



**U.S.-Russia Relations:
Laying the Groundwork**

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President Barack Obama traveled to Moscow in early July to meet the Russian leadership, the political diarchy of President Dmitry Medvedev and Prime Minister Vladimir Putin. The meetings were conducted in a cordial atmosphere, but this particular summit stood out from summits of the past two decades between U.S. and Russian leaders: there was no backslapping camaraderie or use of first names. Obama conducted the visit with a minimum of pomp and a maximum of professionalism. His job was to assess the state of U.S.-Russian relations, assess the leadership situation in Russia, and to decide on the best path to improve bilateral relations. Although most of the headlines stated that the results of the summit were “mixed,” Obama seems to have achieved what he wanted and laid the groundwork for achieving normalcy in relations for the next six months or so. The most pressing issues, however, remain unresolved, and it is not clear if progress can be sustained beyond the end of the year.

Moscow meeting

The Obama trip to Moscow was also different in another way: the Russian leadership decided to not treat this as a formal summit. Neither Putin nor Medvedev met Obama at the airport. There were no state dinners or formal agreements or treaties to be signed. Instead the occasion called for a balanced sizing-up process by the leadership of both sides. For the U.S., it was an opportunity to assess just who is calling the shots in Russia. On the eve of his overseas trip (which included later stops in Italy and Africa), Obama fired a shot across the bow by stating that while Medvedev seems to be forward thinking, Putin still has “one foot in the old ways of doing business.” Putin brushed off the statement tersely and after a one-on-one meeting at Putin’s official residence, Obama said that he is “convinced the prime minister [Putin] is a man of today and he’s got his eyes firmly on the future.” During the breakfast meeting the two discussed the prickly issues of Georgia and Ukraine, two nations looking to the U.S. for support, but – in the Kremlin’s eyes – two nations still within Russia’s sphere of influence. Media attention seemed to be focused more on this meeting rather than the two Obama-Medvedev meetings. Most would agree that Putin is still the primary power broker in Russia.

Obama did have two official meetings with President Medvedev. Arms control and Eurasian security issues dominated the agenda. Over the past several months, teams from the two nations have been earnestly negotiating an extension of the START-1 treaty, which is due to expire in December this year. Barring an extension, they hope to negotiate a new framework for arms control. Arms control agreements have been the low-hanging fruit in bilateral discussions for

decades. When all else fails, the two nations can agree that the spread of nuclear weapons and the growth of each nation's nuclear forces are inimical to both sides. Presidents Obama and Medvedev agreed to a framework for an agreement, but nothing concrete. Both sides will reduce their strategic nuclear warheads to 1,500-1,675 within seven years of a new treaty coming into force. This new agreement would be negotiated before START expires and would run for 10 years. Under the 2002 Moscow Treaty (or SORT), both sides agreed to reduce arsenals to these levels, but there was no verification process, unlike START and any new treaty.

This gentlemen's agreement looked fine in front of television cameras in the Kremlin's gilded hall, but there is no certainty that the two sides will ink a treaty before the end of the year. Moscow wants to link nuclear force negotiations to the missile defense system the U.S. and NATO are planning to build in Eastern Europe. Washington, for its part, wants to link the missile defense system to Russian cooperation on Iran policy. The U.S. can more afford to do without an extension of START than can Russia: U.S. conventional forces are clearly superior to those of Russia, and Moscow relies more and more on its nuclear deterrent as its sword and shield. This is a reversal of roles from the Cold War. Also, the U.S. can outspend Russia on nuclear warheads and delivery systems. Additionally, while Washington is willing to give up warheads, it is less willing to give up delivery vehicles (Russia wants to limit these to 500 for each side; Washington wants 1,100). The U.S. routinely uses strategic delivery platforms for conventional munitions strikes in the war on terror and in regional conflicts. Moscow does have a significant advantage in tactical nuclear weapons (thousands versus hundreds for the U.S.), and voices in the West are calling for Russia to come to the table willing to dispense with many of these weapons.

As for an extension of START, President Medvedev said Moscow's conditions include: a ban on deploying nuclear arms in space; making it impossible to compensate for a cut in nuclear arms by building up conventional forces; and making sure nuclear weapons are destroyed and not just stockpiled (which the U.S. does). President Obama refused to link missile defense to nuclear cuts, although there was some speculation that he might do so. He held his ground on this issue and the two sides continued to agree to disagree. It is therefore not clear whether the two will be able to come up with a treaty or an extension by December.

The two sides did agree on cooperation in Afghanistan. The Russian government announced that it would allow U.S. military goods to transit overland from Russia to Afghanistan (they have allowed the transit of nonmilitary goods since March). Medvedev also agreed to grant overflight rights to U.S. military and contractor aircraft (up to 4,500 flights per year), saving the U.S. up to \$133 million per year in transportation and logistical costs. The two leaders agreed to resurrect a joint body that was established in the 1990s, the U.S.-Russia Bilateral Presidential Commission – better known as the Gore-Chernomyrdin commission. This commission will help to advance bilateral cooperation in the energy (conventional and nuclear) field, in arms control, in combating terrorism, in anti-narcotic efforts, and in efforts to boost business and scientific links. The commission will be chaired by Obama and Medvedev and be coordinated by Secretary of State Hillary Clinton and Foreign Minister Sergei Lavrov.

Although progress in Moscow was palpable in atmospherics, the most divisive issues remain – for the most part – unresolved. Perhaps the issue most vexing to Russia has been the status of

Georgia and Ukraine as potential members of NATO. NATO exercises conducted in Georgia in May caused indignant protests in Moscow. Russia reacted with its own military exercises in the shadow of the Caucasus in June and July. After his meeting with Putin, Obama said that he found the Russian prime minister to be “tough, smart, shrewd, very unsentimental, very pragmatic. And on areas where we disagree, like Georgia, I don’t anticipate a meeting of the minds anytime soon.” This probably best sums up the position of both governments with regard to Ukraine, as well.

