



U.S.-Russian Relations under Bush and Putin

Interviewee: Maxim Medvedkov

Deputy Minister for Economic Development and Trade of the Russian Federation, 2000-2004
Director of the Department for Trade Negotiations, Russian Ministry of Economic
Development, 2004-2019

Interviewers:

Ivan Grek
The Bridge Research Network

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[Begin Transcription]

GREK: Tell us what you did in the administration. What was your position in 2001?

MEDVEDKOV: I worked in the government, in the Ministry of Economic Development. I was the deputy minister. The minister at that time was German Gref. And my area of responsibility was Russia's trade policy, foreign economic relations, regulation, legislative reforms that are related to foreign economic policy, and, of course, actually, why I was hired—my priority was Russia's accession to the WTO. And this is what I have been doing, probably most of the time, over the years, and especially in the early 2000s.

GREK: How did you see the transition of the international economy, in particular, in relations between Russia and the United States, from the Yeltsin era to the Putin era? And what were the approaches, in principle, in trade and cooperation with the United States then?

MEDVEDKOV: I think that, at that time, our trade policy—it did not have completely clear geographical priorities. What remained and continued by inertia [00:02:00] after the collapse of the USSR was a priority in the sense that there was a system of free trade agreements with the former republics of the USSR, except for the Baltic States, which had already joined, or wanted to join, the European Community. These agreements were supposed to support some level of industrial cooperation that remained after the collapse of the country's economy, but otherwise the trade



policy was not based on geographic priorities but rather it solved problems associated with the internal economic development of the country.

And one of the most important problems at that time was, on the one hand, to ensure the economic security of the development of the economy—I mean access to necessary goods and services, since the economy was obviously deficient in many areas. And, on the other hand, to try to create some kind of long-term basis for future development, where our natural partner among the Western countries was more likely at that time the European Community. In general, by 2000, we had created a fairly serious legal framework, we had signed an agreement on partnership and cooperation, and the EU accounted for more than 50 percent of the then-trade turnover of the country, so the EU was a priority.

As for the United States, there was [00:04:00] a dialogue with the United States, it was developing. I remember that, if we look at the statistics, trade was developing, investments were developing, but at the time, in the early 2000s, we probably did not have any long-term plans precisely because—or among other things because—the United States was not among the priority trading partners. Well, in general, then geographic priorities were of little importance.

GREK: From that question, a small clarification in this context. The arms trade—was it included in major plans, or was it separate from your department? How did it go technically?



MEDVEDKOV: No, the arms trade is always a completely separate article—it is a separate department, a separate campaign, and we had nothing to do with it at all.

GREK: There were many factors that strongly influenced politics and relations. Let's go through them and ask if they influenced trade in any way. And, in particular, one of the first important events of this kind was September 11—one of the key moments. Of course, at first there was Slovenia, where everyone looked into each other's eyes. But at such a key moment, when decisions began, something began to turn around—some new sides began to be outlined. [00:06:00] Do you remember September 11, for yourself personally—where were you, what was it for you as a person? What was the reaction among your colleagues to the attack? And did it influence your development of plans in politics, as, for example, many of your colleagues from other departments?

MEDVEDKOV: Of course I remember that. I remember it happened as follows. I went out of the office into a hall like this, which was near the office, saw a TV—a live broadcast of CNN right on the Twin Towers, and the completely petrified faces of my assistants. I asked, "What's going on?" They say, "We cannot understand, is this some kind of movie or is it for real?" And, at that moment, one tower was already destroyed, then the destruction of the second tower is shown live. This, of course—all the subsequent events caused a shock.

And this shock was probably based on two things. The first is that we were faced with a global problem, and the second is that this problem has no solution



within national borders. Until then, we remember how Russia was constantly faced with waves of terrorist attacks within the regions for quite a long time, but the West was not affected by this. And when this happened, unfortunately, there was [00:08:00] a feeling that we are finally in the same boat, despite the fact that this boat is so—in general, it floats on the waves of a very great tragedy, it can help us concentrate our forces, unite these forces for, in order to—starting with the joint fight against terrorism, and then solving other problems that are global in nature. These were the feelings in the first months after this tragedy.

GREK: After September 11, history often goes first to Afghanistan, then to Iraq sequentially; Russia, together with Germany and France, first supported the entry into Afghanistan, where there was some kind of consensus, and opposed the American invasion of Iraq. And the American invasion of Iraq gave oil a new political meaning, additionally. Can you describe what the economic consequences of the Iraq War were for Russia, whether there were any? Was it actually influential? And, in particular, concerning the topic of oil more broadly by 2005, when it has already become an appreciable resource?

