dorothy, talk into your mic.

Q: As you know, a lot of – a lot of –

MS. SHEVTSOVA: Louder.

Q: Oh, sorry. It's Michele Kelemen from NPR.

MS. SHEVTSOVA: Oh, hi.

Q: How are you?

MS. SHEVTSOVA: Hi, Michele.

[00:31:13]

Q: As you know, the State Department's not very happy with this Magnitsky bill. And I wonder from your perspective if you think this sort of thing works with Russia, the threats – the threats of sanctions; whether it makes sense to sort of shove this down the State Department's throat at this time.

MS. STENT: Well, I guess I – as you may have been able to tell from what I've said, I think it's very questionable. And I think one thing we didn't talk about is that of course the Russian side has threatened – they already have their own, you know, Magnitsky list; they've threatened retaliation. Now you can say, well – and obviously, Lilia – (chuckles) – you discussed this too – but I mean, I think there is a question of, you know, it could – things could happen or people could get into trouble – Americans if they go – if the Russians so choose.

[00:32:03]

That's maybe not a reason to say that one shouldn't have the legislation. But I think if you look over the period of the last 20 years or even in the Soviet period, again, it's very questionable whether this kind of legislation works. I mean, Jackson-Vanik was very specific. And not to get into a long discussion of it, but you can also make the case that one of the reasons why there was more – somewhat more emigration in the Soviet period, although it was hard-won, were for reasons other than what Jackson-Vanik specifically did. And so I think there is a tendency to think, because we pass something and this makes us feel good, that it therefore has an impact on another country. And I'm not sure that the evidence really proves that it does.

And she disagrees, right? (Chuckles.)

MS. SHEVTSOVA: You know, we always play with Angela and – in disagree – and disagree. You know, in the nutshell, Michele, reset has been the U.S. rapprochement with the Russian political regime at the expense of the society, that views the reset in – with great suspicion and believes that reset is legitimizing Putin's regime; whereas Magnitsky carved in legislature could become rapprochement with the Russian society, with the new Russia, at the expense of good relations with the Russian ruling team – not with the whole establishment, because it – it's different – it's started to fragment – but with the Russian specific ruling team. So the United States have to choose which partner they will have and they would like to have good relations: the state in agony or the new Russia.

MR. COLLINS: OK.

Yes. So in the back, and then we'll come to you next, so.

Q: Thank you. My name is David Nikuradze. I represent a Georgian television station Rustavi 2 in Washington. I would like to bring Georgia in this conversation. Russian foreign minister Sergei Lavrov has said in Brussels today that Moscow is very concerned because Georgia was promised NATO membership. Also Russia is concerned because Georgia was able to improve its military capabilities. I'm wondering if you could give me your reaction on that, please, and your opinion on Georgia-U.S. relations in general. Thank you.

[00:34:24]

MR. COLLINS: Well, that's a bit off the topic, but Angela, do you want to take a quick stab at it?

MS. STENT: What was the last thing you ask, about the role of Georgia in U.S.-Russian relations? Yeah.

Q: Yes. (Inaudible) – Sergei Lavrov, Russian foreign minister, said in Brussels that Russia is concerned –

MS. STENT: Yeah. No, no, no, I know what he said. Yeah.

Q: – that Georgia was able to improve its military capabilities.

MS. STENT: Right. Well, this is an issue – I mean, I would say of all the issues in U.S.-Russian relations currently, missile defense is one that we're not going to talk about today. But that's very problematic. And the other one really is Georgia, because you're quite right. At the Bucharest summit there's a sentence saying that Georgia will one day join NATO. It's not an issue at the moment. It's not going to be part of the discussion, as I understand it, in the Chicago NATO summit. But obviously the Russian government doesn't like that phrase there.

And as you yourself said, there's always this question about – as we know, Georgia has, what, 1,000 troops fighting in Afghanistan. It obviously has close military cooperation with NATO countries in terms of the preparedness of the – of the troops that are there. So this will continue to be an issue. I don't – I think that every so often you hear these statements from the Russian foreign ministry. We will continue obviously our relationship with Georgia. President Saakashvili was here couple of months ago meeting with President Obama. So this will continue to be an issue, but it doesn't seem to be as problematic an – as an issue as it was four years ago.

