

## U.S.-Russia Relations:

### A Spring Thaw after a Freezing Winter?

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As noted in last quarter's edition of *Comparative Connections*, "Elections Bring Tensions," U.S.-Russian relations experienced a trying winter in 2003-2004. This spring seemed to offer some hope that relations could be brought back onto a more conciliatory track. At the G8 Summit on Sea Island, Georgia, both Presidents Bush and Putin expressed a determination to continue the partnership in the war on terror and in non-proliferation efforts. Prior to the Sea Island summit, Russia endorsed the U.S.-U.K.-sponsored UN Security Council resolution on Iraqi sovereignty. Additionally, Putin seemed to give Bush a shot in the arm with his revelation that Russian intelligence had passed information on Iraqi plans to attack U.S. targets before the March 2003 invasion. Nevertheless, there are still serious obstacles for the bilateral relationship in the months ahead, particularly as neither nation seems to be able to get a grip on its respective "occupation" duties in Chechnya and Iraq.

#### **Eternal Factors of Discord**

The Sept. 11 attacks breathed new life into the bilateral relationship, but, as repeatedly pointed out in *Comparative Connections*, many of the same issues continue to irritate leaders in both countries. NATO expansion, human rights, Chechnya, Iran, nuclear forces, and a number of other issues highlight the differences dividing the leadership and peoples of both nations. These issues continue to carry great weight in the bilateral relationship.

The latest round of NATO expansion has left Russians again wondering whether in fact they have anything to fear from the West. In late March, the three Baltic Republics joined the alliance and almost immediately NATO fighter jets (in this case Belgian) were granted basing rights only miles from Russia's westernmost borders. The latest expansion also completed the encirclement of the Russian enclave of Kaliningrad, north of Poland. In an editorial in *The New York Times*, Russian Defense Minister Sergei Ivanov wrote of Russia's concern about NATO expansion, suggesting that this could bring about a "cold peace." Great concern was also expressed in the Russian press about U.S. intentions concerning basing rights in Bulgaria and Romania. It was speculated in the Moscow daily *Trud* that the U.S. wanted to turn the Black Sea into an American lake where it could control the flow of Caspian resources and divert them up the Danube River into Europe. As sensationalist as some of the reporting is, there is an element of truth to U.S. designs on bases in the Balkans, a traditional Russian sphere of influence. Russian

Foreign Minister Sergei Lavrov attended the late June NATO summit in Istanbul, but President Vladimir Putin was conspicuously absent.

In May, the U.S. State Department issued two reports that included both praise and criticism for Russia. In the report *Global Terror Trends 2003*, Russia's antiterror effort was lauded. But just after the issue of this report, the State Department issued its annual report on human rights in May, and as usual, Russia received criticism (justifiable) in the areas of press freedom, civil society, and on the war in Chechnya. The Russian government responded in prompt fashion, denouncing the report. To add fuel to the fire, much play was given in the Russian press to a report issued by the CIA that speculated on the potential for the disintegration of Russia within the next decade. As is often the case, the information was taken out of context. Most of these government-sponsored reports give any number of scenarios, and undoubtedly one of them was the emergence of a revitalized Russia. But the Russian press (as elsewhere around the globe) was quick to grab hold of the most sensationalist aspect of the study. Several members of the Russian Duma took time out on the floor to denounce this study. In a similar vein, President Putin delivered a speech in May where he warned about the agenda of Russian NGOs, and suggested that NGOs sponsored by foreign interests could become agents of those same foreigners.

The U.S. and Western press is still very much focused on the case of the Russian oil company Yukos and the trial of its erstwhile CEO, Mikhail Khodorkovsky in Moscow. State proceedings against Khodorkovsky for tax evasion, fraud, and illegal profiteering got under way in June. Critics of the Russian government's case against Khodorkovsky were widespread and vocal, and extended to the floor of the U.S. House of Representatives, where Tom Lantos and Christopher Cox sponsored a resolution calling for the banishment of Russia from the G8 until it got its internal human rights issues in order.

