

U.S.-Russia Relations:

## A Chilly Fall for U.S.-Russia Relations

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While leaders in the United States and Russia profess a continuing partnership in the war on terrorism and foster a growing energy relationship, strains have become apparent during the past three months. The first evidence of a rift came with the long-expected arrest in October of Russian oil magnate Mikhail Khodorkovsky, seen in both Moscow and Washington as a proponent of improved relations with the U.S. Another strain appeared after the December parliamentary elections in Russia, in which the pro-Putin United Russia Party gained a major victory. Two nationalist parties also scored big gains, while the two most Western-leaning, reformist parties suffered a crushing blow and failed to even gain the minimum 5 percent level of votes to assure proportional representation in the Duma. The U.S. government even went so far as to question the fairness of the elections. Other, more usual, complicating factors have caused some friction: Chechnya, Central Asia, and Iraq. But in three areas Russia and the U.S. continue to cooperate: nonproliferation, energy, and the war on terrorism. It remains to be seen how long the two nations can continue to smooth over frictions in the quest to cooperate on large-scale strategic issues.

### **Russia's Political Autumn**

The two major political events of the fall in Russia were Khodorkovsky's arrest and the Duma elections. Khodorkovsky's arrest was carried out in the fashion of a Hollywood spectacle. Masked gunman burst onto the magnate's parked plane and drew weapons before putting him in handcuffs and dragging him into custody. In recent months Khodorkovsky, chief of Yukos Oil and Russia's richest man, had strongly championed democratic principles and openly questioned how far Russia had actually traveled down the road to democracy. In an interview with *Fortune Magazine* during the summer, he proclaimed, "I'm going to try to buy a democratic future for my country ... And I have enough money and energy to do that." At the same time the Kremlin began questioning the legality of Khodorkovsky's acquisition of wealth during the 1990s.

Following Khodorkovsky's arrest, the Western press strongly criticized the Russian government. Khodorkovsky was somewhat of a poster boy for many in the West. Articulate, charming, and open, Khodorkovsky was the antithesis of the typical Russian oligarch normally envisioned in the West. Khodorkovsky had spread some of his wealth around Washington, notably to lobbying services. He was seen by some as Washington's

“most influential agent in Moscow.” The reaction of the U.S. government has been somewhat muted, although some criticism has filtered out. As usual, the actual situation in Russia is far less black and white than is often made out in the press. Khodorkovsky’s wealth was in fact probably acquired using fairly dubious methods, and he publicly let on as much on several occasions.

Western-leaning politicians, and others within the Russian government are quite disturbed by the arrest and they warn of dark days for Russia. An official statement by the Union of Right Forces (not coincidentally one of the recipients of Khodorkovsky’s largesse) said that, “It is obvious to us that the Khodorkovsky and Yukos cases are a political contract hit.” The liberal Yabloko party joined in the criticism and its leader Grigory Yavlinsky bluntly said the government of President Vladimir Putin was nothing but a regime of “Stalinist capitalism.” Even Communist leader Gennady Zyuganov said that Khodorkovsky was not being prosecuted for economic crimes, but for his political ambitions.

The official U.S. reaction was cautious, but concerned. U.S. Ambassador to Russia Alexander Vershbow said, “We won’t comment on the legal basis for Khodorkovsky’s detention, it would appear though, that the law is being applied selectively at the very least.” State Department spokesman Richard Boucher added, “We are concerned about the potentially negative implications for the rule of law [in Russia].” Others in Washington are less concerned about diplomatic niceties, including Arizona Sen. John McCain who has warned of “a creeping coup against the forces of democracy and market capitalism in Russia.” Both McCain and neo-conservative icon Richard Perle have called for the Bush administration to not invite Vladimir Putin to the G-8 summit scheduled for the spring of 2004 in the U.S. The American press has been equally vitriolic. A *Washington Post* editorial page asked the age-old question: “Who lost Russia?” The *New York Post* commented that there seemed to be “something rotten in Russia.” A *Wall Street Journal* headline announced that the “Arrest of Yukos Chairman Imperils Russia’s Revival.”

The Bush administration has been somewhat reluctant to criticize its newfound strategic partner. In an editorial in the *Washington Post*, former U.S. ambassador at large for the Commonwealth of Independent States, Stephen Sestanovich, wrote about this dilemma: “White House and State Department (CIS) officials think they can’t be totally silent as Russia takes an authoritarian turn, but they don’t want to jeopardize President Vladimir Putin’s support on front-burner national security problems.”

