



**U.S.-Russia Relations:  
Have Relations Hit Rock Bottom?**

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Throughout the spring and early summer it seemed that U.S.-Russia relations could sink no further. Ill will beset the relationship. Heated discussions were carried out almost weekly on issues such as missile defense, Iran's nuclear program, Iraq, energy nationalism, and perhaps most significantly, NATO expansion. At one point, Vladimir Putin compared the U.S. to a "frightening monster," while Senator (and Republican presidential nominee) John McCain called for Russia's eviction from the G8. In August, the worsening situation came to a head when Russian troops invaded and occupied South Ossetia (a Georgian Province), and launched attacks on other Georgian cities. The U.S. reaction was swift: condemnation, followed by the transport home of Georgian combat troops deployed in Iraq, the ferrying of supplies to Georgian ports by U.S. warships, the extension of \$1 billion in aid, and the deployment of a small contingent of U.S. troops for "humanitarian" missions in Georgia. But some feel the response was not enough. The reaction did nothing to cow Moscow. By the end of August, Russia had asserted *de facto* control of both South Ossetia and Abkhazia and had recognized both as independent nations. Meanwhile the U.S. turned inward to deal with its financial crisis, leaving relations with Moscow on the backburner – at least temporarily.

**Georgia on their minds**

The conflict in South Ossetia, which broke out on the night of Aug. 7-8, was over fairly quickly. Russian forces moved through South Ossetia with ease, and then moved into Georgia proper, shelling cities, including the port of Poti, and the airfield at the capital, Tbilisi. The U.S. quickly condemned the attack, and President George Bush spoke briefly with Prime Minister Putin at the Beijing Olympics, calling for a ceasefire. Secretary of State Condoleezza Rice threw the full weight of the U.S. behind the Sarkozy peace plan, then Vice President Richard Cheney visited Georgia and brought with him a \$1 billion aid packet for the beleaguered Georgian government. By the end of August, however, the U.S. had to view the situation realistically: the two breakaway republics of South Ossetia and Abkhazia were now Russian vassals for all practical purposes (as they had been for years now). As the financial crisis set in a month later, the attention of the U.S. government was elsewhere. And no matter how much Georgian President Mikhail Saakashvili appeared on U.S. news stations to state his case, the U.S. people had other issues to think about.

Three events have transpired this year that have been identified by various experts (Russian and Western) as the tipping point of the conflict in Georgia, if not the *casus belli* themselves. In February, the U.S. recognized the independence of Kosova from Serbia. Russia, in support of its long-time Serbian partner, argued strenuously against such a move. Nevertheless, 47 states eventually recognized Kosova, mainly European Union and NATO member nations, followed by U.S. allies in the Asia-Pacific, as well as a smattering of African and Latin American nations. As has been the case often over the past 15 or so years, Moscow felt that its opinion had been disrespected. Politicians in Moscow lamented that their nation had been run roughshod over – yet again – by the U.S. and its European partners. In the wake of Kosova’s declaration, it was hinted in Moscow that perhaps it was time for various breakaway republics like Abkhazia, South Ossetia, and others (Transnistria) to be recognized.

The second issue was NATO membership. At the beginning of April, the NATO summit in Bucharest left in question the issue of membership for Georgia and Ukraine. Although Moscow protested enough for Germany and France to say, “not just yet” for Georgian and Ukrainian membership, President Bush and Secretary of Defense Robert Gates publicly expressed confidence that membership for the two nations was a matter of “when” and not “if.” Although the follow-up meeting between Bush and Putin in Sochi was cordial, Putin stated that any further expansion of NATO toward Russia’s borders would constitute a “direct threat” to Russia’s security. Putin also hinted that if Georgia and Ukraine were accorded NATO membership, Moscow would recognize Abkhazia and South Ossetia. He went on to imply that Ukraine’s control over the Crimea was simply due to Russia’s largesse, and that Moscow could encourage the secession of the Crimea and eastern regions of Ukraine. Furthermore, he stated that Ukraine could “cease to exist as a state” if it were to become a member of NATO. It was clear in early April (if not before) that Moscow felt it had reached the limit in terms of bowing to Western policies in Eastern Europe and Eurasia.

The third contentious issue (also discussed at Sochi) was the ballistic missile defense system, components of which are to be located in the Czech Republic and Poland. Bush made it clear, that although Russia is not the intended target, the U.S. and NATO plan on going ahead and having the platforms installed by 2012. Again, Putin (who was still at the time president) warned that Russia’s “fundamental attitude to the American plans has not changed.” In other words, Russia is still very much opposed to a system in Eastern Europe. In early July, one month before the hostilities erupted in Georgia, Secretary Rice initialed an agreement with her Czech counterpart for the establishment of a radar tracking station in the Czech Republic. While attending the G8 summit in Japan, a perturbed President Dmitry Medvedev responded: “We are extremely upset by this situation... We will not be hysterical about this but we will think of retaliatory steps.”