Russia's efforts to bring to a conclusion to the war in Chechnya received two major blows in the spring. On May 9, a bomb in Grozny killed the Russian-installed president of the Chechen Republic, Akhmad Kadryov. It was hoped in Moscow that Kadryov, once a bitter opponent of Russia, could bring some sort of order and stability to Chechnya, but his death showed that this was mere fantasy. In June, rebel forces (some Chechen, but not all) attacked Russian border guard facilities and the Ministry of the Interior in the neighboring Republic of Ingushetia, killing more than 90 people. Again, it became clear to all that the conflict in Chechnya is no closer to a resolution than it had been in the fall of 1999, when this latest round of fighting began. Although the Bush administration has tried to turn a blind eye to this conflict, it is less and less able to do so, and the pressure to denounce Moscow could grow greater with the presidential election looming in the fall. An editorial in the daily *Nezavisimaya Gazeta* speculated that the tacit "agreement" in which Moscow supports the U.S. war on terrorism and in Iraq in exchange for a free Russian hand in Chechnya has reached its limits. The author, Nikolai Zlobin, also speculated that this "agreement" will become a hot-button item in the presidential election in the fall.

Russia and the U.S. have attempted to work together in Georgia, and the peaceful conclusion of the standoff in the Georgian republic of Abkhazia was due in part to U.S.-Russian cooperation. Nevertheless, the U.S. (and the Georgian government) has made it clear that it wants all Russian forces currently in Georgia to depart. Russian Defense Minister Ivanov said that to do so Russia would need \$300 million to offset the costs of the move. The U.S. has also made it clear that it desires a Russian withdrawal from the Black Sea Republic of Abkhazia, where separatist forces (pro-Russian) are battling the government, northeast of Romania's border. U.S. officials point out that these Russian troop deployments are in violation of the Conventional Forces in Europe (CFE) Treaty. So far, no resolution has presented itself.

Iran continues to divide the leadership of both countries. In Iran the U.S. sees a potential threat, while Russia sees an opportunity. Although Moscow has agreed to hold off on the further development of the \$1 billion project at the Bushehr nuclear facility, it has made it clear that it wants to become very active in Iranian commercial affairs. Meanwhile, on May 6 a resolution passed by the U.S. House of Representatives condemned Iran's nuclear program. In addition to urging Europe and Japan to cut commercial and energy ties with Iran, the resolution called on Russia "to suspend its nuclear cooperation with Iran and refrain from making an agreement on the supply of nuclear fuel to the reactor in Bushehr," until Iran halts all activities potentially associated with a nuclear weapons program. Russia has been cooperative in recent months, but it is clear that Russian, Chinese, Japanese, and European companies are itching to do business in Iran, in spite of U.S. demands to the contrary.

### **Spring Relief?**

Several events in the spring suggested that the long winter months in U.S.-Russia relations could be headed for a warming period. The G8 Summit on Sea Island, Georgia proved to be a cordial venue for George Bush and Vladimir Putin. As mentioned, Putin brought a gift in the form of Russian approval of the U.S.-U.K.-sponsored UN Security Council resolution on Iraqi sovereignty at the end of June. Russia's approval of the resolution, along with the other 14 members of the UN Security Council, lent tremendous international support and credibility to the U.S.-led coalition's June 28 handover of sovereignty to the interim Iraqi government. Putin called the resolution "balanced and good," and said that he hoped it would lead soon to democratic elections.

