



Michael McFaul

U.S. Ambassador to the Russian Federation
@McFaul | www.facebook.com/amb.mcfaul

The “Reset”

Theory, Results, Future

Ambassador McFaul
Higher School of Economics
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Point of Departure for the Reset

- **Dangerous Drift in U.S.-Russia Relations**
- **Iraq War**
- **Conflicts regarding European Security**
- **Economic Recession**

Theory of the Reset (1)

1. U.S. and Russia Share Some Common Interests

2. Need to Develop a Multi-Dimensional Relationship: Security, Economic Cooperation, and Society-to-Society Contacts

3. Increased Engagement Is the Means to Produce Win-Win Outcomes

Theory of Reset (2)

4. Can practice **Dual Track Engagement**
 - Engage Russian government & Russian society at the same time.
5. Can pursue Reset with Russia without compromising our relations with other countries.
6. Can avoid linkage of unrelated issues.

Means for Pursuing Reset

- Increase Interaction between Top Officials.
- Structure Government-to-Government Engagement (BPC).
- Facilitate More Society-to-Society Contact.
- Create Conditions for increased Trade and Investment.

Increase Interaction between Top Officials, Moscow, July 2009



Washington, June 2010



Moscow, March 2011



Bilateral Presidential Commission:

20 Working Groups

2012 Joint Report: <http://www.state.gov/p/eur/ci/rs/usrussiabilat/186831.htm>

- Policy Steering Group
- Agriculture
- Arms Control and International Security
- Business Development and Economic Relations
- Civil Society
- Counternarcotics
- Counterterrorism
- Defense Relations
- Education, Culture, Sports, and Media
- Emergency Situations
- Energy
- Environment
- Health
- Innovation
- Intelligence
- Military Cooperation
- Nuclear Energy and Nuclear Security
- Science and Technology
- Space Cooperation
- Rule-of-Law

Fostering Peer-to-Peer Dialogue Between American and Russian Civil Society

- Civil Society Summits
- Civil Society Participation in BPC working groups
- Exchange Programs for environmental experts, health specialists, human rights advocates, business leaders, etc.

PEER-TO-PEER DIALOGUE



ENGAGING CIVIL SOCIETY



ENGAGING POLITICAL ACTIVISTS



ENGAGING BUSINESS



RESET RESULTS



Security



New START Treaty

- Entered into force in February 2011
- Limits each side to:
 - 1550 deployed warheads
 - 700 deployed delivery vehicles
 - 800 deployed and non-deployed ICBM launchers, SLBM launchers, and heavy nuclear bombers
- Strong Verification including:
 - On-site inspections (18 per year)
 - Data exchanges and exhibitions

Afghan Transit and Northern Distribution Network

Keeping our Troops Supplied in Afghanistan...



Afghan Transit and Northern Distribution Network (NDN)

– Afghan Transit

- Up to 4,300 U.S. flights annually
 - 2180 U.S. over-flights as of May 8, 2012
 - 369,104 U.S. personnel and troops transited Russia
- Russia considers offering air base to U.S. to aid in combating terrorism

– NDN

- Expanded ground and rail transit through Russia, including reverse transit.
- 47,711 containers delivered of lethal and non-lethal equipment
 - 53% of sustainment cargo goes through the NDN
 - 75% of supplies transiting NDN go through Russia
 - Over 50,000 containers shipped across Russia

Afghanistan

- **Supplies**
 - 21 Mi-17 Helicopters, option to purchase additional units
 - Fuel (Manas Transit Center)
 - Small arms
- **Counter-Narcotics Cooperation**
- **Intelligence Information Exchange**

Other Military Cooperation

- Russian Black Sea task force takes part in NATO drills over Spanish coasts – first time Russian sub has participated in any NATO exercise.
- Russian Air Force pilots will take part in a joint U.S.-Russian military exercise for the first time.
- Improved information exchange on military exercises.

