

U.S.-Russia Relations:

A Continued Emphasis on Geo-strategy

by Joseph Ferguson
Director, Northeast Asia Studies
National Bureau of Asian Research

After a difficult summer, Moscow and Washington returned to focus on certain large-picture issues that have served to bring the two nations together over the past 18 months. The two issues giving positive momentum to the relationship are the war on terrorism and, increasingly, energy cooperation. Irritants in the relationship remain, and these include the war in Chechnya and Russia's relations with Iran and Iraq. Even these two issues, however, have become less divisive. The hostage crisis in Moscow in late October caused many in the West to look with slightly more sympathy on Russia's dilemma with Chechnya. In the Middle East, Russia has moved closer to U.S. positions, and now backs a U.S.-authored UN resolution threatening the use of force in the event of Iraqi noncompliance.

Other issues of contention that have been major irritants in the past have receded even further into the background, including NATO expansion and arms control. In November, the latest round of NATO expansion included the three former Soviet Baltic republics. And in December, the United States announced that it would begin construction on the first phase of a national missile defense system, with the abrogation of the Anti-Ballistic Missile (ABM) Treaty having become final. The November summit meeting between Presidents George Bush and Vladimir Putin in St. Petersburg on the heels of the NATO Prague summit highlighted the goodwill pervading the relationship. In East Asia, Russia continues to back the United States in insisting on the cessation of the North Korean nuclear program. China continues to worry many in Russia, and this concern continues to be reflected in the popular press. With an eye to China and the uncertainty in Korea, Russia supports the U.S. in East Asia and continues to flirt with Japan, although no substantive progress could actually be discerned in relations between Moscow and Tokyo.

Putting Energy in the Relationship

One of the most interesting events of the fall was the convening of the U.S.-Russia Commercial Energy Summit in Houston, Texas in early October. Nothing of the kind had ever been held, and it highlighted the intense interest in both countries in uniting their respective energy complexes. Russian oil companies desperately want to become major suppliers for the United States, while the U.S. government and U.S. energy firms are

interested in supply diversification, and also in new, underdeveloped markets. The summit boasted a blue-ribbon guest list, including U.S. Commerce Secretary Donald Evans and Energy Secretary Spencer Abraham, Russian Energy Minister Igor Yusufov and Economic Development and Trade Minister German Gref, and a plethora of heavy-hitting Russian oil executives, including Yukos head Mikhail Khodorkovsky and Tyumen Oil Company (TNK) President Semen Kukes.

Both nations are concerned about the global energy situation, and the desire for cooperation stems from the worsening political situation in the Middle East. War with Iraq appears imminent. Russian companies (most of them energy firms) that have contracts in Iraq want to be assured that these contracts will be honored, when and if a new regime is in place in Baghdad. Since the beginning of the 1990s, the United States has relied less and less on Middle Eastern sources of petroleum as a percentage of oil imports; given continued instability and the war on terrorism, U.S. government and industry leaders wish to diversify import sources even more. Russia is seen as the next great source of oil imports. In the eyes of many, Russia's importance as an oil supplier has grown because of increasing economic and political instability in South America. Secretary of Commerce Evans stated, "Russia is, and will continue to be, a growing important supplier of world crude...it is important Russia play a strategic role in diversity of the supply of world oil."

Some U.S. companies are apparently interested in helping Russia to redevelop the port in Murmansk as an oil export terminal by linking it with pipelines from Western Siberian oil fields. Nevertheless, most U.S. firms continue to be wary about investing in Russia and they want protection from unexpected changes in tax codes and regulatory policies before they invest there. The Russian oil industry reportedly needs close to \$10 billion of investment annually for a number of years to meet its infrastructure and modernization goals.

Friendship is Never Free

Also related to trade and investment issues is the consensus among Russian political elites that Russia should reap economic rewards for its support of the United States' Iraq policy. Russian lawmakers seek two things in particular: repeal of the Jackson-Vanik amendment and Russian entry to the World Trade Organization (WTO). "We really would like to see some reciprocal steps," Dmitri Rogozin, an ally of Putin's and chairman of the International Affairs Committee in the Russian State Duma, said in an interview with the *Washington Post*. Apart from the hardliners, many groups in Russia are apparently aware of the strategic necessity of allying with the United States, and have become less vocal about demanding U.S. reciprocation. Andrei Piontkovsky, a noted analyst in Moscow and the director of the Center for Strategic Research, echoes this silent majority and (with an eye to East Asia) he notes that, "Russia and the U.S. must not squander their chance to cooperate on energy and Pacific Rim politics...The future of Northeast Asia and the global energy infrastructure are spheres in which the interests of Russia and the United States coincide; they, too, can become the basis for a long-term pragmatic alliance."