In another development in the war on terror, Defense Minister Ivanov announced in his May visit to Washington, D.C. that Putin personally intervened and assisted the U.S. in setting up military bases in Central Asia after the Sept. 11 attacks. Ivanov explained that, "immediately after the Sept. 11, 2001 [terrorist attacks in the U.S.], President Vladimir Putin contacted several heads of state in Central Asia, and recommended that they provide their bases to the U.S. for the purposes of supporting the anti-terrorist operation in Afghanistan." Although it is understood that Russia was initially not opposed to the U.S. deployment in Central Asia, this was the first public acknowledgement that Russia had been diplomatically involved in the process of convincing the heads of states in the region to allow the introduction of U.S. forces. Ivanov, however, said that he does not

approve of the idea of U.S. servicemen staying in Central Asia on a permanent basis. Furthermore, to hedge against an overabundance of U.S. influence in their backyard, Russian leaders made strong diplomatic overtures toward Tajikistan and Uzbekistan in the month of June, even trumpeting a “strategic partnership” between Moscow and Tashkent (Uzbekistan).

Putin gave Bush perhaps his biggest boost in months when it was revealed by the Russian government that it had passed information on to the U.S. government about Iraqi intentions to support terror attacks against the U.S. between the Sept. 11 attacks and the March 2003 U.S.-led invasion of Iraq. This was a boon to the Bush administration, which has been under fire for allegedly having misled the U.S. public about the extent of the Iraqi threat. The Russian press was awash in stories speculating as to the timing of the revelation. One story in the daily *Vremya Novosti* suggested that the Kremlin had cast its vote for Bush in the upcoming election. The daily *Kommersant* speculated that Putin wants Bush to defeat Kerry because a Democratic president would more apt to criticize Russian actions in Chechnya. Whatever the motivation, the story has caught much less attention in the U.S.

The energy partnership has taken something of a step backward since the heady days of 2002-2003 when both sides trumpeted the emerging “energy axis.” A long article in the *Wall Street Journal* in April highlighted the difficulties that many U.S. and multinational firms still face in Russia, even in the energy sector. This sector is supposedly the most investor friendly, and ostensibly the most protected in a legal sense with the passage of several laws on production-sharing agreements (PSAs) over the past few years. The focus of the article was on the Exxon-Mobil and Chevron-Texaco Corporations, which had won exploration rights for a Sakhalin offshore oil field 10 years ago (the Sakhalin-3 project). Recently the Russian government announced that the tender was no longer valid and indicated that it would hold a new bidding process. Additionally, it was announced that the Sakhalin-3 project did not qualify as one of the projects benefiting from the tax-advantageous status of the PSAs. U.S. Secretary of Energy Spencer Abraham personally traveled to Moscow in late May to lobby on behalf of U.S. companies. Abraham reportedly asked for an increase in Russia’s oil output to counter the rapidly growing price of oil, which reached the \$40 level in the spring. Abraham’s visit was followed by a visit to Moscow in early June by U.S. Deputy Secretary of Energy Kyle McSlarrow. McSlarrow also lobbied for increased oil output and stressed America’s interest in seeing through the completion of a “Northern Pipeline” linking the western Siberian oil fields with Murmansk, where supplies could be shipped westward. Also of note during McSlarrow’s visit was the “special interest” (according to officials from the state-owned pipeline company Transneft) he showed toward the Pacific pipeline project that would link eastern Siberian fields with the port of Nakhodka. This is the pipeline favored by the Japanese. Washington has given no public hint of its stance toward this issue that has proven so divisive between Beijing and Tokyo.

U.S.-Russian nonproliferation efforts continue. During Abraham’s May visit to Moscow he also met with his Russian counterpart Alexander Rumantsyev to sign an accord on the retrieval and storage of unsecured Russian nuclear fuel. Under the accord, whose aim is

to help Moscow recycle its vast stocks of Cold War-era warheads, Russia will ship to the U.S. half a billion dollars worth of commercial uranium this year. Shortly after Abraham's visit, Russia officially joined the Proliferation Security Initiative, something the U.S. government had been urging it to do for months. Although the cooperative non-proliferation efforts have continued in fits and starts, there remains a lot of work to be done.