What leaders in Moscow failed to grasp, however, is that inflammatory language such as this drove the Czech government to finally sign an agreement that they had been waffling on for several years. Almost as if on cue, and without specifying why (other than “technical reasons”), Russia’s oil pipeline firm Transneft announced that oil deliveries to the Czech Republic were being cut from the contracted volume of 500,000 tons to 300,000 tons for the month of July. Germany stepped in with additional supplies to meet Czech oil needs in the interim. Although the Czech government has not officially ratified the agreement, there seems little doubt – given

recent Russian actions – it will fly through the legislature. One week after the Russian invasion of Georgia, the Polish government followed in the footsteps of their Czech neighbors and signed an agreement allowing for the establishment of 10 missile interceptors for the missile defense system. Like the Czech government, the Polish government had been engaged in a heated debate about the necessity of such a system on their soil. Suddenly in August, the decision was made. Coincidence? Perhaps, but this is unlikely.

As for the war in the Caucasus, both Moscow and Tbilisi have strenuously argued that the other side launched the hostilities and is to blame for the conflict. In fact, Putin has also blamed the U.S. for encouraging Georgia to send troops into South Ossetia. At this point, it makes little difference who is to blame, as Russia has established *de facto* control over the breakaway republics. Undoubtedly both sides have culpability in the matter, but the issue – like Kosova – has been concluded, at least for the near future. As unhappy as Washington is with the situation, it is probably something that the current and future administrations will just have to live with.

Both the Kremlin and the White House have continued their criticism of one another since the conflict broke out. Secretary Rice has publicly branded the Russian government a “bully” that is increasingly “aggressive” and “authoritarian.” The *Los Angeles Times* reported that there is a clear split in the Bush administration about Russia policy. Vice President Cheney is said to be leading a faction calling for a strong, confrontational response to Russia’s actions. Secretary Gates and Chairman of the Joint Chiefs of Staff Adm. Mullen are calling for a step-up in strategic dialogue with Moscow. In Russia, Putin and Foreign Secretary Sergei Lavrov have been openly critical of the U.S. role in Georgia. Meanwhile, President Medvedev – perhaps not wishing to appear weak in the eyes of the Russian public – has also engaged in blunt and critical language with regard to the United States. It will be interesting to see how much power Putin will retain as prime minister. The war has clearly re-energized his standing among the Russian public, after his star appeared to be fading during the summer months. Medvedev now appears to be doing what he can to appear relevant again. If criticism of Washington allows for this, then one can expect it to continue.

The nature of the recent confrontational dialogue bodes poorly for the relationship. In past years, no matter how difficult relations were, the leadership of both nations recognized where there was strategic convergence, and cooperation in these areas has ensued. Now with the presidential election in the U.S., and with the political diarchy in Russia, there is danger that strategic dialogue and cooperation will be put on the backburner, precisely when it needs to be most engaging and active. The Iranian nuclear issue is slowly coming to a head, and in Northeast Asia, the recent indications are that the health of Kim Jong-il is deteriorating, raising the stakes of the Six-Party Talks on Korean nuclear issues.

### **Strategic dialogues**

The greatest casualty of any U.S.-Russian fallout would be the number of nuclear cooperative agreements that the two governments have signed over the last two decades. The series of arms control and nonproliferation agreements are probably the greatest post-Cold War success stories in the bilateral relationship. Already in July, before the Georgian conflict, there were indications that Congress would not pass the nuclear cooperation agreement signed by the two governments

in May. The Russian Duma ratified this agreement – known as the 123 Agreement – in early July. It allows for greater U.S.-Russian cooperation in developing proliferation-resistant reactors and nuclear fuel banks. In September, after the war in Georgia, the White House decided to withdraw the agreement from congressional consideration. There are fears within the House Armed Services Committee that if this legislation is not eventually passed, the START agreement that is due to come up for renewal next year will also be terminated. START calls for the restriction on the number of strategic nuclear weapons on both sides (and contains transparency and verification protocols).

The other major nuclear cooperation program is, of course, the so-called Nunn-Lugar Program, or the Cooperative Threat Reduction (CTR) Program. The authors of this highly successful program, Sen. Lugar and former-Sen. Nunn, have recently publicly expressed the concern that given current political relations, CTR may soon be nothing more than a memory. As one expert noted: “As goes the nuclear deal, as goes U.S.-Russia relations [*sic*].” And given the number of nuclear proliferation issues now on the table (Iran, North Korea, the potential for further unrest in Pakistan) these agreements have grown ever more critical.