Cooperation between Moscow and Washington in the war on terrorism and in Afghanistan has been great and continues. Reports in October that Moscow had allowed rail shipments of U.S. war material through Russia into Central Asia gave a good picture of the extent of this cooperation, as did the Russian reoccupation of a former Soviet air base in Kyrgyzstan in December. Additionally, the U.S. State Department recently announced that it was looking at including Chechen groups in its list of foreign terrorist organizations.

The growing strategic cooperation between Moscow and Washington leaves some U.S. allies in Europe uneasy. A November article in the *Wall Street Journal* discussed the growing rift between the United States and Russia on one hand, and the European Union on the other. Mikhail Margelov, chairman of the Foreign Affairs Committee of the Russian Parliament's Upper House (the Federation Council), expressed this sentiment with the following statement: "Over the last two years, Russia and the U.S. have learned how to agree, or at least how to agree to disagree...we haven't reached that point with the EU yet." While Russia and the EU feud over Kaliningrad, Chechnya, and immigration issues, the United States has begun to show more support for Russia on the diplomatic stage. Several U.S. NATO allies, Germany among them, have voiced displeasure at U.S. actions toward Iraq. This has not been lost on policymakers in Moscow who are eager to cement even closer ties to the United States. One editorial in the *Nezavisimaya Gazeta* suggested that, "The United States and Russia may finally unite – with Russia as subordinate partner."

Irritants Remain

Nevertheless, problems do remain in the U.S.-Russia partnership. The U.S. State Department still badgers Russia over human rights issues, and the Chechen morass continues to fester, and, if it continues on interminably, U.S. officials will be forced to take a harsher line toward Russia. The Russian government also recently announced that it was ending its association with the U.S. Peace Corps, partly out of concern that U.S. citizens in Russia's outer regions could be gathering the wrong sort of information. This suggests that some Cold War hangups do remain.

The situation in the Middle East is another complicating factor. Although it is expected that Russia will eventually agree to whatever actions the United States takes in Iraq, points of disagreement do exist. One major point of contention has been Russian cooperation in Iran's nuclear research program. John Bolton, U.S. under secretary of state for arms control and international security, expressed this anxiety: "We remain very concerned that the nuclear and missile program of Iran and others, including Syria, continue to receive the benefits of Russian technology and expertise." The United States is also concerned that Russian economic ties with Iraq could bolster the Iraqi economy. Russia is owed approximately \$8 billion in debt by Iraq. Russian officials have sought reassurance that were the Iraqi regime to tumble, Russian debt would be recouped. But both sides have indicated that agreements could be reached in Iraq and Iran. "If the Russians end their sensitive cooperation with Iran, we have indicated we would be

prepared to favorably consider...arrangements potentially worth over \$10 billion to Moscow,” said one U.S. State Department official.

Successful Summitry Helps

At their one-day summit meeting in late November in St. Petersburg, the seventh such meeting between the two leaders, both Bush and Putin went out of their way to express their support for one another and for their respective nation’s policies. Although the hostage crisis in Moscow was clearly the direct result of the Chechnya conflict, George Bush stated his support for Putin: “Some people are attempting to blame Vladimir, but it is the terrorists that ought to be blamed for everything.” The Russian press was less harsh about NATO expansion than might be expected. Most of the major dailies downplayed the most recent inclusion of the former Soviet Baltic republics. The *Nezavisimaya Gazeta* argued that NATO will be busy “digesting its newest members for the next several decades.” First Deputy Chief of Staff of the Russian Armed Forces Col. Gen. Yuri Baluyevsky was quoted in another daily saying that NATO was now simply “ungovernable.” *Moskovsky Komsomolets* questioned whether the United States even needed NATO anymore.