Iran: Diplomatic Track

- **2009: Jointly Developed IAEA Tehran Research Reactor (TRR) Proposal**
- **2012: Close Cooperation in the P5+1**

Iran: Pressure Track

- **UNSC Resolution 1929**
 - Restricts Iran's nuclear activities
 - Restricts ballistic missile and conventional military activities
 - Restricts military sales to Iran
- **IAEA Board of Governors Resolution (11/2001)**

North Korea

- U.S. and Russia together condemned the DPRK's April 13, 2012 rocket launch with an UNSC Presidential Statement on April 16.
- Russia joined the U.S. in supporting UNSC 1874 on June 12, 2009, in response to a May 25, 2009 DPRK underground nuclear test
- Tightened inspection regime against North Korea (high seas, sea ports, airports)
- Blocked funding for nuclear and missile proliferation activities

Counterterrorism Cooperation

- Presidents issue Joint Statement on Counterterrorism Cooperation at Deauville Summit (May 2011)
- Vigilant Eagle Exercises (2010 and 2011).
 - NORAD and Russia enhance coordination and partnerships to ID, intercept, and follow a suspected hijacked aircraft.
- In May 2012, Russian Paratroopers take part in a counter-terrorism exercise at Ft Carson, CO - first time-ever in the U.S

Cybersecurity

- Exchange information on technical threats from botnets.
- Exchange views on each other's military's views of operating in cyberspace.
- Establish 24/7 systems allowing us to communicate about cybersecurity issues via existing crisis prevention communication links.

Lock Down of Nuclear Materials

- **HEU Removal**

- Bilateral agreements to remove HEU from third countries, including 33 kgs of HEU from Kazakhstan to Russia in December 2010. Removal of all HEU from Ukraine completed March 2012.

- **HEU Downblending**

- As of December 2011, verifiably downblended 442MT of former Soviet weapons-origin HEU (enough for approximately 17,698 nuclear weapons) for peaceful use in U.S. power plants, providing 10% of U.S. electricity. A total of 500 MT is to be eliminated by 2013.

- **Plutonium Disposition**

- Signed amendment to agreement to dispose of enough US and Russian surplus weapons plutonium for approximately 17,000 nuclear weapons.

NATO-Russia

- **Afghanistan**
 - Two-way transit arrangement
 - Ulyanovsk Transit Center—will provide air/rail option for moving non-lethal supplies out of Afghanistan
 - Expanded counternarcotics training to include Pakistan and broaden scope of cooperation with Central Asian countries
 - Development of an NRC Helicopter Maintenance Trust Fund
- **Expand Counterterrorism Cooperation**
 - Joint technology development to detect explosives
 - Countering threats to civil aviation
 - Enhanced information exchange
- **Expand Counter-Piracy Cooperation**
- **Talks on Missile Defense Cooperation**

ECONOMY



WTO

- Represents completion of longest (18 year) accession process in WTO history.
- Russian accession agreement includes far-reaching steps to liberalize both goods and services sectors.
- Creates Permissive Conditions for Expanded Trade and Investment between Russia and the U.S.
- Some studies believe Russia's accession could double U.S. exports to Russia in the medium-term.

123 Agreement

- Permits export of nuclear materials and equipment by U.S. firms to Russia, subject to robust technology transfer reviews.
- Enables both countries to jointly develop proliferation-resistant technology.
- Facilitates export of Russian-origin enriched uranium or fuel assemblies by US firms (USEC, Westinghouse) to third countries.
- Facilitates direct contracts between US and Russian nuclear firms.
- Allows joint bids on civil nuclear projects.

U.S.-Russia Trade

\$42.9 billion in 2011, Highest Ever



U.S.-Russia trade reached an all-time high of \$42.9 billion in 2011.

U.S. Investment in Russian Economy (1)

- **John Deere:** Opened new \$125 million assembly and parts distribution facility in April 2010.
- **Coca-Cola:** Invested over \$80 million to develop Russia business in June 2010; company has fourteen plants in Russia/over sixty distribution centers.
- **Burger King:** Opened first restaurant in Moscow in January 2010.
- **Subway:** Entered market in December 2009. Plans to expand shops from 78 to 1000 by 2015.
- **Kimberly-Clark:** Opened \$170 million plant in June 2012 to produce diapers.
- **Ford:** Formed a joint venture in June 2011 with Russia's Sollers, planning to invest \$1.2 billion.

U.S. Trade and Investment in Russian Economy (2)

Boeing:

- 50 737s to Russian Technologies:
- 16 777s to Aeroflot
- 4 787s to Transaero
- \$9.7 billion in Sales since 2011

Cisco: \$1 billion investment in high-tech sector

PepsiCo: \$3.8 billion investment in Wimm-Bill-Dann

Exxon-Mobil/Rosneft: Valued at \$500 billion; Strategic Agreement gives Exxon access to high-value gas deposits in Arctic . Initial Investment will be \$3 billion for first-phase exploration.

