

THE ST. PETERSBURG G8 SUMMIT AND RUSSIAN INTERESTS

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Russia's ruling elite views the G8 summit that is scheduled to take place in St. Petersburg in the summer of 2006 as the top *event of the season*.

Hypnotized by perpetually high oil prices and the correspondingly strong growth of hard currency reserves, the Stabilization Fund, and the like, Kremlin insiders are behaving in an amazingly relaxed and torpid manner. A good term to describe the current mood is "joie de vivre" - which was similarly used to describe the Saudi princes of the 1970s - if, of course, one is not discussing internecine Kremlin *find the successor* games of tug of war.

So it is rather remarkable that anticipation of the G8 meeting, which will occur on Russian soil in its full-fledged form for the first time, has sent Kremlin insiders into a flutter. Regardless of affiliation, everyone in the Kremlin agrees that the St. Petersburg G8 summit offers a trump card that should be used to pull off a winning hand.

RUSSIA'S SIMPLE GOAL

The preparations for the presidency started poorly. First of all, it is lack of efficient interagency coordination - as almost always. Secondly, it is the fact that Russia was again barred from full integration into G8 mechanisms, and Russian Central Bank chief has not been allowed to G7 private discussions. Thirdly, parliamentary debates on an unprofessionally written (it seems that all good Kremlin lawyers are busy with writing legislation on natural resources or IT) amendments to NGO legislation were completely mismanaged by the Kremlin and shook all its image-building efforts provoking sharp criticism among other G8 members (for obvious reasons, Japan excluded).

Russia's main goal from the 2006 G8 chairmanship, and from the St. Petersburg summit itself, is obvious and rather trite. It reflects a decade-old idea about how to promote the interests of Russia (and/or her president) through multilateral summits on Russian soil. In 1995, Boris Yeltsin and his retinue designed a special summit where the "G7 plus Russia" could consider problems of nuclear safety and security, and through luxurious receptions in newly restored Kremlin palaces show that Russia had if not an equal, then at least (still) a significant role in key international arrangements: *Russia's global image could thereby be improved*. At the time, it is true, there was an additional goal: to garner the support of world leaders for the politically fading Boris Yeltsin on the eve of Russia's presidential elections of the summer of 1996. And the summit, which took place a couple of months before the elections and did not leave any noticeable trace when it comes to resolving nuclear issues, is memorable precisely due to the fact that the world leaders did indeed give Yeltsin their support. In the summer of 2006, Vladimir Putin will, it appears, have another agenda. He wants to call as little attention as possible to his persona, and does not need personal support from the other G8 leaders. Thus, it is likely that the focus will instead be on promoting Russia, and not its president or even his native city.

What can Russia use to promote its image abroad?

ENERGY

The first thing that comes to mind is **energy**. This is the area in which the country is making its greatest breakthroughs and, along with women's tennis players, is Russia's greatest attention-getter worldwide. True, one must recognize that this is largely being caused by forces beyond Russia's control: the richness of the nation's oil and gas deposits and the current global market. Besides, the term "petrostate" is becoming a fairly offensive epithet with regards to Russia, as it implies not wealth and power, but a raw material economy plus XXL-size corruption. In addition, it leads to profligate spending and getting "hooked" on oil money.

Actually, there are few in the Kremlin who feel the need to be ashamed that Russia is a "petrostate." But it is impossible to ignore this global talk. Thus, the energy question at the summit will accent a theme that interests all of the seven visitors (and the host) equally, but will not put Russia out on a limb, that is - energy security (including both pipelines and nuclear power plants) and diversification of power sources, in particular considering the role of rising Asia and the development of refining capacities. All of this is gathered together under the umbrella of "energy security"; these discussions will smell equally of oil and the gunpowder of the war against terrorism.

Although the issue of nuclear power will be secondary, the summit provides a chance to "close the page" on Chernobyl - a report establishing the colossal exaggeration of rumors and fears about the consequences of the Chernobyl accident when compared to the reality of the situation today has already been issued under the aegis of the United Nations, with the participation and approval of the Russian government, among others. This marks the beginning of the renaissance of nuclear power. Along with Russia, such G8 members as France, Japan, and Canada are also ready for this. And The United States is also prepared and eager to discuss and promote the topic, more eager than in three recent decades. Italy has expressed its interest. And Germany of Angela Merkel, at least, would not object.