The Iran issue continues to linger, and further inaction by both sides can only exacerbate the situation and further embolden Teheran. There has been at least some semblance of progress on this issue at the end of the quarter. On Sept. 26 the United Nations Security Council drafted a resolution calling on Iran to comply with previous resolutions, instructing it to suspend uranium enrichment. The text, however, included no threat of sanctions, something that would not have been passed with Russian (or Chinese) consent. The foreign ministers of the permanent five members of the Security Council (plus that of Germany) announced that they were in agreement for the need to pressure Iran to cooperate with the International Atomic Energy Agency. The resolution will soon be brought to a vote.

Another, less publicized type of bilateral dialogue concerns economics and finance. The financial crisis in the U.S., as well as the war in Georgia, has adversely affected Russia. Although the crisis could deflect attention from Russia in the U.S. and keep Moscow from becoming an election punching bag, Russia has undoubtedly seen losses. By the end of September the major index of Russian stocks was half of what it was in May, credit has recently dried up, the price of oil is falling, and the Central Bank has been forced to shore up the price of the falling ruble. Remember that the Russian government has a stake in about \$100 billion in U.S. debt. The U.S. government actively lobbied for Russian investment in the U.S. when Treasury Secretary Henry Paulson visited Moscow in June. Moscow is finding that it is increasingly linked to the U.S. economy whether it likes it or not.

### **Eurasia, Northeast Asia, and U.S.-Russia relations**

In late August, President Medvedev attended the Shanghai Cooperation Organization (SCO) Summit in Dushanbe, Tajikistan, where he hoped to rally the support for Russia’s splendid little war in the Caucasus. Although Medvedev’s targets were the SCO’s Central Asian members, if a public show of support from China could be had, all the better. Not only was he unable to secure Chinese support (which was not expected), but Russia’s Central Asian allies also refused to recognize Abkhazia and South Ossetia.

Meanwhile in mid-August, stung by criticism in the West about the Georgian war, Prime Minister Putin traveled to the Russian Far East ostensibly to demonstrate to the European Union that Russia has other outlets for energy exports. Putin demanded that work be speeded up on the East Siberian-Pacific Ocean (ESPO) oil pipeline to have the first section (Taishet-Skovorodino) completed by the end of 2009. Putin made this announcement just before the start of an emergency session of the EU to consider actions to take against Moscow in the wake of the crisis in Georgia. The British *Daily Telegraph* suggested that Putin made this statement to “intensify the Kremlin’s pressure on Europe over energy supplies.”

Moscow is unlikely to find support for its Georgian adventure in Northeast Asia. Recent events have shown how far the Chinese government is prepared to go in backing Moscow. The Japanese government, in line with Washington and Europe, condemned the incursion into Georgia and demanded that Moscow fully implement the six-point peace plan brokered by French President Nicolas Sarkozy. In late September, Moscow did host South Korean President Lee Myung-bak for a three-day state visit. In Moscow, President Lee had alongside him representatives from a number of Korean energy firms that signed big contracts with Russian energy firms, most notably a 30-year, \$90 billion deal with Gazprom for the delivery of Siberian gas to South Korea. Given that the deal calls for a trans-Korean pipeline, the agreement is anything but set in stone. There was also a revival of the dormant talks on a trans-Korean railroad, meant to ferry Asian goods to Europe via the trans-Siberian railroad. Again, because this project entails North Korean cooperation, it is still a highly tenuous concept. Moscow looks to South Korea as a potential strategic partner since it could prove to be a useful partner as a bulwark against China and Japan. For now this is highly unlikely, but it is at least a possibility for Russia, given the Kremlin’s concern about China’s rise and the frozen state of Japanese-Russian relations. For the United States’ allies and partners in East Asia, Russia appears to be largely an afterthought, apart from energy cooperation.

### **Looking ahead**

Russia will be closely following the U.S. presidential election. The sentiment largely lies with Obama, given McCain’s remarks about expelling Russia from the G8, and his dismissal of Vladimir Putin as a mere KGB agent. As bad as the image of Washington is in Russia, the majority of the Russian people desire good relations with the United States. Meanwhile U.S. Assistant Secretary of State for European Affairs Daniel Fried has said that Russia will face a “very strong reaction” from Washington and others if it does not meet an October 10 deadline to withdraw troops from “security zones” around Georgia’s breakaway regions of South Ossetia and Abkhazia. It remains to be seen what will come of this. Meanwhile, the Iranian nuclear issue needs to be addressed by the end of the year, otherwise, Iran could become a *de facto* nuclear power like North Korea. Given the lame-duck status of the Bush administration, this seems unlikely.