GE: New Joint Ventures in Energy and Health Care

- Could drive \$10-15 billion in new sales for GE

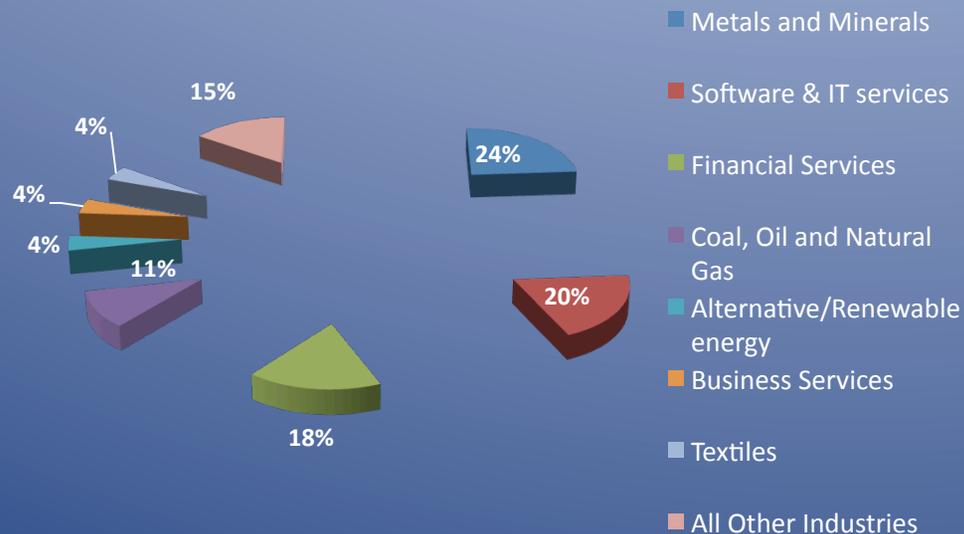
Russian Investment in U.S. (1)

- From 2004 to 2009, Russian FDI in the U.S. increased from \$420 million to \$7.7 billion.
- Russia's FDI stock dropped to \$4.4 billion through 2010, due primarily to major divestitures of Russian steel companies.



Russian Investment in U.S. (2)

Recent Project Announcements by U.S. Affiliates of Russian Firms, by Industry (2003-2011 YTD)



Major Russian Firms in the U.S. Market:

TMK IPSCO, Gazprom, Nival, Lukoil, NLMK, NT-MDT, Severstal

Employ 12,600 U.S.-based workers

Own \$17.4 billion in U.S. assets (through 2009)

Cooperation on Innovation

- **Parallel Business Summits (July 2009, June 2010)**
- **President Medvedev Visit to Silicon Valley (June 2010)**
- **Governor Schwarzenegger Leads Technology Delegation (October 2010)**
- **Innovation Work Group**
- **Rule of Law Working Group**
- **MIT-Skolkovo Partnership**