So, in this front Kremlin will provide the strongest human resources led by Mr. "Liberal-Gas" (Alexei Miller), Mr. "Conservative Oil" (Igor Sechin), Mr. "HighTech" (Sergey Kirienko), and Mr. "United Switchboard of Russia" (Anatoly Chubais). I would not be surprised, though, if recently appointed Rosatom head Mr.Kirienko will, step by step, play more of a leading role here in the Russia's G8 Presidency context.

NUKES

The second unquestionable indicator of Russian power is its nuclear arms. In quantity of warheads Russia is also a world leader, just as it is in the production and export of oil (where it is solidly in second place, but always has a chance to break into first place). The issues of nuclear nonproliferation and nuclear security, as well as nuclear terrorism, traditionally occupy an influential position at the summit without fail. Mr. Sergey Ivanov, Defense Minister and Vice Premier, will take the lead in this area of summit preparations - or, actually, he has already done so with quite a few ideas "for the summit preparations".

Moscow does not plan to worry about its nuclear heritage either - just as it does not plan to reject it. The rhetoric about the need for "further deep cuts in nuclear weapons" is in the past.

The Kremlin is not going to worry overly about nuclear security, long a ritual of G8 summits, particularly in the Russian context. Current assessments indicate that rumors of large-scale illegal trafficking in nuclear materials were greatly exaggerated (the total quantity of material lost or stolen in the past decade amounts no more than 2% of the amount needed to create a nuclear explosive device, the IAEA authoritatively reports). Analyses also indicate that the main security problems at nuclear sites (particular those under the Russian Ministry of Defense) have been solved, either through the use of Russian budgetary funds or thanks to international assistance, including aid provided through the Global Partnership.

One has to admit that this program is now endangered, in part as a result of the fact that several states - in particular, France and Japan - turned out to be better at promising assistance than in taking concrete steps. But the Kremlin does not intend to go into hysterics over the failure to receive significant amounts of the sums that were promised. Furthermore, they believe that Russia's G8 partners should be as interested as Russia itself is in providing for its nuclear security, as well as fulfilling the two key Global Partnership tasks of destroying chemical weapons and dismantling nuclear-powered submarines.

The Kremlin has taken a consistent course in making provisions in this area itself. As one high-ranking official noted, "it is no longer 1996; the treasury is full; and how really large should be the sums needed for nuclear security programs? - tens, hundreds of millions [of dollars], well, in any case, less than one billion; at the very least we can manage to provide such sums ourselves."

In other words, no one will argue about the importance of the Global Partnership and no one will look a gift horse in the mouth, but under one condition: if the horse is not a Trojan horse. That is, a "Trojan horse" in the view of the Kremlin, namely, that the provision of assistance is accompanied by various conditions, not related to taxation or liability, but of a political character.

Here the most important concept is "reciprocity" - transparency in exchange for transparency. Those in the Kremlin are convinced that the era of playing a game on just one half of the field is over, and in any event they are basing their actions on this premise. "If the Americans want to visit Russian nuclear storage sites, Russians should visit US facilities as well. If Russia does not have any nuclear weapons outside its national territory, America should do the same, before even raising a question about tactical nuclear weapons," one could hear in the Kremlin corridors.

Moscow will willingly address nuclear themes at the G8 summit, but will unlikely take any initiative in this area - thus the absence of this topic in the list of priorities that have been announced.

As for the topic of "traditional" nonproliferation, here the summit agenda could still change repeatedly, depending on the dynamics of the situation in particular regions. But this is how Russia would prioritize its chief concerns today:

