



**U.S.-Russia Relations:
Is it Interests or Values?**

Joseph Ferguson
National Council for Eurasian and East European Research

At the conclusion of the final summit meeting between Presidents George Bush and Vladimir Putin at the Russian resort of Sochi in early April, relations between Moscow and Washington appeared to have righted themselves. The cordial meeting between the outgoing presidents left a sense of optimism in both Moscow and in the West that U.S.-Russia relations would improve until at least the fall presidential elections in the United States. Things have quieted down between the two nations over the last quarter, as the leadership of both countries has gone about business at home and has lessened (though not ceased) the often-negative rhetoric. But when the summer concludes, Russia will again loom large in U.S. political debates, and the big questions of U.S. foreign policy – whether they revolve around Iran, Iraq, Afghanistan, Northeast Asia, or even Venezuela – will necessarily include Russia policy. And as President Dmitry Medvedev unveils his own version of “sovereign democracy,” U.S. foreign policymakers will be forced to address the fundamental question of whether U.S. policy toward Moscow is centered on its strategic interests, or on democratic values.

The aftermath of Bucharest and Sochi

As mentioned in this column last quarter, the NATO Bucharest summit of April 3-4 and the subsequent Bush visit to Sochi at Putin’s invitation transpired without a hitch and in an atmosphere of cordiality. This is not to say that the meetings were a great success, but the fact that the two sides refrained from hurling barbed criticisms at one another was refreshing. Russia managed to convince both France and Germany that NATO membership for Georgia and Ukraine would be a mistake. Washington achieved a small victory in view of the fact that a roadmap to membership for the two nations was laid out and it appears that it is only a matter of time, especially in the case of Georgia. At Sochi, Bush and Putin discussed this issue and the other controversial issue of a European-based missile defense system, for which Washington proposes to install elements in Poland and the Czech Republic. On the missile defense issue, the two leaders were unable to reach any sort of agreement as they appeared to be kicking the can down the road for the next set of leaders – although it is clear that Putin is going nowhere and will be consulted by Medvedev on all issues of strategic importance for at least the next year, if not longer. But most analysts applauded the two sides for sitting down and rationally discussing these divisive issues, rather than criticizing the other side in interviews and speeches.

An issue that was also discussed at the two meetings – and perhaps overlooked by some – that is of greater consequence in the near-term than either NATO expansion or the European missile

defense system, is Afghanistan. At the Bucharest meeting representatives from both Russia and Uzbekistan (under the Partnerships for Peace initiative) gave tacit assurances that ISAF (NATO's International Security Assistance Force) operating in Afghanistan would be accorded certain forms of access through their territory. On April 4, Russia and NATO signed an agreement allowing a humanitarian land corridor through Russian territory, providing non-military support to ISAF. Uzbek President Islam Karimov offered a similar agreement, utilizing an existing bilateral Uzbek-German agreement for the transit of humanitarian supplies through his nation, thus also facilitating Russia's promises. He also gave assurances that Uzbekistan would cooperate in defense and security areas. Similarly, both Kazakhstan and Kyrgyzstan have joined Russia and Uzbekistan in extending overflight and (in Kyrgyzstan's case) basing rights to ISAF in connection with the stabilization and pacification of Afghanistan. These nations are understandably concerned about the worsening situation in Afghanistan and do not wish to see violence there again threatening Central Asia. Keep in mind that it was this very concern that prompted President Putin in late 2001 to give tacit approval for U.S. and NATO forces to operate in Afghanistan through Central Asia.

The waiting game

Since the back-to-back April summit meetings there have been no top-level visits or meetings this spring. This has not deterred the Russian leadership from launching occasional jabs at the U.S., but for the most part it has been a quiet quarter for the bilateral relationship. NATO expansion has brought in two more members, Albania and Croatia, but the more controversial issue of membership for Georgia and Ukraine has been put off. There has also been little action regarding Russia's concerns about the planned missile defense system, parts of which will be constructed in Poland and the Czech Republic. Iran has also been a blank spot in terms of concerted dialogue or action by Moscow and Washington (or the international community, for that matter). The fact is, the leadership of the two nations is taking a wait and see approach. Washington wants to get a further gauge on Medvedev and how much power Putin will retain. Moscow wants to see whether they will be dealing with a Republican or Democratic administration. At least one Russian analyst laments this situation, insisting that a number of issues need serious attention: "[as] U.S.-Russian relations slide into a period of disengagement and strategic inaction, [the situation is one] the world at large can ill afford."