[00:35:55]

MR. COLLINS: Yes, here.

Q: Hi, Matt Kwasiborski with the Fund for American Studies. I have two questions. One concerns NGOs in Russia. Putin has been an outspoken critic of non-Russian NGOs operating within Russia. And once the Putin monarchy takes the crown of presidency again, do you think he's going to follow the Egyptian model of how non-Western NGOs were

scrutinized and almost suspended? And do you think he would go so far as to expel non-Western NGOs out of Russia?

The second question has to do with security cooperation. As mentioned by Ms. Stent, Russia has the Sochi Olympics coming up and the World Cup coming up, but also the problem they have in north Caucasus with Islamic militants there in the Chechnya region and stuff. Is Russia cooperating with members of the U.N. Security Council on maybe setting up the security for the Olympics, the World Cup, but also cooperating on, you know, how to battle terrorism? And if so, do members of the Security Council – can they sort of use the Syrian issue as a bargaining chip? Thank you.

[00:36:59]

MS. SHEVTSOVA: Shall I start?

MS. STENT: Yeah, you should start for the NGOs.

MS. SHEVTSOVA: Well, I will start with your question on NGO. You know, so far the Russian political regime has been pretty successful with absolutely fantastic Shakespeare type of foreign policy: to be with the West and to be against the West at the same time: so to be with the West, to collaborate, to cooperate on many pragmatic issues, especially energy, security, et cetera; to be against the West, to use the anti-Western symbols, rhetoric, mobilization within the country, to close the Russian society from the West.

[00:37:37]

And it seems to me that after Putin returns, the czar returns back from the Kremlin – well, he never left the Kremlin, as you know – it seem to me they will try to balance these two, well, different trajectories in the foreign policy. I call it, you know, driving two horses in opposite direction. But you know, with the process of delegitimization of the power of the current political regime that continues, with the loss of credibility for Putin's ruling group, of course they – the ruling elite will be trying to address much more this pattern of the besieged fortress, Russia as a besieged fortress – so looking for enemy inside and outside Russia.

That means that NGOs, especially foreign NGO and Western-funded NGO, will be under much tougher scrutiny. But they have always been. Whether they will expel this NGO while difficult to tell, because the Kremlin will always be trying to look how to guarantee the safety of the Russian elite that personally is integrated into the Western society. So it will be constantly trying to find a – (inaudible) – to find a line between these two directions. How it will end, God knows.

MS. STENT: Well, I mean, you ask a number of questions. On the – on the Olympics, of course the Russians are already working with the United States and other countries. I mean, everyone's concerned about maximizing security in Sochi, which is in a very, as we know, dangerous neighborhood. I don't see this as something – it doesn't involve the United Nations Security Council. And I certainly don't see this as a kind of form of leverage, you know, because it doesn't work that way.

And there's of course counterterrorist cooperation, again, bilaterally between Russia and the United States, between Russia and other countries. There's multinational – NATO-Russia working on counterterrorism. So these are all different aspects of cooperation, but they aren't an integrated whole. And I think the Syria issue is, you know, on one track and these other counterterrorism and security for the Olympics are on another.

[00:39:46]

MR. COLLINS: Yes, here. Let me take your question; then I'll take your question, and then we'll have to wrap this up.

Q: Thank you. Thank you very much. Dieter Dettke, Georgetown University. A question: How serious do you think the new Putin administration is going to be on modernization? And when I mentioned modernization, it's not only economic; it's of course also political modernization, adjustment of Russian laws to dealing with the West. How do you see that developing?

[00:40:20]

MR. COLLINS: OK.

And why don't we take this one, too? And then we'll –

Q: Hello? Yes, Kyle Parker (sp) with the Commission on Security and Cooperation in Europe. My question is for Ms. Dwoskin. And on the subject of intellectual property rights protection, a question we've had, that we can't seem to even get understood when we ask it to the Department of State and others, doesn't go at the protection of intellectual property rights, Western property rights – very important we think there's a lot of attention on that – but to a question that Microsoft has direct experience with. And I'm thinking back to the story Cliff Levy broke in The New York Times a year or so ago about how it looked like Russian law enforcement were using Western concern and – you know, to Russia about protecting IPR as a pretext for selective and dubious enforcement. I understand this has also been an issue in the PRC. And I guess my question is, what can we do, acknowledging that we will have to work with the structures that exist? But when you have something like the Russian MVD, notoriously corrupt, very problematic, how can we expect them to be a partner in good faith in not using our concern to say, yeah, boss, did what you wanted. Here's a bunch of NGOs and other groups that had pirated software and we've taken care of them. Thanks.