- No.1 Pakistan - a weak state with nuclear weapons and delivery systems and a shaky, if not yet failing, regime, surrounded by violent non-state actors. We know too little about its nuclear arsenal to feel safe about its security. In addition, the refusal by Pakistan's leaders to provide IAEA representatives with access to Dr. A.Q. Khan raises questions regarding: (1) whether the entire history of his "network" has indeed been related and (2) whether Pakistan (and several other countries) has learned from these mistakes.
- No.2 North Korea - Russia is greatly concerned over the status of its nuclear-weapon and missile programs. Thus progress in the six-party talks is seen as having great importance. Russia only has limited influence over Pyongyang, but this is partially compensated for by China's influence. Moscow believes that the progress that has been achieved at the talks can and should be consolidated, not in a bilateral US-North Korean format, but again in a multilateral format, gradually bringing North Korea back into the IAEA and the NPT.
- No.3 Iran - We have to recognize a dichotomy, many would tell you in Moscow today. On the one hand, Iran is a proud nation which wants to sit in the 21st century at the same row with technologically developed nations; it will develop its nuclear energy, outer space, and biotechnology programs, almost at any cost, to achieve this goal. On the other hand, Iran is a *serial cheater* - we in Russia have heard so many big and small lies from our Iranian partners about its nuclear program in recent years! Does this history of lies necessarily mean that Iran has made the political decision to produce nuclear weapons? - Not necessarily. Currently, an assessment could well indicate that Iran politically is *further* from such a decision than twenty years ago when it was fighting a war with Iraq and when we -both the U.S. and Russia - were supporting its enemy, Saddam Hussein, and Iran concluded that it needed a strong deterrent.

Russia still views Iran as "the key strategic partner" in the region in the years and decades to come. Russia still believes - as Foreign Minister Sergey Lavrov clearly indicated again earlier this month - that neither use of force nor use of sanctions against Iran would be productive. In practical terms, this means that Russia will be very supportive of the diplomatic efforts by the EU3 vis-a-vis Iran and its nuclear program. Russia's current official position coincides with that of the EU3, including that Iran should voluntarily and indefinitely stop its uranium conversion. The same applies, of course, to uranium enrichment. Russia is providing our EU3 partners with valuable data on her concerns about Iran. Russia's own initiative is controversial and was not immediately supported by Tehran. The worst scenario for Russia would become a hostage of Iran-US increasing tensions.

- No.4. Non-state actors seeking weapons of mass destruction. As deputy secretary of Russia's National Security Council Amb. Nikolay Spassky said recently, "It is not whether, but when." With such a deeply pessimistic assessment, Russia is putting high on the agenda its cooperation with other G8 nations on suppressing the financing of the most aggressive, ambitious and imaginative terrorist organizations; legal measures like universal adherence to the Convention on Suppression of Acts of Nuclear Terrorism; and practical simulations of the consequences of a WMD terrorism act, to reduce its damaging effects.

EDUCATION

The combination of the oil business and the nuclear issue has already made the Kremlin a confident G8 host that can hold its head high. However, something is still missing. Like many Russians (see Fig. 3), officials in the Kremlin believe that the greatness of a nation is also determined by the educational level of its citizens.

It is enough to look at the UN Human Development Index to see that Russia is hopelessly back in 62th place, in the company of countries such as Malaysia and Romania (as compared to Canada's No. 5, the United States' No. 10, and Japan's No. 11), primarily due to its low life expectancy, as well as the modest incomes of its citizens, is a head above its neighbors in the list—and even ahead of Japan—when it comes to the educational index (see Fig. 2).

Russia is not simply a great power in the area of nuclear power and petroleum, but a power with a traditionally high intellectual potential and a high-quality educational system that thinks about the future of the world through the prism of education. Add to this Russia's cultural history, and that of St. Petersburg in particular, and another summit priority, emphasizing Russia's image, is clear. And this is the area where Mr. Dmitry Medvedev can take the lead, promoting his national projects internationally.

But the "educational priority" is not so simple. If in other areas the agenda can be reliably predicted, here there is still room for new initiatives. Russia's "educational strength" (like its nuclear strength) was inherited from Soviet times. Russia is holding on with persistence, but the bar is constantly being raised; new competitors are reaching or overcoming it, particularly in the sphere of "education as a good on the world market." Russian "brains" are still highly valued abroad. But in Russia itself people are less eagerly seeking an education, and here Russia can no longer contend with the emerging new leaders: Australia, Ireland, New Zealand, and Canada.