MEDVEDKOV: Yes, exactly the topic of oil—it was in the center of our attention among our analysts, economists, who looked at the development of events. I remember that the majority was inclined to believe that if these hostilities were not of a prolonged nature, then for us it would pass more or less unnoticed [00:10:00] from an economic point of view. It did. That is, we have not registered any major changes, long-term



changes, even medium-term changes in the market environment. There were obviously short-term changes.

The influence here, most likely, was still on a slightly different, psychological plane because, you know, all international trade from time immemorial—it is actually built not just on the rules, but on trust, and this is the trust of people who are involved in trade—it matters much more than trust among politicians. Well, this is my impression. We see many examples of this, for example, in recent decades, when political courses diverged greatly, up to all sorts of tough statements and actions. And trade developed and as a result became some kind of connecting link for politicians too. And trade issues were resolved mainly on the basis of trust between countries, between specific people.

It was then that many people who are far from politics had a question: “What actually happened? Are the reasons that were voiced as grounds for the invasion of Iraq really true or not? Is this not deceit?” That’s putting it mildly, they used other words, but I’ll say, “Is this not deceit?” And then it was confirmed that yes, this is deceit, which means that even at a very high, serious level, where traders, in general, rarely reach, such questions are possible. Issues of war and peace, [00:12:00] they can be resolved unilaterally—well, just on, let’s say, on the basis of assumption, not facts—and for us it was a certain lesson, and this means that in trade it can be the same, so it is necessary, as they say, to pay double, triple attention and approach different aspects of trade interaction, let’s say, more and more carefully. I remember



this lesson; we discussed it internally with colleagues. It stayed with us as a result of these events.

GREK: Was it the first such [warning] bell for you, or was it some kind of range [of bells]?

MEDVEDKOV: No, it was the first big bell. Small bells are constantly ringing, you know—they are not always paid attention because these small bells—they were associated with the personalities of specific people and not with the policy of the state. In Iraq, this was clearly not a question of an individual, but of a higher-level policy, so there it is.

GREK: How did the negotiations on Russia's accession to the WTO proceed? What delayed the accession, in your opinion? Did you have a feeling that the Bush administration was trying to help Russia join the WTO and to assist in every possible way, as, in fact, our American colleagues suggested in our previous interviews?

MEDVEDKOV: Well, I have a bit of a peculiar opinion, maybe, but these years [00:14:00] were remembered as follows. First, the American colleagues with whom you, in fact, spoke—and not only them, but also different people in the administrations—they constantly spoke publicly about how pleased they were to support early accession to the WTO. But when we came to them for negotiations and asked, "Where is it?" we were told, "Well, for this we need to do a lot." And "a lot to do" turned into dozens of pages—I am not exaggerating—dozens of pages listing the laws that we need to change, into hundreds of questions about how we implement this or that domestic and foreign economic policy, how customs operates, what makes a customs officer



who stands at a checkpoint in a city—exactly how many hours he spends there, inspects or does not inspect goods, etc.

And this spindle was growing all the time. And at first for us it was such a very big question: And what is the support? “We are glad to see Russia in the WTO,” but if we are asked such questions: “Are you really glad? Or what, for example?” But over time, this feeling—it changed, and changed in a completely different direction. We began to understand that any accession to this level of agreement requires proof that you are serious in your intentions, that you will join and [00:16:00] will be able to fulfill your obligations, that you will have the necessary laws for this.

And in fact, right now, we understand that the demands of both the US and the EU regarding legislative reform were largely justified. And we are doing exactly the same thing now with respect to those countries that join the WTO, knowing full well that it is one thing to sign the accession protocol, and another thing to fulfill our obligations.

But for this evolution to take place—first, it took a long time, and second, it is quite obvious that our American colleagues’ position had many, well, as they themselves say: “politically driven.” There were no rational requirements, rational justifications. For example, the issue that concerned access to resources—you understand, resources in Russia historically and within the current Constitution’s framework are resources that belong to the people, are controlled by the state—we can provide access, but we cannot give international rights and guarantees. Not a



single country of sound mind and good memory does this, but nevertheless this requirement existed for a long period of time, but then it was withdrawn.

We had attempts by our colleagues to offer Russia to assume the same obligations as China took with respect to a country with a non-market economy. We said, "No, we do not need the WTO, where we will [00:18:00] have a special status." For us it was absolutely impossible, both economically and politically. As a result, our American colleagues agreed with this—we did not have the same obligations as China had.