MR. COLLINS: Dorothy, maybe I'll ask you if you would – you would take the first and then I'll have the – give everybody a chance to sum up in – perhaps in response to our colleague's question from Georgetown.

MS. DWOSKIN: Sure. I mean, I think the question that you asked about how sure are we that the economic reforms are going to continue, I mean, I think that Russia's plan just on the – again, on the WTO accession package has to go through the дума before the end of July. That has a number of – it confirms a number of changes that Russia has needed

to make in order to comply with WTO rules. So that's a good step. There's been a lot of work done in terms of trying to ensure that there will be appropriate enforcement. So you know, it took a long time for Russia to join. I think the negotiations got incredibly serious when Russia – Russian leaders thought that this would actually be helpful to their economic transformation, and I don't think that that changes.

[00:43:06]

With respect to the situation that we experienced trying to counter attempts to leverage IP rights to stifle political advocacy, it was an issue. I think we stepped in and put together a program that has been effective in Russia, our unilateral licensing program. And it's something that we've done in a number of other countries. And I think we worked really hard to ensure that we've gotten out to the NGO community. And I think it's been, you know, pretty successful. I think we learned a lot. And we had, you know, pretty excellent cooperation with the NGO community as we did this. And we – you know, Microsoft is very active, and we're a member of the Global Network Initiative. And I think those kinds of multi-stakeholder processes are a good way to continue to improve the situation.

MR. COLLINS: Okay. Lilia?

[00:44:11]

MS. SHEVTSOVA: Thank you, Jim. Dieter, thank you for your question. That gives me a possibility to be even more candid.

Q: (Laughs.)

MS. SHEVTSOVA: Firstly, as you know, your – (inaudible) – media now, press, there is a lot of optimists outside of Russia, strangely. It's good to have optimists outside of Russia. Well, that – and those optimists are trying to argue that in a new situation after the December protests and in the situation when the Russian middle class and even part of the political and economic establishment, the former deputy prime minister, former finance minister Kudrin, so – being so -- now in Washington – being so critical of the previous government, Putin's government. So everybody among the optimists believes that apparently, Putin will be new Putin, Putin 2.0 – and he will – zero, yes. And zero, zero. (Laughter.) And he will – apparently will try definitely to modernize Russia economically and politically.

My argument, when I'm talking to my friends, optimists, is the following: Modernization, economic and political, and even economic modernization means, firstly, rule of law; secondly, competition; thirdly, demonopolization. If Putin really wanted – and his team – really wanted to be 2.0 and new Putin, new – a reincarnation of something, he would have apparently guaranteed free and fair elections. Why should he started, you know, his new presidency with falsifying the elections?

In any case, I do believe that the Russian ruling team – and it stands perfectly well – that if they open the window a little bit more and introduce any elements of real competition, they will lose power. And they're not ready to do themselves hara-kiri. At

least, you know, they're looking at Gorbachev's experience when Gorbachev's liberalization, in fact, you know, left the elite without state and power and the Kremlin.

Hardly they will follow this way, which means that I have to make very pessimistic and very dramatic conclusion: Apparently, Russia has missed – has passed already the fork when the reform and modernization from the top and within the system by the same elite and political class was still feasible and probable. And so they are rushing – like, you know, being on a train, they are rushing to a very dramatic situation when all the pressure from below – that is, only revolution – could make the things change, which, of course, creates a lot of challenges for the outside – for the – for the outside – the outside world. And we can raise a question whether the political alternative to the current ruling machine and the elite will emerge and could be formed before everything starts to implode. But in any case, I promised Dorothy and my friends that in a new reality, we'll find a place for Microsoft and its optimism. (Laughter.)

[00:47:18]

MS. STENT: I don't have too much to add to that. I mean, I would just say you go back to the year 2000, you read Putin's millennial statement that he published then. He understands – he understood then – he understands the need for modernization. And I'm sure on some level, he understands what needs to be done. Obviously, Mr. Medvedev said the same thing.