However, the topic of education will not just be one of the St. Petersburg summit priorities in order to "create a new image of Russia." Of course, the issue is a deeper one. The Kremlin believes (perhaps intuitively, but more likely consciously) that education and knowledge will be the leitmotif of the new century. Russia can comfortably enter the new century – and into its elite club – with big oil; it has nuclear bombs in its back pocket, since they were not taken away from it in the past decade and now certainly cannot be taken away; but these things are not enough for party membership—"brains" are needed too, both in order to competently make use of bombs and big oil and in order to not be thrown out of the club into the company of those countries where the "era of knowledge" has yet to begin. This is particularly true as the rift between these two strata is colossal and rapidly increasing.

While it understands this, the Kremlin nevertheless has yet to take a bold step to put today's Russia on the path towards the "era of education and knowledge."

THE THREE, THE EIGHT...

Moscow has undergone an interesting evolution in its thinking about its priorities - and its priorities for the 2006 summit.

First, from a focus on the issue of hard security - classic, familiar, where the texts of concluding statements can be written well ahead of time - attention has noticeably shifted towards soft security - and the appearance of the term "education" is the best example of this. Moreover, Moscow has shown an "earnest and sustained" interest in such possible topics for the summit and related events as:

- new infectious diseases and the prevention of the pandemics - and in this context the issues related to biosecurity cooperation could be considered;
- demography (not to be confused with another "demo..." which the Kremlin views more coldly) and the role of migration - here the Kremlin's understanding of this problem made a sudden, dramatic turn from seeing migration as a threat to seeing it as an opportunity for development; as well as
- global climate change, an issue of intensified interest thanks to the effects of Katrina - although Moscow, when looking at the long-term prospects for climate change in Russia is more likely to see this as an opportunity, though so far a very vague one.

Second, Moscow is gradually moving from the euphoria that accompanied its acceptance into the G8 as an equal, to a calmer, more measured view of this international instrument. At the same time, Moscow is studying the possibility of forming other "elite clubs" where it might feel itself to be among equals. Primakov's idea of a Moscow- New Delhi -Beijing axis got off to a good start with the meeting of the ministers of foreign affairs from the three countries in Vladivostok; Moscow is looking ever more seriously at the options for working out a strategy for this "troika" expanding it to a "Rising EurAsia" club, in which not only such giants as India and China, but also others, like ROK and Iran, are welcome. Shanghai Cooperation Organization (SCO) is viewed as a potentially key mechanism to build new security architecture, and stability in Central Asia is believed to be key to the process.

Third, the Kremlin realizes that the St. Petersburg summit will not be completely harmonious - the interests of the group differ too much on many key issues. It's enough to consider nonproliferation, where behind the ritual phrases about a unanimous position vis-a-vis Iran hide very different interests towards this state in the future. Or take education: the European Union is moving to absorb "brains" from other states, including Russia. This directly contradicts Russian interests. While a possible future Russian policy to attract top-flight Russian specialists that were educated and/or lived and worked in the West will hardly please Germany, the United States, or Canada.

In the area of energy this is even more true. Today Russia sometimes even flaunts in front of its G8 partners the fact that to get Russian oil and gas one must line up not in the west, but in the east and south - that is, after China and, perhaps, India. I have noted that tensions are increasing on the eve of a serious battle for "nuclear exports" between Russia, France, and the United States... I see that certain high officials have a hard time stopping themselves from saying that in their opinion dragging out the "troubles" in Iraq is much more advantageous to Russia than "pacification" there. And they do not keep quiet when the topic turns to "prices." As one high-ranking politician once noted, "why should we think of a 'national catastrophe' in American terms or the terms of the other G8 states? For us a national catastrophe is when the price of oil falls below \$15 per barrel." Needless to say, for

most of Vladimir Putin's guests in St. Petersburg in summer 2006 this turn of events would mean a national holiday (see figure 1).

But this difference between Russia's interests and those of its G8 partners does not frighten Russian strategists at all, like it would have several years ago. Instead, it is dispassionately subjected to examination. Furthermore, it appears that it is even being cultivated.

