

EXECUTIVE SUMMARY

Presidents George Bush and Vladimir Putin will hold a summit at the end of September that will focus on economic and other ties between the United States and Russia. The two presidents have long recognized the central position of energy in our bilateral relations, and in that sphere, nothing is as critical as oil. Today Russia may again be the largest oil exporter in the world, but very little yet comes to the United States. Russia's oil industry is dominated by rich and aggressive young private companies. Generally, they are eager to deal with foreigners, but despite significant state reforms they often are still inhibited by a dilapidated, state-controlled delivery system and a residue of traditional thinking and institutions. Many of Russia's as-yet-unresolved post-Soviet problems exploded in mid-2003 when the prosecutor general's office attacked Yukos, the country's most modernized, productive and pro-American private oil company. Thus even as Washington and American oil industry leaders actively sought alternatives to unstable sources in the Middle East, Africa and Latin America, basic questions re-emerged in Russia about the privatizations of the 1990s, the security of private property, the mixing of law and politics, and the exercise of power in the Kremlin. Today Russians, with the support of American and European allies, must create conditions that will welcome the foreign funds, technology, and expertise needed to develop the critical oil industry but also to lay foundations of law and infrastructure that will help make Russia a stable member of the world community. Americans must decide how much involvement Russia can constructively absorb to promote not only short-term oil supplies but also long-term Russian development and broader U.S. foreign policy goals. Finally, the critical long-term lesson of 9/11 and other recent experiences for Americans is that even as we cultivate Russia as an ally and major source of oil, we must actively develop alternative sources of energy. In an unstable world, the United States must not forever be held hostage by other nations with their often very different cultures, institutions and interests.