

The Nightly Business Report
Russia Re-Emerging
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The recent death of former Russian president Boris Yeltsin causes me to recall my dealings with him when I was Commerce Secretary. He was a powerful and charismatic man. He led his country's transformation to both democracy and capitalism, and we were optimistic about Russia's future.

For much of Yeltsin's presidency, Russia struggled to gain its footing, reform its economy, and function as a democracy. Change was not easy.

His successor, Vladimir Putin, has brought stability. GDP growth is 7%, thanks largely to oil exports. Foreign exchange reserves are large, inflation is in single digits, and capital is flowing into the country.

Russia longs to be recognized again as a superpower and Putin has become increasingly assertive on the international stage. Russia belongs to the G-8 and is on track to join the WTO. However, Putin continues to centralize power. The ownership of natural resources is now mostly under state control, and Putin can and does use that control on occasion to push a global agenda. No matter who succeeds him as president in 2008, I think Russia's new aspirations will persist.

This makes the US-Russia relationship a bit unpredictable and prickly. For investors, being wary is being wise. For our government, the same holds true, and it's time now to rethink how to manage this important relationship.

I'm Barbara Hackman Franklin.