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ABOUT THE NEWSLETTER

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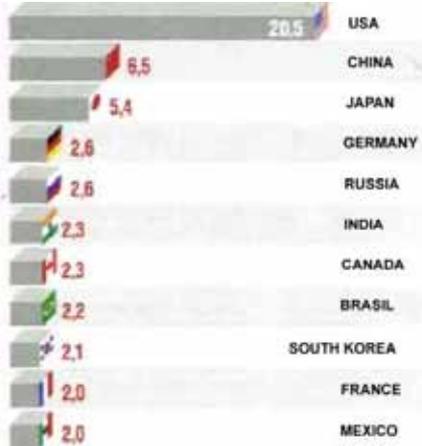
Fig. 1

Major Oil Importing Countries
(mln barrels per day)*



* This list includes countries whose net oil imports were not less than 1 mln barrels per day in 2004. Source: US Department of Energy

Major Oil Consuming Countries
(mln barrels per day)**



** This list includes countries whose oil consumption was not less than 2 mln barrels per day in 2004. Source: US Department of Energy

Major Oil Exporting Countries
(mln barrels per day)*



*This list includes those countries whose net oil exports were more than 1 mln barrels per day in 2004. Names of OPEC Member Countries are given in bold. Source: US Department of Energy.

Major Oil Producing Countries
(mln barrels per day)**



** This list includes those countries whose oil production was more than 2 mln barrels per day in 2004. The summarized data includes measurement of crude oil, gas condensate and other hydrocarbon liquids. Names of OPEC Member Countries are given in bold. Source: US Department of Energy.

Fig. 2. Human Development Index

HDI rank ^a	Human development index (HDI) value	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and above)	Combined gross enrolment ratio for primary, secondary and tertiary schools (%)	GDP per capita (PPP US\$)	Life expectancy index	Education index	GDP index	GDP per capita (PPP US\$) rank minus HDI rank ^d	
	2003	2003	2003 ^b	2002/03 ^c	2003					
HIGH HUMAN DEVELOPMENT										
1	Norway	0.963	79.4	.. ^a	101 ^f	37,670	0.91	0.99	0.99	2
2	Iceland	0.956	80.7	.. ^a	96	31,243	0.93	0.98	0.96	4
3	Australia	0.955	80.3	.. ^a	116 ^f	29,632	0.92	0.99	0.95	7
4	Luxembourg	0.949	78.5	.. ^a	88 ^g	62,298 ^h	0.89	0.95	1.00	-3
5	Canada	0.949	80.0	.. ^a	94 ^{i,j}	30,677	0.92	0.97	0.96	2
6	Sweden	0.949	80.2	.. ^a	114 ^f	26,750	0.92	0.99	0.93	14
7	Switzerland	0.947	80.5	.. ^a	90	30,552	0.93	0.96	0.96	1
8	Ireland	0.946	77.7	.. ^a	93	37,738	0.88	0.97	0.99	-6
9	Belgium	0.945	78.9	.. ^a	114 ^f	28,335	0.90	0.99	0.94	3
10	United States	0.944	77.4	.. ^a	93	37,562	0.87	0.97	0.99	-6
(...)										
MEDIUM HUMAN DEVELOPMENT										
58	Libyan Arab Jamahiriya	0.799	73.6	81.7 ^k	96 ⁱ	.. ^{j,t}	0.81	0.86	0.72	9
59	Macedonia, TFYR	0.797	73.8	96.1	70	6,794	0.81	0.87	0.70	16
60	Antigua and Barbuda	0.797	73.9 ^{j,m,r}	85.8 ^{l,u}	69 ^{j,m,r}	10,294	0.82	0.80	0.77	-7
61	Malaysia	0.796	73.2	88.7	71	9,512	0.80	0.83	0.76	-3
62	Russian Federation	0.795	65.3	99.4	90	9,230	0.67	0.96	0.76	-3
63	Brazil	0.792	70.5	88.4	91	7,790	0.76	0.89	0.73	1
64	Romania	0.792	71.3	97.3	72	7,277	0.77	0.89	0.72	4
65	Mauritius	0.791	72.2	84.3	71 ⁱ	11,287	0.79	0.80	0.79	-16
66	Grenada	0.787	65.3 ^u	96.0 ^{l,u}	96	7,959	0.67	0.96	0.73	-3
67	Belarus	0.786	68.1	99.6 ^{s,n}	88	6,052	0.72	0.95	0.68	17
68	Bosnia and Herzegovina	0.786	74.2	94.6	67 ^v	5,967	0.82	0.86	0.68	17

Sources: Human Development Report 2005.

Fig. 3