The Dec. 7 Duma elections also raised eyebrows in the West. Europe’s reaction to events unfolding in Russia has been particularly negative. The elections were monitored by the Organization for Security and Cooperation in Europe (OSCE). The OSCE polling agents suggested the vote was tainted because the Kremlin had allowed state resources to be released in order to support the United Russia Party, whose main ideology appears to be its loyalty to Putin. The Bush administration could not completely ignore the unfolding events. In reaction to the elections White House spokesman Scott McClellan said, “The OSCE ... expressed concerns about the fairness of the election campaign. We share those

concerns.” Russia’s leaders were not immune to the criticism and they lashed out at the West’s “double standards” and “interference in Russia’s internal affairs” (Foreign Minister Ivanov).

### **Other Problem Areas**

Shortly after his return from the United States early in the fall, Putin granted a long interview to *The New York Times*, in which he spoke of the U.S.-Russian relationship. Although Putin spoke of the partnership as a natural fit, and said that it is a “strategic choice” for Russia, he went on to say that Russia did not agree with U.S. policy either in Iran or Iraq. A few days later during a visit to the U.S., Russian Defense Minister Sergei Ivanov let his hosts know how uncomfortable Russia feels about the U.S. military presence in Central Asia. He went on to state that the Russian government expects the U.S. to withdraw from bases in former Soviet republics in Central Asia once antiterror operations in Afghanistan are complete.

Furthermore, during Ivanov’s visit, which was part of a summit of NATO defense ministers in Colorado, the Kremlin unveiled its new doctrine for Russian military preparedness in the 21<sup>st</sup> century. According to the new doctrine Russia announced that it is prepared to use preemptive strikes against *perceived* threats and will continue to mobilize its nuclear arsenal to deter instability along its own borders. Ivanov, however, pointed out that a large-scale war with the U.S. or other NATO members has “been excluded from the spectrum of the most probable conflicts.” Upon his return, in an interview with the Moscow weekly *Moskovskiy Komsomolets*, Ivanov said that he felt Russia and the U.S. could not be called allies, though they are “certainly not enemies.”

In an October interview with the Arab-language *Al Jazeera* network, Putin emphasized a “multipolar” world viewpoint, an obvious reference to Russia’s displeasure with what is perceived around the world as a U.S. penchant to unilaterally manage global affairs. Shortly thereafter, however, Defense Minister Ivanov declared that Russia reserves the right to intervene militarily within the CIS in order to settle disputes that cannot be solved through negotiation. Putin added, in a similarly unilateral vein, that the pipelines carrying oil and natural gas to the West are Russia’s prerogative to maintain in order to protect its national interests, “*even those parts of the system that are beyond Russia’s borders.*” (Emphasis added.)

A headline in the Russian daily *Nezavisimya Gazeta* suggested that Moscow and Washington are “No Longer Enemies, But No Longer Friends.” A long, investigative article in the *Moscow Times* in late December speculated that Washington was unhappy with the growing power in Moscow of the *siloviki* (the group of former KGB agents now working close with Putin in the Kremlin). Furthermore, the article hinted that the *siloviki* hoped to leverage the new petro profits into a modern defense arsenal and that a new cold war could be imminent. The same idea was published in a Russian-language article in the on-line news service *Polit.ru*.

Early in the fall the U.S. government quietly opted not to renew a five-year agreement with Russia on the Nuclear Cities Initiative (NCI), a U.S. Department of Energy effort that has channeled \$87 million into business development at three once-secret cities devoted to nuclear weapons R&D. This program, which expired on Sept. 22, helped to steer thousands of Russian weapons scientists into civilian work. The decision to drop the program was made when U.S. officials expressed concern about legal issues with Russian civilians involved in the program. U.S. Secretary of Energy Spencer Abraham reaffirmed his department's desire to continue the program by releasing an additional \$9 million to pay for a medical imaging center at a former nuclear research site. Given that this was but a provisional arrangement, the program's days appear to be numbered.

The touchy issue of visas became again a source of strain in the U.S.-Russian relationship. The strict guidelines involved with the issuing of visas for Russian citizens hoping to visit the U.S. became even more complicated when the State Department announced that henceforth all applicants would have to be fingerprinted. In early December, more fuel was added to the mix when the United States decided to bar the businesses of nations opposing the U.S. operation in Iraq from participating in that nation's reconstruction. The biggest targets of this decision were France, Germany, and Russia. One press report suggested that Russia was woken up by a "slap in the face." This issue was particularly vexing for many Russian companies long involved in Iraq that were effectively barred from bidding on up to \$18.6 billion worth of contracts to rebuild Iraq. Many in Russia referred to the sanctions list as "Wolfowitz's list."