SOCIETY

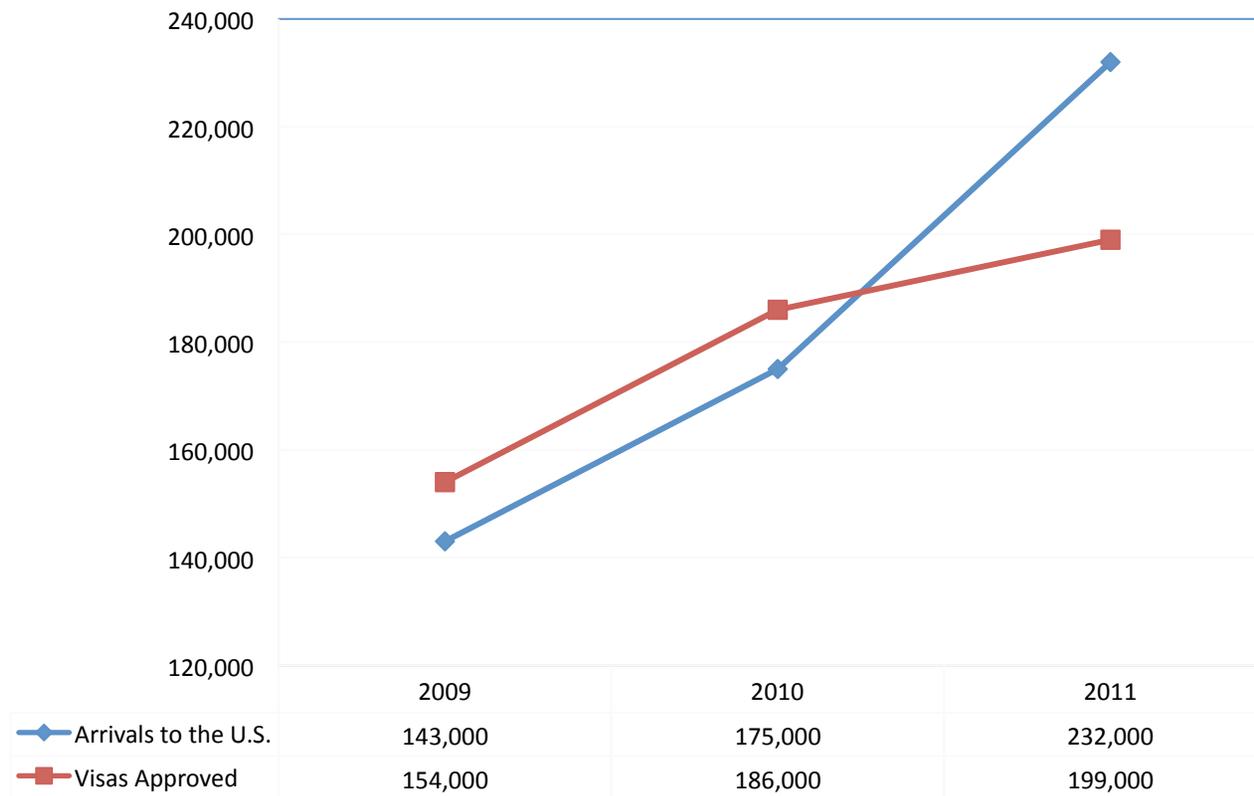


Growing People-to-People Connections

- **New Agreement on Visas** (July 2011) .
 - Tourists and businesspeople will receive three-year, multiple entry visas to visit the other country.
- **Adoption Agreement** (July 2011)
 - Enhanced provisions for protection of adoptees.
- **“American Seasons”** (2011-2012)
 - a year-long program of cultural outreach showcasing the best of American arts and culture.

Increased Travel to the U.S.

Recent Russian Travel to the United States



Fields of Unnoticed Cooperation

- Space
- Health and Science
- Environment and Energy
 - Smart Grid Partnership Program
- Text4Baby Russia
 - delivers free mobile text messages to Russian mothers