The two governments have in fact been consulting about nuclear energy and arms control. In early May RosAtom (Russian Atomic Energy Agency) head Sergei Kiriyenko and U.S. Ambassador in Russia William Burns signed an inter-governmental agreement on nuclear energy cooperation. The so-called 123 agreement calls for the removal of barriers to cooperation between nuclear power companies in both countries. U.S. companies are eager to have their uranium enriched in Russia, which can then be used to produce electricity. Russia also hopes to establish an international enrichment center, in order to re-export material to other nations with nuclear energy programs. The agreement also allows for the exchange of coveted nuclear technology. The Bush administration argues that the establishment of an international enrichment center in Russia will allow nations to peacefully pursue nuclear power programs without developing indigenous nuclear fuel cycle facilities that could be used for covert purposes (like in North Korea). U.S. and Russian companies look forward to technology exchanges that will benefit both sides. Nevertheless, bi-partisan opposition to the 123 agreement has already

been strongly voiced in Congress, and both the House and the Senate have threatened to pass a resolution to defeat the agreement. They have 90 days (from May 7) to do so, although opponents appear to lack a two-thirds majority to overturn a presidential veto. Members of Congress remain suspicious of Russian-Iranian nuclear cooperation. It has been speculated by some in Russia that the U.S. agreed to the nuclear cooperation in return for Putin agreeing to sign off on UN-proposed sanctions against Iran (UNSC Resolution 1803). This was one of Putin's last actions before leaving office in May. Meanwhile both nations continue to fulfill their START obligations.

In late June, Secretary of Treasury Henry Paulson traveled to Moscow to meet Russian leaders about economic issues, including the status of Russia's membership in the World Trade Organization (WTO). In Moscow, Paulson met not only Finance Minister Alexei Kudrin, but was also granted meetings with President Medvedev and Prime Minister Putin (as well as rising star and Deputy Prime Minister Igor Shuvalov). Of more interest was Paulson's alleged lobbying for more Russian investment into the U.S. through Russia's National Welfare Fund (NWF), a fund created with Russia's oil windfalls. Ironically almost 10 years ago to the month after Russia's economic collapse in August 1998, the U.S. government sends an emissary to ask for Russian investment in the United States. The day after Paulson left, President Medvedev chastised the U.S. (the second time in the last month) for its economic and national "egoism," and referred to U.S. economic problems as "essentially a depression." He suggested that the U.S. should get its own house in order before ordering others around. Meanwhile, oil prices hover near \$150 a barrel, further emboldening (and enriching) Russia and further pounding the U.S. economy and U.S. consumers.

Leaders in Washington (and potential future leaders) must decide whether Washington should focus on strategic interests (which must include economic issues) or shared values (or lack thereof) with Moscow. In 2000-2002 it appeared that the Bush administration was set on carrying out an almost exclusively strategic dialogue with Moscow. The events of 9/11 and the subsequent war in Afghanistan made this "strategic partnership" even more vital during this period. But after 2003 (and more specifically the launching of the Iraq War) the dialogue became much more critical on both sides. While the Russian government openly criticized heavy-handed U.S. actions in the Mideast and elsewhere, U.S. leaders and pundits stepped up their criticism of the evolution of Russia's version of democracy. Ironically, U.S. leaders began questioning Russia's judicial and human rights practices just as the worst of the scandals involving the prison detainees at Guantanamo Bay and Abu Ghraib were breaking, giving Russian leaders plenty of opportunity to toss around the word "hypocrisy." As the situation spiraled down over the next few years, both sides seemed to lose sight of the larger strategic issues that bound the two so tightly in the first years of the 21st century. However, it must be noted that both Presidents Bush and Putin understood the importance of keeping channels open, and strove to maintain an amiable relationship, a practice often criticized by Western observers.

Now the time has come for both John McCain and Barack Obama to decide where they stand when it comes to relations with Russia. McCain is on the record criticizing Russia for its lack of democracy. One need only reference his "looking into Putin eyes and seeing KGB" and his "kick Russia out of the G-8" comments. He is seen in Russia as one who relishes the idea of bringing back a Cold War atmosphere to the relationship. Recently, however, McCain has made

positive comments about opening a strategic dialogue with Moscow centering on arms control. Obama, on the other hand, is viewed more favorably in Moscow, although he has made few definitive statements about his proposed Russia policy. It should be noted that one of Obama's top Russia advisors has been highly critical in the international press of Putin and Russia's democratic experiment. But given Obama's promise to extend dialogue to even the most bitter enemies (Cuba, Iran, North Korea, et al), it is not hard to imagine an Obama administration extending a hand toward Moscow in hopes to reestablishing a cooperative relationship.

Many foreign governments are apt to view Democratic administrations with more distrust for their supposed penchant to harp on values and democratic norms, while Republican administrations are perceived to focus on strategic issues and to overlook domestic political improprieties. Of course, the last two administrations seem to have reversed these supposed tendencies, particularly with regard to Russia. Henry Kissinger, one centrist in the U.S. possessing the ultimate in realist credentials, argued in a July 1 op-ed in the *International Herald Tribune* that Russia is not headed for fascism, and that the current and incoming U.S. administrations should abandon the "policy of assertive intrusion" into Russian domestic politics, while stepping up the strategic dialogue. So again, the question will come to either candidate when the time comes: is it interests or values that define our relationship with Russia? Any candidate (or president) will insist that you can have both; Russian leaders, however, tend to think this is not the case.