### **Far Eastern Issues**

President Putin's visit to the Russian Far East to observe the large-scale *Mobility-2004* military exercises was a clear sign of Putin's continuing commitment to revitalize Russia's position in the region. Besides visiting Vladivostok, Putin visited Kamchatka as well. While there Putin visited Rybachiy, the headquarters of the 16th nuclear submarine squadron, where he met with the Pacific Fleet command. Putin said that the Pacific Fleet would be developed as "one of the most important elements" of Russia's security architecture. Commenting on the *Mobility-2004* exercises, Putin gave a very positive assessment and pledged to conduct more such exercises in the future. According to the Russian television stations *ORT* and *RTR*, the *Mobility-2004* exercises simulated an attack on the Russian Maritime Provinces "by separatists from an Oriental country."

Moscow remains committed to the six-party talks on Korean Peninsula security issues. After the Bush administration floated its most recent trial balloon in an attempt to engage Pyongyang, Moscow announced that it was ready (along with Beijing) to extend additional security and economic guarantees to North Korea if Washington's guarantees failed to satisfy Pyongyang.

In a potentially interesting development, it was speculated in the *Washington Times* that officials from Russia, Taiwan, and the U.S. were engaged in negotiations over a deal in which the U.S. would buy eight Russian-manufactured *Kilo-class* submarines, outfit them with U.S. electronic and propulsion systems, and then sell them to Taiwan. Reportedly, Putin signed off on the deal, saying that it doesn't matter to him what the U.S. does with the submarines once Russia sells them. If this unconfirmed report turns out to be true, there would be serious repercussions for China-Russia relations.

Japanese-Russian diplomatic relations continue to dance around the awkward territorial issue. Japanese Foreign Minister Kawaguchi Yoriko traveled to Moscow in late June to meet with counterpart Sergei Lavrov to discuss bilateral matters and a planned visit by President Putin to Japan in early 2005. Although Kawaguchi repeatedly raised the territorial issue, Lavrov was studiously evasive, only promising to work so that both countries could move past the issues dividing them (i.e., forget about the territorial dispute and step up economic relations). The *Sankei Shimbun* described her trip as a big disappointment in that she was unable to arrange a meeting with Putin, and failed to coax any kind of response from Lavrov. Quoting an unnamed Japanese diplomatic source, the *Sankei* called the trip a "bad omen" for Putin's planned visit to Japan in early 2005.

U.S.-Russian relations, though far from ideal, have by no means been as strained as U.S. relations with NATO allies (except Great Britain) since the war in Iraq. Nevertheless, 2003 and early 2004 have been a tough period for the relationship, and it is unclear if events in both nations over the coming months, as well as the war on terror, will bring the two nations closer together or will divide them even further. The bet here is that the two nations, regardless of the leadership, will see it in their strategic interests to maintain a cordial (if distant) relationship.

## **Chronology of U.S.-Russia Relations April-June 2004**

**April 1, 2004:** U.S. House of Representatives Committee on International Relations adopts a resolution calling on President Bush to call for the exclusion of Russia from the G8. U.S. Ambassador to Moscow Alexander Vershbow scoffs at the resolution and describes Russia as a “vital partner” to the U.S.

**April 6, 2004:** Russian academic researcher Igor Sutyagin is found guilty of spying for U.S. intelligence after a lengthy court trial that attracted international media attention.

**April 6-7, 2004:** On an official visit to Washington, Russian Defense Minister Sergei Ivanov says that Russia will not give up its cooperation with the U.S. in the war on terrorism, but warns that deteriorating bilateral relations between Moscow and Washington could bring on a “cold peace.”

**April 8, 2004:** U.S.-Russia Energy Working Group (EWG) concludes two days of talks in Washington by signing two agreements that enhance U.S.-Russia partnership on energy-related projects.

**April 13, 2004:** Russian government urges all its citizens to leave Iraq after unidentified captors release eight employees of a Russian construction company who had been kidnapped and briefly detained in Baghdad.