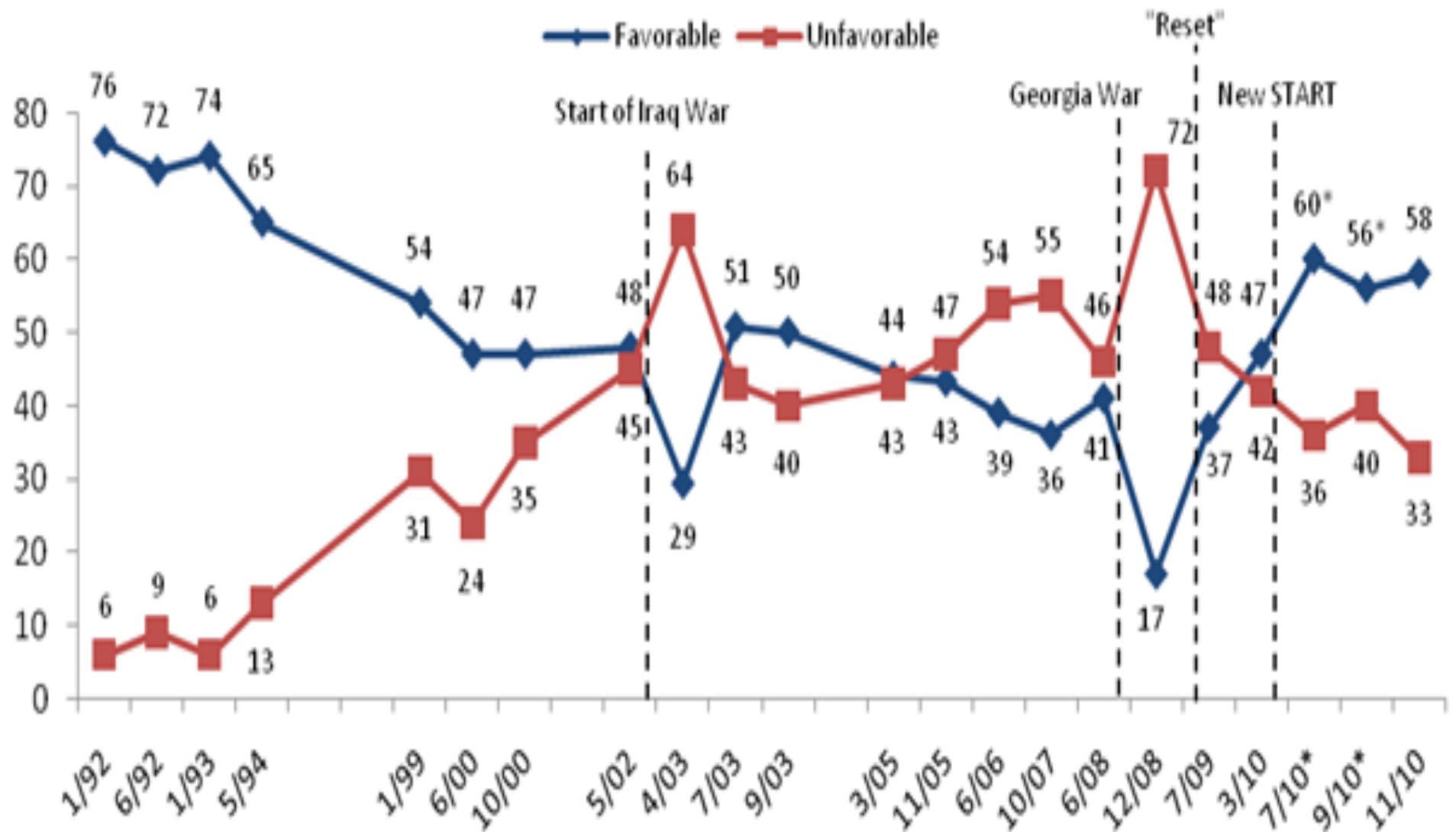


Societal Attitudes Improving

- Russian favorable attitudes toward U.S. Increasing.
 - increased from 17 percent at end of 2008 to 62 percent in November 2010.
- American Favorable Attitudes toward Russia Increasing

Figure 1: Russian Favorable Views of the United States Hit Highest Point in 10 Years

Q: Please tell me whether, in general, you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of the U.S.? (%)