I was in Berlin a couple of weeks ago, talked to some of your German colleagues: How's the partnership for modernization between Germany and Russia gone? And they all said, well, you know, it didn't achieve as much as we hoped it would, which I think is probably an accurate statement.

So I don't really have very much to add to what Lilia said. If you want to have true modernization, you have to have rule of law, you have to tackle corruption, you have to have real competition. And you thereby challenge vested interests who only stand to lose from this. And you can only modernize if you're prepared to challenge those vested interests and to – and to have those people – and there'll be some losers in this, so it would be difficult in the beginning. And then of course you can go forward, but without doing that. And of course, you do need Western participation. You need more foreign direct investment. You need more partnerships in these things. If Mr. Putin, those around him, are willing to do that, then of course they could go ahead and modernize. But we still have to wait and – you know, await concrete signs that they're willing to take those steps.

[00:48:43]

MR. COLLINS: OK. Well, I want to thank the three of you very much. My own sense is that what we – what we've had today is a sense – first of all, a reaffirmation that the issue of human rights and civil liberties and a sense of rule of law is going to be a fundamental part of the U.S.-Russia relationship no matter what. It's been there for a century of more – really more than a century. It's been a central core issue between the Russian Empire and the United States, if you go back and look at the 19<sup>th</sup> and early 20<sup>th</sup> century; between the Soviet Union and the United States; and it's been there since 1991.

And I think it's not going to go away. So it is a fact that this is a part of our relations. How we conduct it and how it – how it plays is always a matter of balance between a variety of interests and including this part.

So we have many strategic interests in common that are not going to go away, and they are not going to be simply subordinated only to human rights. It's not realistic. It's never been that way; it never will be. So arms reductions, our global responsibilities and where Russia fits in is something that is going to continue.

[00:50:13]

And we – finally, as someone from – a former diplomat, I have to say we will deal with the government that governs the territory of the Russian Federation. That is a reality. We have to do that. And we have done it in good times and in bad times.

The second thing I'd say about modernization is that there is a challenge out there in front of the presidency in Russia and the new coming generation. Someone observed that if you're developing natural resources, essentially those corporate entities, those financial instrument – institutions and so forth who deal in that world, who are the world of commodities, basically will deal with anyone they have to in order to get at those resources because the resources don't move. They are where they are. We have dealt with both wonderful governments and not wonderful governments. Our businesses work with societies that observe all of our values and who absolutely contradict all of them. But the reality of trade in commodities is the reality of a global system. It's a very different matter when it comes to brainpower or to the value-added world that makes economic growth in the modern economic system. Their money decides where it will go, and it decides on the basis of where it can be secure and where it can grow and where it can have opportunity.

[00:51:50]

And there is the challenge, it seems to me, for the Russian Federation going forward. Yes, they have tremendous natural resources. But the question is whether that other resource, their brainpower, their capacity of a population that has always been creative and important in innovation and so on is going to stay with them or is going to be able to attract the financial and technological partnership to make the system change and grow and prosper. That is the challenge in front of this coming generation of people who are going to be dealing with the direction Russia takes.

Whether Mr. Putin will make the big changes, I don't know. But he will have to deal with this issue, and his successors will have to deal with this issue. Otherwise, he will find that the brainpower that Russia needs will end up in Silicon Valley, or it will be in London, or it will be elsewhere, and Russia will become a commodities exporter permanently – not something that Mr. Putin, Mr. Medvedev, Russia's elite, for the most part, has said it wants to have. It wants a modernized economy. And the question, really, in front of them is how are they going to get there.

[00:53:05]

And I guess, tentatively to wind it up, I would say a part of that is going to be the issue of how they deal between the government and their own citizens. What kind of society do they construct that makes Russia an attractive place for its citizens and outsiders to want to develop their talents, to develop their potential and develop their capacities?

If they don't have the ability to do that in the future, then I might subscribe to Lilia's definition of hope. (Laughter.) If they do do it, I think Angela may have the day. (Laughter.) And Dorothy will be in the middle no matter what happens. (Laughter.) So thank you all very much. (Applause.)

(END)