



**U.S.-Russia Relations:
Eurasian and East Asian Contexts**

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The last quarter of 2005 was a relatively quiet time in U.S.-Russia relations. The malevolent rhetoric that marked the bilateral dialogue over the past two years subsided somewhat. Instead, the leaders of the two nations focused some of their energy on shoring up relations with nations across East Asia. Both George Bush and Vladimir Putin visited the region; Putin on two occasions. The two leaders met in South Korea on the sidelines of the APEC summit. Central Asia and the Middle East, however, remain the primary focus of strategic maneuvering for both nations, and top officials from Moscow and Washington continued to visit these regions with regularity. Meanwhile, Russian-Japanese relations have advanced in the economic sphere, but the territorial dispute remains at an impasse, and no progress was made during Putin's visit to Tokyo in November.

The Eurasian context

Russian leaders continue to insist that the greatest threats to Russian security come from Central Asia and other regions south of Russia. Moscow has shored up military relations with Kazakhstan and Uzbekistan, and hopes to continue the development of multilateral institutions in the region. Russian leaders have led the push to expand the dialogue within both the Shanghai Cooperation Organization (SCO) and the Collective Security Treaty Organization (CSTO), which, unlike the SCO, excludes China. Leaders in Moscow continue to see Washington behind every opposition party and independent political force in the former Soviet Union states.

Leaders in Washington, on the other hand, see Russian machinations behind the Iranian nuclear program, and Moscow has ratcheted up the situation by agreeing to sell to Tehran 32 sophisticated *Tor-M1* air defense missile systems, a contract worth \$1 billion. This was announced in the Russian press on the occasion of the visit to Moscow of U.S. Under Secretary of State Nicholas Burns, who had come to Russia to address both the Iranian issue and the controversial Duma legislation that was passed in late December on the status of nongovernment organizations (NGOs – both Russian and foreign) operating in Russia. Washington is concerned that the legislation represents yet another step backward for the development of democracy in Russia. This has been an on-going theme in U.S.-Russia relations for the past decade, but in particular since Vladimir Putin became president. Secretary of State Condoleezza Rice also visited Moscow on her way back from a tour of Central Asia, and expressed her concern and that

of the U.S. government directly to Putin about Russian actions in Iran, and about the impending NGO legislation.

This legislation, which was eventually passed by the Russian Duma Dec. 23, called for all NGOs to register with the proper authorities in Russia. The Russian government is concerned about the foreign funding of NGOs in Russia, and the Kremlin wants to assure oversight of these organizations. The primary fear in Moscow is the funding of Islamic charitable organizations operating in the Caucasus and along the southern border of Russia with Central Asia. This is no doubt a big and justifiable concern for Moscow. But Moscow is also concerned about the influence of U.S. organizations that fund NGOs in Russia. In early November the U.S. Congress passed legislation allotting \$4 million to the development of independent political parties in Russia. Moscow wants no repeat of the color revolutions that swept the former Soviet republics in Eastern Europe (Ukraine), the Caucasus (Georgia), and in Central Asia (Kyrgyzstan). Washington feels, however, that democracy and civil society are under siege in Russia. Rep. Chris Smith (NJ), co-chairman of the Helsinki Commission, an agency of the U.S. government, stated that “Unfortunately, this bill reflects the continued wariness of some Kremlin officials, including President Putin, toward the concept of an independent civil society.” Other leaders in the Senate and House have argued that Russia should be denied the upcoming G-8 presidency as host of the summit next year in St. Petersburg. Op-eds in *The New York Times*, *Washington Post*, and the *Wall Street Journal* all urged the same. The Russian government changed the wording of the legislation somewhat (perhaps in a nod to foreign concerns) to allow already-existing NGOs to not re-register, calling only on new NGOs to register.

U.S.-Russian competition in Central Asia has heated up over the past two years, and there is no question that this will continue, in spite of the common goals in the war of terror that have united the two nations since the fall of 2001. Gen. Yuri Baluyevsky, chief of the Russian General Staff, has been quite vocal in his displeasure of U.S. actions in former Soviet states (including the Baltics, the Caucasus, and Central Asia). This has been a recurring theme by military, political, and opinion leaders in Russia over the past two years, so much so that Putin cannot ignore these voices. On the occasion of the visit by Secretary Rice to Romania in early December, both Foreign Minister Sergei Lavrov and Defense Minister Sergei Ivanov were quoted in an article in the Moscow daily *Nezavisimaya Gazeta* as saying that the establishment of U.S. military bases in Romania would “complete the circle” that the U.S. is putting up around Russia.

As mentioned, the Iranian nuclear issue continues to haunt relations between Moscow and Washington. The Bush administration is bound and determined to see that the Iranian nuclear program is stopped before Tehran has time to develop nuclear weapons. The Kremlin, on the other hand, sees great economic potential in Iran. This is indicative of the entire relationship and the two sides’ frequent inability to effectively communicate their respective strategies and interests, and the two sides’ conflicting priorities. This holds true in Europe, Central Asia, and in the Asia Pacific region.