East Asia

The nuclear declaration documents handed over recently by North Korea are still being sifted through in Washington, and since it appears that critical information is still missing, it is not clear how successful the next phase of the agreement can be. No matter what happens in Korea, it is clear by now that Russia is playing little to no political role, which I suppose is better than playing a spoiler's role, as many accuse them of doing in Iran. The Kremlin's inability to gain a larger role has surely vexed them, but the process of the Six-Party Talks now seems almost bilateral (also to Japan and South Korea's chagrin). Russia, however, will continue (as indicated by Medvedev) to supply fuel oil to North Korea and will eagerly take up any role that would give them a larger voice in Korean Peninsula affairs.

Something that barely registered on the radar this past quarter was the quiet April visit to Moscow of Japanese Prime Minister Fukuda Yasuo. Fukuda traveled there to pay court, so it seems, to both Putin and Medvedev. Fukuda hoped to re-energize the so-called "strategic dialogue" that was instituted between the two nations in early 2007, focusing on the signing of a peace treaty, and hence resolving the decades-old territorial dispute. Although the strategic dialogue seems to be going nowhere fast, Japanese-Russian economic ties have blossomed in recent months. The two-way trade figure for 2007 was \$21 billion, an all-time high. Japanese automaker Toyota has opened an assembly plant in St. Petersburg, and in June of this past quarter the Japan Bank for International Cooperation (JBIC) agreed to a \$5.3 billion financing deal with the Sakhalin Energy consortium, the operator of the Sakhalin II oil and gas development project in Russian Far East. Mitsui and Mitsubishi are minority shareholders in this consortium along with Shell.

Looking Ahead

Japan, Russia, and the U.S. all look forward to the G8 Summit scheduled to take place starting July 7 in a resort town on the northern island of Hokkaido. Within the next two months Congress will have to decide whether it will accept or reject the 123 agreement on nuclear cooperation. Of course, everyone awaits the upcoming U.S. presidential elections. As for the bilateral relationship, the summer is a waiting period. The fall should bring much more attention to the status of U.S.-Russian relations.

Chronology of U.S.-Russia Relations April-June 2008

April 1, 2008: President George Bush travels to Kyiv, Ukraine for meetings with President Viktor Yushchenko and Prime Minister Yulia Tymoshenko.

April 4, 2008: President Bush meets outgoing Russian President Vladimir Putin at the NATO summit meeting in Bucharest, Romania.

April 5-6, 2008: President Bush travels to Sochi, the Russian resort on the Black Sea, at the invitation of Vladimir Putin. The two discuss strategic issues. This is their last meeting as presidents of their respective countries.

April 16, 2008: U.S. Department of Justice approves an \$810 million deal allowing Russian steel producer Severstal to purchase the Sparrows Point steel mill in Maryland from ArcelorMittal.

April 17, 2008: U.S. Republican presidential candidate John McCain accuses the Russian government of attempting a “de facto annexation” of Georgian territory, and calls on all nations to condemn Moscow’s actions.

April 22, 2008: A Russian diplomat is expelled from the U.S. for security reasons.

April 25-26, 2008: Japanese Prime Minister Fukuda Yasuo visits Moscow and meets Vladimir Putin and President-elect Dmitry Medvedev.

May 5, 2008: The Pentagon begins inter-service military maneuvers in Alaska called the *Northern Edge 2008* exercise. The Russian military leadership criticizes the exercises, claiming that they pose a threat to Russian interests in the Northern Pacific and the Arctic.

May 6, 2008: Russian Federal Atomic Agency (RosAtom) chief Sergei Kiriyenko and U.S. Ambassador to Russia William Burns sign an inter-governmental agreement on the civilian applications of nuclear energy. It is commonly known as the 123 Agreement.

May 7, 2008: Dmitry Medvedev inaugurated as the third president of the Russian Federation. He quickly appoints Vladimir Putin as prime minister.

May 8, 2008: The Russian government orders two U.S. military attaches to leave the country in retaliation for the expulsion of a Russian diplomat from the U.S. in April.

May 29, 2008: Republican presidential candidate John McCain suggests that the U.S. engage Russia in strategic arms talks. This is seen as a strategy to distance himself from President Bush.

May 31, 2008: In a state visit to France, Vladimir Putin, now Russia's prime minister, compares the U.S. to a "frightening monster" and urges France to conduct an independent foreign policy from its American ally.

June 7, 2008: President Medvedev delivers a critical indictment of U.S. economic and political policies at the St. Petersburg Economic Forum in Russia.

June 29, 2008: Secretary of Treasury Henry Paulson arrives in Moscow to meet Russia's top leadership and to discuss bilateral investment and trade issues. Paulson meets, among others, both Medvedev and Putin.