Putin Looks for a Role in Asia

In East Asia, Russia looks for a role in order to halt the political marginalization that has kept it from influencing Northeast Asian affairs for the past decade. Former President Boris Yeltsin played the China card (after unsuccessful attempts at playing a South Korean and then a Japanese card) for the last two of his years in office. Recognizing that Russia had perhaps overplayed the China card, Putin moved to re-emphasize Russia’s relationship with Japan, North Korea, and South Korea. Furthermore, Putin has shown his support for U.S. policy in several areas, including on the Korean Peninsula where he has urged Kim Jong-Il and North Korea to give up their nuclear program. During Putin’s December visit to Beijing, he spent much of his time justifying to Chinese leaders his pro-U.S. stance on major policy issues, according to the *South China Morning Post*. In Putin’s words, it would be “absolutely counter-productive” to seek confrontation with the United States.

Putin has also looked to reinvigorate relations with Tokyo, albeit with little success thus far. In October, Japanese Foreign Minister Kawaguchi Yoriko visited Moscow and met with the Russian president. Putin told her that Russia sought expanded cooperation with Japan, but was not prepared to contemplate a reversion of any territory to Japan. Kawaguchi and her Russian counterpart Igor Ivanov, however, pledged that the two nations would cooperate in the war on terrorism, and to help resolve the impasse on the Korean Peninsula.

The two nations have also stepped up their cooperation in the energy sector. Japanese companies have tentatively agreed to invest in a pipeline project linking Siberian oil and gas fields with Russia’s Pacific ports. Japan has also promised to help develop and fund a pipeline linking natural gas fields in northern Sakhalin to a liquification plant in

southern Sakhalin, located next to an ice-free shipping terminal where the gas can easily be loaded onto tankers and exported. Not coincidentally, Japan is the largest importer of liquefied natural gas in the world. U.S. companies are also getting in on the act. Exxon-Mobil is hoping to develop a pipeline linking Japan and Sakhalin that would be capable of delivering 800 million cubic feet of gas daily to Japan. Japan's prime minister is due to visit Tokyo and Khabarovsk in the first half of January. Japan is obviously interested in Russian energy sources, but cooperation can only go as far as the political situation allows at home in both countries. The political scandal in Japan this past year involving Legislator Suzuki Muneo has left the Koizumi Cabinet hesitant to push the agenda with Russia, but as the Russian on-line daily *Gazeta.ru* reported, the Japanese leadership hopes to trade energy and economic development for the disputed islands. The Russians are unlikely to agree, as foreign companies from Britain, China, India, South Korea, and the United States are prepared to help Russia develop its energy infrastructure in Eastern Siberia and Sakhalin, decreasing any leverage Japan might have.

U.S.-Russian relations continue to develop positively, as has been the trend since Sept. 11, 2001. There are still major points of contention and any number of events could push the two nations further apart. But as long as the focus remains on strategic issues, such as the war on terrorism and energy cooperation, and as long as Vladimir Putin remains politically strong inside Russia, relations can be expected to continue on a positive course. But nothing is a given.

Chronology of U.S.-Russia Relations October-December 2002

Oct. 1-2, 2002: The U.S.-Russia Commercial Energy Summit, the first of its kind, is held in Houston, Texas. The summit boasted a blue-ribbon guest list, including U.S. Commerce Secretary Donald Evans and Energy Secretary Spencer Abraham, Russian Energy Minister Igor Yusufov and Economic Development and Trade Minister German Gref, and a plethora of heavy-hitting Russian oil executives, including Yukos head Mikhail Khodorkovsky and Tyumen Oil Company (TNK) President Semen Kukes.

Oct. 1, 2002: Russian Deputy Foreign Minister Georgy Mamedov, Deputy Chief of the General Staff Col. Gen. Yuri Baluyevsky and head of the nuclear munitions department of the Nuclear Energy Ministry Nikolai Voloshin inform deputies at the closed sitting of the Duma Defense and International Affairs Committee that the Russian leadership views the Strategic Arms Reductions Treaty (START II) as "a new treaty of friendship and cooperation between Russia and the USA."

Oct. 3, 2002: Addressing the U.S.-Russia Business Council in Washington, Secretary of State Colin Powell outlines the U.S. vision of "a robust commercial relationship between Russia and the United States and a dynamic Russia occupying a leading place in the global economy."