Energy continues to play a significant, yet positive role in the bilateral relationship. Apart from the partnership in the war on terror, this is perhaps the issue that most binds the two sides. Russian energy giant Gazprom wants to become a crucial natural gas supplier to the U.S., and wants U.S. capital to develop offshore Arctic and Siberian gas fields. There is great interest in

the U.S., not only for these fields, but also for the Sakhalin projects, which already have substantial U.S. investment. In October, George Bush met with Russian Minister of Industry and Energy Viktor Khristenko, who brought energy executives from Russia's largest energy firms to the White House. The discussion centered on U.S.-Russia energy cooperation. Khristenko stated that Russian firms, led by some of these energy companies, have invested close to \$1 billion in the U.S.

With energy in mind the U.S. leadership watched closely the presidential elections in Azerbaijan and Kazakhstan, in which the incumbents of both countries won (Ilham Aliev in Azerbaijan and Nursultan Nazarbayev in Kazakhstan). These two nations are the crown jewels of the Caspian energy basin, and Moscow has been particularly assiduous in cultivating a strong relationship with Kazakh leader Nazarbayev. The U.S. has been successful in wooing the Azeri leadership with large investments from U.S. energy firms, and the potential for military cooperation (Azerbaijan also sits just north of Iran).

The East Asian context

At the APEC Summit in Busan, the meeting between Bush and Putin was cordial. The two discussed ways to improve cooperation in political and economic spheres in the Asia Pacific region. They also discussed the continuing impasse on the Korean Peninsula, and ways in which the two could cooperate in pushing the Six-Party Talks forward. Bush, however, also reportedly brought up not only the NGO legislation with Putin (as Secretary Rice brought it up with Foreign Minister Sergei Lavrov in Korea), but also the Iranian nuclear issue.

Following his trip to South Korea, Vladimir Putin made a state visit to Japan, the first since the fall of 2000. His two-day trip disappointed those expecting some sort of breakthrough on the territorial issue. But the trip did have significant meaning. Putin was escorted to Japan with a large group of Russian business elites (over 100 people), primarily from the energy industry. Obviously, the East Siberian pipeline was a topic of major discussion among business people and between government officials. What is interesting is that it is normally Japanese business delegations to Russia that are so large. This marked by far the largest Russian business presence at a summit. And for good reason: the bilateral trade turnover increased by nearly 50 percent in 2004, totaling \$8.8 billion. The 2005 figures are expected to climb to \$10 billion. Putin reaffirmed Russia's commitment to building an oil pipeline to the Pacific. Meanwhile Putin and Koizumi signed 10 different documents on economic cooperation.

Additionally, where Japan once seemed to possess the carrots in the relationship, Russia now seems to have the upper hand economically; credit the energy equation. Tokyo could once say: if Moscow does not want to talk about territory, then we will refrain from investing in Russia. At one time Russia was desperate for such investment, particularly in the Russian Far East. But now cash- and suitor-rich Russia can look elsewhere for investment flows and for economic cooperation. Russia has already found half a dozen nations besides Japan to invest in energy projects in Siberia and the Russian Far East, particularly Sakhalin. This is a fundamental shift in the bilateral equation that was markedly apparent during the Putin visit to Japan. Japanese businesses are moving more rapidly into Russia, no matter how the government in Tokyo might feel about this. One of Japan's flagship corporations, Toyota Motors, is building an assembly

plant in St. Petersburg. And large trading houses, including Mitsubishi and Mitsui, are deeply involved in energy projects from the Caspian to the Pacific. It can now be argued that the territorial dispute is officially dead. Japan is unlikely now to recoup the disputed islands; certainly not all four islands. But unlike the past, this may not hinder the positive development of relations between Moscow and Tokyo.

Ironically, strategic cooperation between Japan and Russia may be closer to reality, a result of necessity on both sides. Tokyo's relations with Moscow may now be better than with any other neighbor in East Asia. Editorials in two major dailies of both countries (the *Yomiuri Shimbun* and the *Nezavisimaya Gazeta*) called for closer strategic cooperation in the face of a rising China and a weakened Russian Far East. But other media outlets in both countries continued to harp on the territorial dispute, including the Russian daily *Novaya Gazeta*, which, in Cold War fashion, published an analysis on the strategic importance of the Kuril Islands to Russia and the North Pacific.

In December, Putin traveled to Malaysia to attend the ASEAN Summit in Kuala Lumpur. He was later invited to speak at the inaugural East Asia Summit. In his speech, Putin pledged to ramp up oil deliveries to the Asia Pacific region, from the current 3 percent level of Russia's total exports to 30 percent by 2020. "Russia's experience in hydro and nuclear energy could be very useful, as could the possibility of carrying out pilot projects for studying nontraditional energy sources and using energy-saving technology."

The fact that Putin was able to speak at the East Asia Summit (EAS) could be seen as something of a coup for Russia. When the Kremlin put out feelers about being invited to the summit (which was originally conceived as a meeting of ASEAN leaders, plus leaders from China, Japan, and South Korea), the reception around the region was cool. Efforts by Russian diplomats were eventually rewarded by the host country Malaysia, which invited Putin to attend the ASEAN summit and then to speak at the EAS, although Russia was not a member. Russian leaders see multilateral institutions as a means of inserting a Russian diplomatic and political presence into the Asia Pacific region, including in Southeast Asia. This is a low-cost, high-effect way of assuring that Russian interests are heard and known throughout the region.