### **The Middle East, the Caucasus, and Energy**

Friction notwithstanding, the United States and Russia continue to work together when it is strategically expedient. There are signs that Moscow is slowly changing its stance on Iran. Russian officials began pressuring leaders in Teheran to make good on promises to open their nuclear facilities to international inspection. The Kremlin also threatened to halt an \$800 million deal to build a reactor for a power plant if Iran refused to allow inspections. To the north of Iran in Georgia, there were also signs that the United States and Russia were prepared to cooperate. Leaders from the two countries worked behind the scenes to resolve Georgia's political crisis, especially as it became clear that Eduard Shevardnadze might be willing to shed blood in his effort to maintain power. Russian Foreign Minister Ivanov played a key role in mediating between the opposition and Shevardnadze, after weeks of protests over disputed parliamentary elections. As part of this effort Secretary of State Colin Powell spoke often by telephone with Ivanov.

Additionally, in November Moscow and Washington reached an agreement to collaborate in returning weapons-grade uranium to Russia from vulnerable nuclear reactors in the former USSR. The plan to repatriate the highly enriched uranium (HEU) coincides with their cooperation in the war on terrorism. HEU is attractive to terrorists because it can be fashioned into a crude nuclear device with relative ease.

The area of greatest collaboration between Moscow and Washington continues to be in the energy sector. U.S. Ambassador to Russia Vershbow termed the Russian-U.S.

partnership in energy sector “almost ideal.” As mentioned in last quarter’s *Comparative Connections* article, “Energizing the Relationship,” the Russian oil firm LUKoil has opened a number of gas stations in New York and has plans to expand across the Mid-Atlantic states. New York Sen. Chuck Schumer was ebullient about the prospects of U.S.-Russian oil cooperation. Schumer trumped: “OPEC and Saudi Arabia have held New Yorkers in the palms of their hands for too long, jacking up our gas prices at will ... LUKoil’s huge investment in New York gives us a choice – an opportunity to cut our reliance on Middle East oil without having to drive our cars any less.”

## **East Asia**

Putin continues to pay great personal attention to Russia’s policy in East Asia. During his lengthy visit to Malaysia and Thailand, Putin called on all APEC members to invest in Siberian and Russian Far East development. He particularly urged investment in Russia’s oil and gas complex, as this area is “strategically important for Russia.”

There is speculation that the Kremlin is playing Japan and China off one another in an effort to have a Far Eastern oil and gas pipeline financed. This indeed may be the case, but Russia should be given credit for pursuing positive relations with both nations. Although Chinese leaders have expressed frustration about the Russian decision to delay the start of the Angarsk-Daqing pipeline from Siberia to Northeastern China, Chinese-Russian trade has greatly increased and is expected to amount to \$14 billion in 2004. The bilateral trade level between the United States and Russia remains about \$10 billion annually. And Moscow continues to pursue a positive course in relations with Japan, in spite of the festering malaise of the territorial dispute. In a December visit to Tokyo, Russian Prime Minister Mikhail Kasyanov made a call for Japanese businesses to increase trade and investment in Russia. Although Japanese leaders urged Russia to abandon plans for a pipeline to China, and to expand energy ties with Japan instead, Kasyanov remained noncommittal. But he did stress that investment in Russia’s energy complex would benefit the entire Asia-Pacific region.

Putin’s visit to Southeast Asia for the APEC summit coincided with continuing efforts by the Russian military industrial complex to expand arms sales in the region. In August, Malaysia made an order for 18 *Sukhoi-30* aircraft worth more than \$400 million. In December Vietnam also reportedly signed a deal for \$100 million to purchase four *Sukhoi-30s*.

Russian diplomats continue to play an active role in the Korean Peninsula standoff, hoping that any settlement will be reached with Russian participation, which they hope will lead to some sort of financial gain for their country. They have remained firm in their support of the U.S. position that the DPRK must abandon any nuclear program. For the most part U.S. and Russian interests in the Asia-Pacific continue to be in alignment.

The year 2003 was a year in which the U.S.-Russian strategic partnership weathered some very tough spots, but the longer the framework remains in place, the more solid it is bound to become. As the upcoming Russian presidential election seems to be a foregone

conclusion, the November 2004 U.S. presidential elections will set the tone for the U.S.-Russian relationship for the next few years to come. For now, it seems that the leadership of both nations is committed to staying the course, in spite of a few hiccups along the way. Strategic issues continue to trump disagreements about issues such as human rights and free elections. This could change after 2004.

### **Chronology of U.S.-Russia Relations October-December 2003**

**Oct. 6, 2003:** Putin grants a long interview to *The New York Times* and speaks of the U.S.-Russian relationship, which he describes as a natural fit and says a “strategic choice” for Russia; he further says Russia does not agree with U.S. policy either in Iran or Iraq.