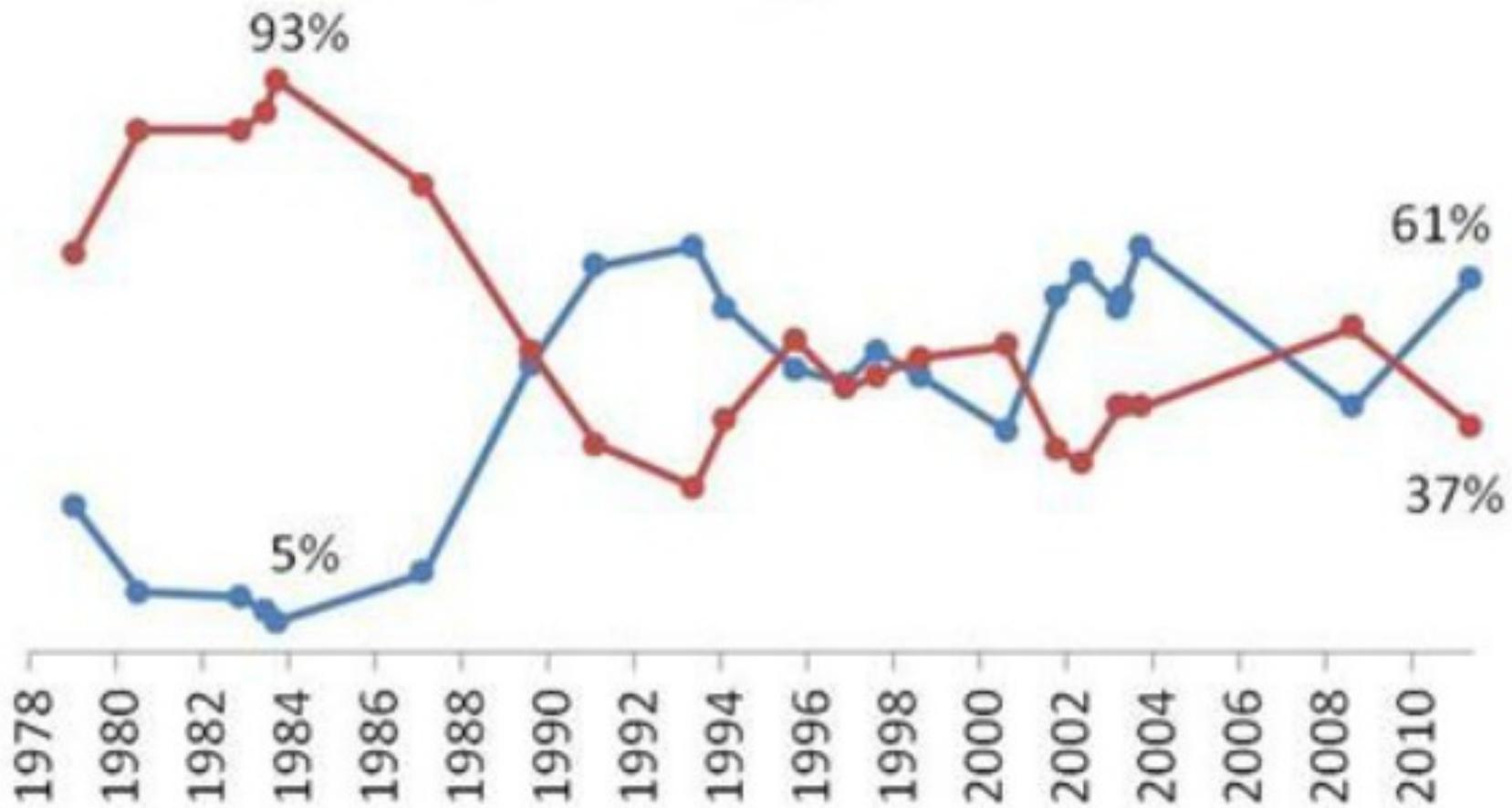


*Levada Center data

Source: Office of Opinion Research and Levada Center surveys, 1992 - 2010

Russia: friend or foe?

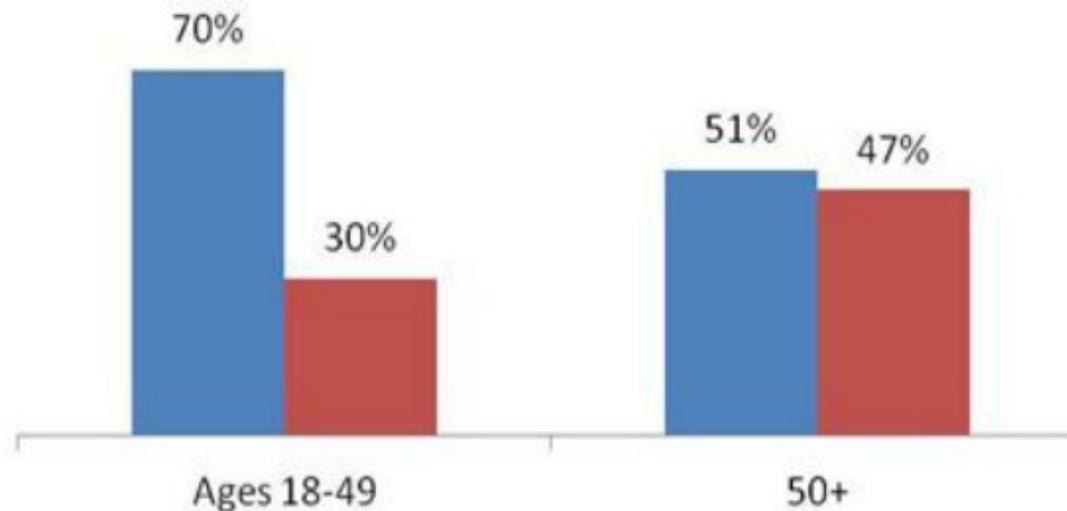
—●— Ally/friendly —●— Unfriendly/enemy



Sources: CNN/ORC (2011), Post-ABC (2002, 2008), CBS (2007), Harris (1979-2001).

Younger Americans more positive on Russia

■ Ally/Friendly ■ Unfriendly/Enemy



Source: CNN/ORC poll May 2011.

Agenda for the Future: Issues

- Syria
- Iran and North Korea
- Increasing Trade & Investment
- Missile Defense

Agenda for Future: Approaches

- **Avoiding Return of Zero-Sum Thinking**
- **Balancing Priorities regarding Common Values**
- **Getting Beyond Cold War Stereotypes**

Let's keep talking



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