It was necessary for the leadership in the U.S. and Russia to step back and lessen the negative rhetoric this past quarter, especially after the difficult summer. Both the Bush administration and the Kremlin recognize that strategic necessity dictates a functioning relationship, no matter how political differences may divide them. Iran, however, could be a breaking point. If Russia continues to aid the development of the nuclear program there, leading to further proliferation in Southwest Asia, then this could be the breach that breaks the strategic partnership. In the Asia Pacific, the two nations will want to cooperate in assuring a peaceful settlement on the Korean Peninsula, and in assuring that China's ascendance to superpower status is similarly peaceful.

Chronology of U.S.-Russia Relations October-December 2005

Oct. 11-13, 2005: Secretary of State Condoleezza Rice visits Kazakhstan, Kyrgyzstan, and Tajikistan.

Oct. 13, 2005: Russian Prime Minister Mikhail Fradkov announces that his government has approved a blueprint to develop the Kuril Islands through 2015.

Oct. 14-15, 2005: Secretary Rice makes a surprise visit to Moscow and meets with Russian President Vladimir Putin in an attempt to win Russia's support for referring Iran to the UN Security Council over its nuclear program.

Oct. 19, 2005: World Bank President Paul Wolfowitz arrives in Moscow and meets with Russian Economic Development and Trade Minister German Gref to discuss financing legal reform in Russia.

Oct. 20, 2005: U.S. Ambassador to Russia William Burns answers questions about U.S. foreign policy in Central Asia to members of the Russian State Duma (the Russian Parliament) in Moscow.

Oct. 24, 2005: U.S. National Security Adviser Stephen Hadley meets in Moscow with Russian Foreign Minister Sergei Lavrov and other Russian senior officials to try and gather Russian support for U.S. policy toward Iran.

Oct. 24, 2005: President George Bush greets Russian Minister of Industry and Energy Viktor Khristenko and leaders of Russia's petroleum industry in Washington, who are in the U.S. to promote U.S.-Russian energy cooperation.

Oct. 31, 2005: Senior Japanese and Russian government officials agree to speed up talks on cooperation in building an oil pipeline linking Eastern Siberia with the Russian Pacific port Nakhodka.

Nov. 3, 2005: Gen. John Abizaid, commander-in-chief of U.S. Central Command (CENTCOM), visits Kazakhstan.

Nov. 4, 2005: U.S. House of Representatives passes a bill on appropriations for Foreign Operations, Export Financing, and Related Programs. The bill allocates \$95 million to the National Endowment for Democracy, of which Russian political parties will receive \$4 million in 2006.

Nov. 18, 2005: Presidents Bush and Putin meet on the sidelines of the APEC summit in Busan, South Korea. At the meeting Bush expresses concern to Putin about a recent Kremlin campaign to tighten control over Russian and foreign nongovernmental organizations (NGOs) operating in Russia.

Nov. 20-21, 2005: President Putin spends two days in Tokyo on an official state visit, his first to Japan in five years. Putin and Japanese Prime Minister Koizumi Junichiro sign a number of agreements on economic and energy cooperation, but the long-standing territorial dispute is largely passed over in discussions.

Nov. 27, 2005: Former Russian Nuclear Energy Minister Yevgeny Adamov is indicted in a U.S. court on charges of stealing \$9 million of U.S. Department of Energy money intended to improve safety at Russian nuclear plants. Swiss high court rules Dec. 22 that Adamov will be extradited to Russia to face abuse of office and \$500 million fraud charges.

Nov. 28, 2005: Russian Foreign Minister Sergei Lavrov addresses a roundtable of the Russian-U.S. Business Cooperation Council in Moscow.

Dec. 1, 2005: Gen. Yuri Baluyevsky, chief of the Russian General Staff, expresses concern about U.S. interference in the political affairs of the former Soviet states.

Dec. 1, 2005: Under Secretary of State for Political Affairs Nicholas Burns arrives in Moscow to express U.S. concern about proposed legislation in the Russian Duma that would hinder the ability of independent NGOs to work effectively in Russia.

Dec. 3, 2005: It is reported in the Russian press that Moscow will supply 32 sophisticated *Tor-M1* air defense missile systems to Tehran under a contract worth \$1 billion.

Dec. 7, 2005: On a visit to Ukraine, Secretary Rice criticizes Russia's controversial draft law on NGOs.

Dec. 7, 2005: President Putin offers former U.S. Commerce Secretary Donald Evans chairmanship of Rosneft, a Russian state oil company. Evans declines the offer Dec. 19.

Dec. 14, 2005: Putin visits Malaysia to attend the ASEAN summit in Kuala Lumpur. While there he addresses Asia Pacific leaders at the East Asia Summit.

Dec. 23, 2005: A controversial bill restricting the activities of NGOs in Russia easily passes its third and final reading in the State Duma.