**Oct. 8-9, 2003:** Defense Minister Sergei Ivanov attends NATO Ministers of Defence meeting in Colorado. Participants review the Alliance’s transformation in the context of the future security environment at an informal meeting. During Ivanov’s visit, Kremlin unveils new doctrine for Russian military preparedness in the 21<sup>st</sup> century.

**Oct. 4, 2003:** According to a Public Opinion Fund survey only 29 percent of Russians believe President Putin’s September visit to the United States yielded important results.

**Oct. 8, 2003:** Moody’s Investor’s Service upgrades Russia to “Baa3” from “Ba2,” surprising the market and prompting a rally in Russian bonds and stocks.

**Oct. 9, 2003:** At a summit between Putin and visiting German Chancellor Gerhard Schroeder, Defense Minister Sergei Ivanov declares that Russia reserves the right to intervene militarily within the Commonwealth of Independent States (CIS) to settle disputes that cannot be solved through negotiation. Ivanov also says that his government expects the American military to withdraw from bases in two former Soviet republics in Central Asia once the mission in Afghanistan was completed.

**Oct. 15, 2003:** Putin leaves Moscow on a 10-day trip to Malaysia, Thailand, and Kyrgyzstan. During the trip Putin attends the APEC summit in Bangkok and calls on APEC members to invest in the development of oil and gas resources of Russia’s Far East and East Siberia.

**Oct. 20, 2003:** Putin meets with Japanese Prime Minister Koizumi in Bangkok to discuss North Korea and bilateral trade relations.

**Oct. 25, 2003:** Russian special forces arrest the head of Russia’s largest oil producer, Mikhail Khodorkovsky, and prosecutors in Moscow charge him with tax evasion and fraud.

**Oct. 27, 2003:** In an interview in *Moskovskiy Komsomolets* Defense Minister Ivanov states that Russia and the U.S. cannot be called allies at this point.

**Oct. 27, 2003:** State Department spokesman Richard Boucher questions whether Russian laws were being enforced selectively following the arrest of Khodorkovsky.

**Oct. 26, 2003:** Ambassador to Russia Vershbow says, “We won’t comment on the legal basis for Khodorkovsky’s detention, it would appear though, that the law is being applied selectively at the very least.” State Department spokesman Richard Boucher also adds, “We are concerned about the potentially negative implications for the rule of law [in Russia].”

**Nov. 7, 2003:** Moscow and Washington reached an agreement to collaborate in returning weapons-grade uranium to Russia from vulnerable nuclear reactors in the former USSR. In a brief meeting with Russian Atomic Energy Minister Alexander Rumyantsev and Secretary of Energy Spencer Abraham in the White House, President Bush calls for a continuation of U.S.-Russian programs in the sphere of nuclear materials security.

**Nov. 8, 2003:** U.S. and Russia agree to collaborate in returning weapons-grade uranium to Russia from vulnerable nuclear reactors throughout the former Soviet Union.

**Nov. 18, 2003:** FM Igor Ivanov criticizes U.S. “excessive” tendency to use force and said the violence raging in Iraq had confirmed that Russia was right in opposing the U.S.-led toppling of Saddam Hussein.

**Nov. 20, 2003:** After Nov. 2 election results are invalidated, Georgian President Eduard Shevardnadze leaves office in the face of wide public protests.

**Dec. 7, 2003:** Russian parliamentary elections yield an overwhelming victory for the pro-Putin political party United Russia. Large gains are also registered by two nationalist parties. The Bush administration joins European human rights officials in expressing concern about the fairness of the elections.

**Dec. 8, 2003:** In reaction to the elections White House spokesman Scott McClellan said, “The OSCE ... expressed concerns about the fairness of the election campaign. We share those concerns.” FM Ivanov later lashes out at the West’s “interference in Russia’s internal affairs.”

**Dec. 9, 2003:** U.S. bars French, German, and Russian companies (and other non-supporters of the war) from competing for 18.6 billion in reconstruction contracts in Iraq.

**Dec. 10, 2003:** U.S. Embassy officials start fingerprinting Russian citizens hoping to visit the United States, which exacerbates the already tense visa issue in U.S.-Russian relations.

**Dec. 16, 2003:** PM Mikhail Kasyanov arrives in Japan for a three-day visit. He meets with PM Koizumi, FM Kawaguchi Yoriko, and top Japanese officials on trade and energy issues.

**Dec. 22, 2003:** Putin tells a visiting Iraqi delegation that Moscow is ready to write-off more than half of the \$8 billion that Iraq owes Russia.