## **Chronology of U.S.-Russia Relations July-September 2008**

**July 2, 2008:** The Russian Duma approves the so-called 123 Agreement, wherein the U.S. provides aid to help Russia dismantle its nuclear, chemical and other weapons.

**July 7, 2008:** Russian President Dmitry Medvedev meets President George W. Bush on the sidelines of the G8 Summit in Toyako, Japan.

**July 8, 2008:** The U.S. and the Czech Republic agree on the installation of a radar station in the Czech Republic, linked to a wider missile defense system in Eastern Europe. The next day President Medvedev states that he is “extremely disappointed” with the U.S. decision.

**July 15, 2008:** The U.S. government criticizes Moscow for having violated Georgian airspace while sending fighter jets over South Ossetia on July 10.

**July 22, 2008:** Venezuelan President Hugo Chavez visits Moscow to meet President Medvedev and Prime Minister Putin. Chavez calls for a “strategic alliance” with Russia aimed at the U.S.

**July 23, 2008:** Foreign Minister Sergei Lavrov meets Secretary of State Condoleezza Rice at the ASEAN Regional Forum in Singapore.

**Aug. 7-8, 2008:** In response to Georgian attacks on Ossetian separatists, Russian troops invade and occupy South Ossetia and from there launch attacks into Georgia proper.

**Aug. 13-14, 2008:** President Bush sends a small contingent of U.S. troops to Georgia to oversee a “vigorous and ongoing” humanitarian mission.

**Aug. 14, 2008:** The U.S. and Poland agree to a deal in which Poland would accept 10 missile defense interceptors, part of a wider regionally-based missile defense system.

**Aug. 14-15, 2008:** Secretary of State Rice travels to France to launch talks aimed at bringing about a cease-fire in Georgia. She then travels to Tbilisi to demonstrate U.S. support for Georgian President Saakashvili.

**Aug. 20, 2008:** In an editorial in the *Wall Street Journal* Foreign Minister Lavrov writes, “the U.S. will have to choose between its virtual Georgia project and its much broader partnership with Russia.”

**Aug. 24, 2008:** A U.S. Navy destroyer, the *USS McFaul*, arrives at the Georgian Black Sea port of Batumi to dispense humanitarian aid to that country. Two more U.S. ships will follow.

**Aug. 25, 2008:** President Medvedev warns that Russia would be prepared to sever all ties with NATO in response to that alliances’ suspension of cooperation with Russia.

**Aug. 26, 2008:** Russia recognizes the breakaway Georgian regions of South Ossetia and Abkhazia as independent states.

**Aug. 28, 2008:** Prime Minister Putin gives a lengthy interview on the U.S. network CNN, in which he blames people in the U.S. for creating and fanning the Russia-Georgia conflict.

**Aug. 28, 2008:** The Shanghai Cooperation Organization Summit opens in Dushanbe, Tajikistan.

**Sept. 3, 2008:** The White House announces that it will extend a \$1 billion economic aid package to Georgia.

**Sept. 4, 2008:** Vice President Dick Cheney arrives in Tbilisi to demonstrate U.S. support for Georgia and President Saakashvili.

**Sept. 5, 2008:** The flagship of the U.S. Navy's Mediterranean fleet, the *USS Mount Whitney*, arrives at the Georgia port of Poti to deliver more humanitarian aid to the city that was bombed and shelled by Russian forces in August.

**Sept. 18, 2008:** Secretary Rice says the U.S. and her allies must stand up to "bullying" by Moscow, and that Russia is becoming "increasingly authoritarian at home and aggressive abroad."

**Sept. 22, 2008:** Chairman of the Joint Chiefs of Staff Adm. Mike Mullen calls for continued engagement with Russia, in spite of differences in Georgia and elsewhere.

**Sept. 24, 2008:** Secretary Rice and Foreign Minister Lavrov meet in New York to discuss strategic issues. The two focus on Georgia and Iran.

**Sept. 25, 2008:** Daniel Fried, U.S. assistant secretary of state for European Affairs, warns that Moscow will see a "very strong reaction" from Washington and its allies if Russia does not meet an October 10 deadline to withdraw troops from security zones around Georgia's breakaway regions of South Ossetia and Abkhazia.

**Sept. 26, 2008:** At the UN, the foreign ministers of the five permanent members of the Security Council, plus that of Germany, agree on a draft resolution on Iran's nuclear program calling for Iranian compliance with earlier agreements.

**Sept. 28-30, 2008:** South Korean President Lee Myung-bak visits Moscow to discuss economic and energy cooperation with Russia in the Far East.