Oct. 4, 2002: Russian President Vladimir Putin revokes the special status of U.S.-funded Radio Liberty. Radio Liberty has long been critical of the Kremlin in its reporting of the conflict in Chechnya.

Oct. 4, 2002: Speaking at the annual meeting of the American-Russian Business Council (ARBC) in Washington, Russian Minister for Economic Development and Trade German Gref says that Russia regards the United States as its key trade partner.

Oct. 9, 2002: Speaking to the U.S. Senate Foreign Relations Committee, John Bolton, under secretary for arms control and international security, warns that Moscow's continued support of Iran and Syria's nuclear and missile program and poor coordination within the Russian government worry Washington and may undermine future bilateral cooperation and a global nonproliferation initiative.

Oct. 10, 2002: Alfa-Eco, a subsidiary of Alfa Bank, one of Russia's largest private banks and a regular buyer of Iraqi oil, announces one of the largest oil supply deals in the history of Iraq's oil-for-food program, as Baghdad moves to reinforce commercial links with Moscow. It is announced that Alfa-Eco clinched a deal for 20 million barrels, one of the largest under the six-year UN-supervised humanitarian scheme.

Oct. 12, 2002: Foreign Minister Kawaguchi Yoriko arrives in Russia for talks with her counterpart, Igor Ivanov, and Russian President Putin in an effort to kick-start stalled negotiations on Tokyo-Moscow relations.

Oct. 19, 2002: Fearing disruption to oil supplies in the event of a U.S.-led war on Iraq, Nippon Oil Corp. announces that it will begin importing crude oil from the Russian interior. The move represents the first import of crude oil from Russia's deep inland by a major Japanese oil firm since 1978.

Oct. 22, 2002: Russia rejects the first U.S. draft resolution on Iraq, dealing a sharp blow to U.S. efforts to gain UN backing for the automatic use of force if weapons inspectors are thwarted by Baghdad. In an official statement Russian FM Ivanov says the U.S. document does not meet Russian criteria.

Oct. 23, 2002: Several hundred hostages are taken at a Moscow theater by Chechen separatists. The separatists demand an immediate end to the hostilities in Chechnya and a withdrawal of Russian forces.

Nov. 2, 2002: In a dramatic rescue attempt, a large number (over 120) of the hostages held by Chechen separatists at the Moscow theater succumb to a knockout gas pumped into the theater by Russian special forces. All of the separatists are killed.

Nov. 9, 2002: In a reversal, Russia says that it supports a second U.S.-draft UN resolution on Iraq after a clause envisaging automatic use of force has been removed. The issue had been a key sticking point between Moscow and Washington. The UN

Security Council then unanimously approves the draft resolution giving Iraq a last chance to eliminate weapons of mass destruction or face “serious consequences.”

Nov. 9, 2002: It is announced that during the first nine months of 2002, Russia invested \$8.4 billion in the U.S. economy. This is 10 times as much as U.S. investments in Russia over the reported period, which amounted to \$841 million.

Nov. 21-22, 2002: At a NATO summit in Prague, the alliance formally extends invitations to three former Soviet Baltic states – Estonia, Latvia, and Lithuania – and to four former Soviet-bloc countries, Slovenia, Slovakia, Bulgaria, and Romania.

Nov. 22, 2002: President George W. Bush meets with Putin in St. Petersburg for a one-day summit. Bush states that “NATO’s expansion is in Russia’s best interest.” Bush says that an expanded NATO will bring a guarantee of stability to Russia’s border. This is the seventh meeting between Bush and Putin.

Dec. 17, 2002: Russia’s Atomic Energy Ministry brushes aside Secretary of State Powell’s latest accusations concerning Moscow’s nuclear cooperation with Iran. The statement says that Washington has shown no proof that Russia is assisting Iran’s military program.

Dec. 18, 2002: Russia expresses regret over the U.S. decision to begin deploying strategic interceptors to defend the United States from missile attack. An official Russian statement says that the move will destabilize the international security system and lead to a new arms race.

Dec. 19, 2002: Japanese Prime Minister Koizumi Junichiro and visiting Russian FM Igor Ivanov agree to sign an action plan featuring broad cooperation measures when Koizumi visits Russia in early 2003.

Dec. 27, 2002: Moscow officially informs Washington of its intention to withdraw from the agreement on Peace Corps activities on Russian territory.