**May 5, 2004:** The tense stand-off in southern Georgia ends when the rebel leader of the province of Adzharia flees into exile in Russia. Both Moscow and Washington announce their satisfaction with the peaceful resolution of the situation.

**May 6, 2004:** U.S. House of Representatives passes resolution condemning Iran’s nuclear program, and calls on Russia to halt its assistance to Teheran.

**May 9, 2004:** Grozny bomb blast kills the Russian-installed president of Chechnya, Akhmad Kadryov.

**May 10, 2004:** Two Russian workers are kidnapped and a third is killed in Iraq. The Russian Duma blames the U.S. for the incident.

**May 15, 2004:** National Security Adviser Condoleezza Rice meets with Russian President Putin in Moscow to discuss Iraq.

**May 17, 2004:** Russian and U.S. Army officers begin a joint six-day command post exercise that is the first of its kind and aims at ensuring better cooperation in the war on terrorism.

**May 17, 2004:** U.S. State Department releases annual report on human rights and, as in years past, Russia's record is deemed suspect.

**May 20, 2004:** Under Secretary of State John Bolton visits Moscow to press Russian leaders to join the U.S.-led Proliferation Security Initiative (PSI).

**May 20-21, 2004:** George H.W. Bush, Sr., the father of President George W. Bush, visits the Ukraine.

**May 27, 2004:** Energy Secretary Spencer Abraham visits Moscow and meets with counterpart Alexander Rumantsyev to sign an accord on the retrieval and storage of unsecured Russian nuclear fuel.

**May 31, 2004:** Russia officially joins the PSI.

**June 2, 2004:** Secretary of State Colin Powell calls for Russia to remove all its military bases from Georgia.

**June 5, 2004:** Ronald Wilson Reagan, 40<sup>th</sup> president of the U.S., passes away at 93.

**June 6, 2004:** Vladimir Putin becomes the first Russian or Soviet head of state to visit Normandy, on the occasion of the 60<sup>th</sup> anniversary of the Allied invasion of Europe in 1944.

**June 8, 2004:** U.S. Deputy Secretary of Energy Kyle McSlarrow visits Moscow to meet with Russian counterparts and with executives from the Russian oil industry. McSlarrow reemphasizes the U.S. interest in seeing a "Northern Pipeline" to transport crude oil from western Siberia to the port of Murmansk.

**June 8-10, 2004:** Summit of G8 nations takes place on Sea Island, Georgia.

**June 17, 2004:** Summit of the Shanghai Cooperation Organization (SCO) held in Tashkent, Uzbekistan.

**June 18, 2004:** While on a visit to Kazakhstan, Putin confirms to reporters that between the Sept. 11, 2001 terrorist attacks and the commencement of military operations in Iraq, Russia's special services intelligence agencies received information "that official organs of Saddam's regime were preparing terrorist acts on the territory of the U.S. and beyond its borders, at U.S. military and civilian locations." Putin explains that he passed this information on to President Bush.

**June 21-25, 2004:** Russia launches massive *Mobility-2004* military exercises across Siberia and the Russian Far East. These are the largest since the Soviet era.

**June 23, 2004:** President Putin arrives in Vladivostok for *Mobility-2004*. In a speech he stresses the importance of Russia's Pacific Fleet to national defense.

**June 24, 2004:** Japanese FM Kawaguchi travels to Moscow to meet with FM Sergei Lavrov to discuss bilateral matters and a visit by President Putin to Japan in early 2005.

**June 27, 2004:** Secretary of Defense Donald Rumsfeld on a visit to Moldova, on his way to a NATO summit in Istanbul, urges Russia to uphold its obligations and withdraw troops from Moldova to help settle a 13-year-old dispute between the former Soviet state and its breakaway trans-Dnestr region. Rumsfeld is the first high-ranking Cabinet official to visit Moldova.

**June 27-29, 2004:** NATO heads-of-state summit in Istanbul, Turkey. President George Bush makes an appearance, but President Putin declines to attend. FM Lavrov represents Russia.