But I'll get ahead of myself—this is not history, this is today. Today, the United States is again investigating whether to return Russia back to the status of a country with a non-market economy along with five other countries that have never received this market status. I will not comment on this, not for today's conversation, but this is how the history is developing. However, comparing Russia today and in 2002, when we received this status—well, we see all the disadvantages, but radical changes for the worse certainly did not happen. Rather, there were horizontal and radical changes—not everywhere radical, but still for the better, from the point of view of the market, from the point of view of the competitive environment and other things.

And let's say a few words practically about the other side—not the negotiations. The non-negotiating side absolutely strictly followed the schedule of political events. That is, as soon as something happened at the political level, our



negotiations—you know how a car's engine stalls when it runs out of gasoline, then by inertia it drifts for a little longer and then stops. We had this [00:20:00] several times—starting from such important periods—an important stoppage, a long stoppage associated with the well-known conflict with Georgia, when negotiations were suspended for almost a year; then we had a long break due to the fact that in 2006 our leaders of Russia, Kazakhstan and Belarus announced the creation of a customs union, and negotiations were suspended for a long time.

And in general, all this accession, if we are already looking in retrospect, we joined the WTO absolutely by a miracle, because at that time, in those months, we had a fairly cloudless sky, as much as it can be cloudless in international politics—here in these months everything was relatively calm. As soon as we joined something started again. So if we had not had time for some reason, even technical, I think we would still have been conducting these negotiations: either we would have, or we would have abandoned this idea, most likely.

GREK: That is, it turns out that you “hit the window.”

MEDVEDKOV: We “hit the window,” that’s how the cards turned out—yes, in general, it’s good that it happened, as they say.

GREK: You drew attention to some of the key political events that are associated with the color revolutions in the post-Soviet space. [00:22:00] In many ways, at least in many other areas, in almost all, they have been of tremendous importance in changing policy, behavior, and so on. Did they influence your activities? You have already



drawn attention to the negotiation process, can you tell us a little more about how the color revolutions were perceived in your field, in Ukraine or in Kyrgyzstan?

MEDVEDKOV: Well, here, where there was an obvious influence—this is Georgia, Ukraine. Georgia—since it was after the acute phase of the conflict was over and all subsequent actions related to the severance of economic relations were taken—Georgia announced that it intended to block negotiations on Russia's accession to the WTO. This blockade lasted until the last moment, and here it is necessary, for the sake of justice, of course, to note that it was transformed into some kind of agreement between Russia and Georgia on the settlement of some mutual problems in the field of customs regulation, largely thanks to severe pressure from the European Union and the United States. That is, if this pressure did not exist, then Georgia also had the right to veto our accession to the WTO—everything happens by consensus and it is unlikely that the Georgian negotiators would have retreated from the political directive that they obviously had. [00:24:00] But what happened, happened—an acceptable form of a trade solution was found, and therefore Georgia did not oppose accession. The process of accession to the WTO was completed.

As for Ukraine, the Ukrainian events took place after Russia's accession to the WTO, but, of course, they influenced mutual trade, because what, in fact, was the catalyst for this influence? The catalyst for this influence was Ukraine's intention to join—to sign with the EU, to start implementing a free trade



agreement with the EU, practically an association agreement in the old sense of the word. And the main question we had—how will Ukraine fulfill its obligations under the free trade agreement with Russia in the CIS and under the agreement with the EU? In many ways, these obligations are mutually exclusive.

And we had a lot of consultations before the well-known events—after these events, already under the auspices of the European Union, we did not find a common language. We could not find a common platform for resolving these disagreements, because in commercial law you cannot sometimes marry things that are simply multi-vector. This does not happen if you grant a certain trading regime to one and make a commitment that you will not present to the other, and also make the same commitment to yet another—you have to choose. [00:26:00] And the Ukrainian colleagues at first told us, “Don't be afraid, when everything happens, we will choose you.” We knew that they were saying the same to our colleagues from Brussels, “Don't worry, we are there, Russia and the rest are somewhere else,” And when there was a moment of truth, then we made decisions that—well, you know, there are sanctions exchanged and restrictions on the application of agreements. They, of course, influenced trade.

But this, too, was not a radical influence, since trade circulation even now with Ukraine remains at a fairly high level, and with Georgia it is even growing and grew in certain years. And the influence of, let's say, politics on the economy—it certainly existed, but it was in the trade sphere, it was not dramatic. But in another



sphere, certain services—for example, transport, in the sphere of investments, protection of the rights of investors, of course, especially in Ukraine—these influences, these consequences are still felt and will still be felt for a long time.

GREK: Agriculture was probably one of the most important trade relations between Russia and the United States at that time, specifically pork and chicken. Could you tell us a little about [00:28:00] the famous "Bush legs" and what happened to them there? And basically give a little overview of cooperation and trade in the field of agriculture?

MEDVEDKOV: Well, then I will start with the "Bush legs," because, in fact, the whole story began with this. The "Bush legs" originally came to Russia—what are the "Bush legs"? These are frozen chicken quarters, which first came to Russia in the form of humanitarian aid. At that time, as a father of two children, I discovered I was entitled to two kilograms of these "legs" and a kilogram of sugar a month. They were very popular, since there was nothing much else to eat in the city of Moscow. Those were the times. And when the programs were already stopped, or they were reduced, the market share of American poultry was in the form of "legs." Why did this happen? Because the technology was chosen strategically in such a way that poultry is the most precious meat for people who believe that they lead a healthy lifestyle—this is a breast, and no one eats "legs," therefore, "legs" are cheap for those who prefer diet food. And for us, who prefer a lot of tasty, fatty meat, these "legs" suit us very much. [00:30:00]



But they are very cheap. And, when at the end of the nineties, the question arose that we would need to somehow develop our poultry farming, because, well, to put it another way, how can we feed a country with 140 million consumers? It turned out that the share of domestic poultry production for consumption by this time was no more than 40%, and the rest was imported. Yes, it was impossible. And when we talked with poultry farmers and those investors who were ready to invest in the development of this industry, of course, they were pointing at numbers, at a very simple picture—"We are ready to invest money, we have the opportunity to build new production facilities, but you look at the prices, we will never be able to enter this market with such prices for legs—they simply will not buy anything from us. And we need three years for this production to start working and at least another three to four years in order to get this money back." The investment cycle was then in the region of six to seven years, so trade wars began—we started to impose restrictions within the framework of our laws on the import of poultry, not only from the USA, but the USA was the main supplier of poultry, so it suffered more in this regard.

And in the end, this whole story, it developed into negotiations on the WTO, where the Americans said, "Okay, if you want to get into the WTO, then you must give us conditions that will be acceptable for our farmers." Although in the US farmers do not produce poultry, poultry in the U.S. [00:32:00] is produced by huge industrial complexes—well, it is very difficult to call them farmers, this is



not domestic chicken. And this, indeed, was one of the most difficult negotiations on market access. Why did we agree? Because I think that our American colleagues—they understand the prospects very well, and they knew perfectly well that no pressure to join the WTO would force any country to abandon significant plans for its development. That is, the choice was also exactly this—either we agree to the USA’s proposal, which means that we leave a significant share of the market to the USA, or we find another formula.

We found this formula with the help of other countries, with the help of Brazil, in particular. We used the contradictions between the United States and Brazil in the field of agriculture. Since the United States subsidizes its agriculture significantly, Brazil is struggling with these subsidies and would also like to put chicken on our market.

In general, the negotiations allowed us to agree on such conditions, which, as a result, led to the fact that the Russian poultry industry now covers 100% of consumption. And in this regard, the WTO rather helped us. And why did it help? Because we realized that there are two paths in agriculture: one is the path taken by the US and the EU—heavy subsidies [00:34:00], the “heaviest subsidization,” as they say, of the national producer. And the second is development—targeted support of the best.

Russia began to develop agriculture in the early 2000s. The effect that we are now seeing is thanks to the WTO. And the experience of the countries that we



studied helped us solve this problem. But I know that American suppliers did not lose out. They found other markets quickly, and they were probably even more attractive than the Russian ones, so this probably explains the fact that the American negotiators did not fight for this chicken to the end.

With pork, about it was roughly the same story, but the nuance was that Russia applied certain measures to pork, sanitary measures that were absolutely not satisfied by American colleagues. And negotiations on to what extent to freeze a pig carcass in order to get rid of trichinella—they reached the highest level, these were fantastic negotiations, when major political leaders, Russian and American, discussed the topic of combating pig trichinosis. As a result, as they say, a compromise was found, and these negotiations also ended with conditions that allowed the United States to continue to control exports in certain volumes and to develop Russian industry, and also to be somewhere, very close [00:36:00] in covering their needs for pork.

GREK: Despite all the changes, some swings and so on, statistics show that the trade turnover with the States was growing steadily. Here it grew until 2008, then everything collapsed, of course, then it grew steadily again right up to 2014—let's put this graph in our head. And could you comment on the first one? In parallel with this, many institutions collapsed, especially political ones—that is, roughly speaking, politics is all going down, but the economy is still going up—well, again, except for 2008. Could you comment on this? Did you really just exist in the



separate space of your trade and were you not touched by all these crumbling moments in relations that happened gradually before the Munich speech and so on? That is, how was it possible, so to speak, within the framework of your work? And the moment of 2008, when we come to this collapse, what changed after the crisis in relations with the States?

MEDVEDKOV: Well, answering the first part of your question, it was exactly as you suppose—political events did not affect either trade or investment. Why? Because these political statements were not converted into specific measures or into specific restrictions, which means that those companies that wanted to work in the market [00:38:00] looked to the best markets, to the best offers, and continued and developed their business as long as Russian companies did not start running out of money after the 2008 crisis; well, the companies didn't run out, but in the economy. This, of course, affected cooperation temporarily, but then everything again, as you rightly noted, came back, and where was the border—or where is it now, say, of the unhindered development of trade and problems? It was probably drawn in connection with sanctions that have simply created a climate of uncertainty.

And no one was—on both sides, companies that are not affected by sanctions, which generally trade in goods that have nothing to do with them, nevertheless, they began to prefer those markets that are more stable in terms of trade—refunds, bank activities, and other things. That is, they moved from the



center geographically. But where there are no such impressions, it is now continuing. And we still know that many American markets are important for our exporters, and Russian ones are important for American ones, but there are probably just fewer of these.

GREK: Many colleagues who worked with the administration then emphasize that in relations between Russia and America during the Bush-Putin era there was a basis [00:40:00] on which it was impossible to agree—political, ideological, and so on. And there were practical moments where the presidents showed themselves to be reasonably effectively helped, and so on—in particular, it could have been the economy—unfortunately, no one provided specifics. From your experience, can you give some examples where the cooperation of two top officials or administrations—cooperation at the highest level, so to speak—helped, resolved issues, showed the ability to negotiate?

MEDVEDKOV: Yes, I think so. I will give a few examples. First, the leaders at a certain period of time gave a command to the administrations to see what we could do to develop our mutual trade in the future. Realizing that in the WTO all issues are not resolved, what we need to do—create, try to create a more stable legal environment. We began consultations with the United States on the question of possibly concluding an agreement on the protection of incentives [inaudible]. The United States is one of the very few large countries with which there is no agreement with Russia, and investors said—American investors, first of all—said



that such an agreement could help them. But these negotiations were not completed. They even, let's say—we held a consultation. The matter did not come to negotiations, because [00:42:00] even during the consultations we did not manage to find common ground on the basis of which an agreement could be built.

Then, when we asked to join a higher political level, it was already too late—the political level was no longer ready to discuss such things. We had various other ideas in the legal sphere, but none of them were implemented as a result. Due to the fact that our relations are political, they went in a different direction.

From the point of view of specific things, I remember very well that in the early 2000s, top officials were quite active in promoting contacts between businesses—whole teams from the Russian Union of Industrialists and Entrepreneurs came to the States and vice versa. And such events, of course, yielded tangible results from the point of view of specific projects, in the field of trade, in the field of investment.

But there are certainly such examples.

GREK: Russia's economy was growing—the result of your labors was visible, and at the same time foreign policy was changing. Can you talk a bit about how the economic successes, the economic recovery, increased trade, were affected? Or was there a spark, for example, with the [00:44:00] Foreign Ministry, relatively speaking. That



is, if we look at foreign policy as a big process, what role did the economy and the development of foreign trade play in it?

MEDVEDKOV: Here is the situation—not even the situation, but the development of our foreign trade and economy. I'm not sure that there was a direct connection between this development and foreign policy. Indirectly, it is always there, but it is, precisely, not direct because, again, for companies that—Russian companies that were acquired every month—well, maybe not a month, but a year for sure—there is an increasing taste for global operations. And successful Russian companies—you know this very well—are companies that operate on global markets, not in specific countries, and that are investing in this development. These successful companies, they developed their commerce, not really looking back at what is happening on the political front, especially since everything was more or less calm on the political front until a certain time. So I don't think that—that is, I have not seen signals, strong ones at least, tangible signals, which would [00:46:00] suggest otherwise.

And the Foreign Ministry—as you well know, the Russian Foreign Ministry did not make recommendations on with whom to work with whom not to work, as it does in relation to citizens, like, “You do not need to go to this country, because there are some problems with your, perhaps, security, with the spread of COVID,” maybe with something else. In economics, I have never heard of such advice, I did not know about it, and therefore, I think, it simply did not exist.

GREK: Thank you very much.

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