The rancorous debate on a European-based missile defense system continues to hover over the relationship. In testimony before the Senate in June, Secretary of Defense Robert Gates hinted that portions of the system, including an advanced radar facility, could be sited on Russian territory. This was met with denial by the Russian Foreign Ministry the next day. In the weeks leading up to his Moscow trip, speculation mounted that President Obama might be willing to give up the Eastern European facilities in return for Russian cooperation in Iran. In February, Obama reportedly penned a letter to Medvedev suggesting such a compromise. But at the summit it was clear that even if Moscow wanted to cooperate, it has little leverage in Tehran, other than the ability to agree to UN sanctions, and the Kremlin has made it clear that sanctions are not an option. Obama and his team agreed to push forward with the missile defense system as planned, and he told Medvedev that the U.S. and its partners planned on having the system deployed by 2013. Obama and Medvedev said that the two governments would continue to discuss this issue, but it seems that negotiations have gone as far as they can for the time being.

On the whole, the Moscow meeting can be seen as a success for the United States. President Obama was able to meet with the Russian leadership, and more importantly, he was able to reach out to all groups, including opposition politicians (almost an oxymoron in Russia), citizens, and students at an elite economics school. He made pains to stress that U.S.-Russian relations are more about the two societies than just government-to-government relations. Under his predecessors George Bush and Bill Clinton, relations seemed top-heavy at times. Obama also made pointed references to the development of a civil society based on legal rights, as well as rejecting the premise of spheres of influence and Cold War thinking. In a speech in Moscow he said, “This must be more than a fresh start between the Kremlin and the White House...It must be a sustained effort among the American and Russian people to identify mutual interests and expand dialogue and cooperation.” Most Russian pundits were unimpressed with Obama’s performance, but at least one expert praised the president, saying that “[Obama] made all the right sounds in a very respectful way,” and that, “It’s not only a change in tone. It was a change in substance ... the new agenda is much broader than ever.”

Economics and energy

This broader agenda includes much more than was discussed at the Moscow meeting. Economic cooperation, trade, and investment are all growing – in spite of the political atmosphere – but the levels are still relatively small. Bilateral trade last year was \$36 billion, which is an all-time high, but it pales in comparison to U.S. trade figures with North American and Asian partners. Russia accounts for roughly 1 percent of U.S. imports and exports. The U.S. accounts for about 3 percent of Russia’s exports and 4 percent of its imports. China, meanwhile, overtook Germany and the Netherlands in the first quarter of 2009 to become Russia’s largest trade partner. U.S.

foreign direct investment in Russia (\$6 billion between 2000 and 2008) continues to focus on mining and energy, not manufacturing, which is more conducive to domestic growth. Whatever economic compatibility there may be cannot always overcome geography. Simply put, Russia trades mostly with its neighbors, as does the United States.

In Moscow, many continue to blame the U.S. for the onset of the economic crisis and the stagnant growth in Russia. The Russian government surprised the world when it announced this spring that it would henceforth seek World Trade Organization (WTO) membership (which it has sought for 16 years) only through a customs union with Belarus and Kazakhstan. Some claim that this could put off Russian membership even further down the road. But others point out that Russia has little to gain from WTO membership at this stage since the large majority of its exports are natural resources, which remain primarily outside the WTO framework. Additionally, Russia's economy is annually ranked among the least open, and it has leeway to impose duties and taxes on imports, which add to the national treasury and protect domestic industries (an example being the excise tax on imports of used Japanese vehicles imposed earlier this year in the Far East). Meanwhile, Washington – or more precisely the U.S. Congress – refuses to nix the Jackson-Vanick amendment or ratify the bilateral investment treaty that the two heads of state signed in 1992. Washington probably stands to lose more than Moscow from Russia's WTO exclusion. In what seems to be a recurring pattern, U.S.-Russian relations come back to zero-sum mathematics. One side wins and the other side gives concessions.

One issue that is a win-win is the joint effort to combat nuclear proliferation. The facility at Shchuchye in Siberia near the border with Kazakhstan was officially opened in May after more than a decade of joint U.S.-Russian planning. It was built with \$1 billion of U.S. aid and is destined to destroy huge stockpiles of artillery shells filled with deadly nerve agents. As mentioned, Washington is also concerned about Russia's tactical nuclear weapons dispersed throughout the country (estimated to number over 3,000) due to the risks of proliferation of nuclear material. The facility at Shchuchye would help dismantle such weapons. In May, the Russian firm Techsnabexport (Tenex), a unit of the state-owned nuclear power company Atomenergoprom, signed a \$1 billion deal to supply U.S. electric utilities in California and Texas with nuclear fuel for electricity generation in nuclear power plants.

Eurasia

Iran was a focus of discussion at the Moscow meeting between Presidents Obama and Medvedev, but as with missile defense, the issue was basically kicked down the road. As Obama promised to be open about missile defense, Medvedev – though acknowledging that Tehran was a growing concern for Russia – gave the same lip service to substantive discussions about Iran. Meanwhile, Adm. Michael Mullen, chairman of the U.S. Joint Chiefs of Staff recently warned that Tehran was only a few years away from the development of nuclear weapons and that time was of the essence. But Russia appears to be in no hurry to resolve the issue. And the more that Iran remains an irritant to Washington, the less time U.S. leaders have to spend on issues like Georgia and Ukraine. Russia can expect economic dividends from exclusive economic arrangements with Iran. The problem for Moscow is that if and when there is a U.S.-Iranian *rapprochement*, Russia will likely be left in the cold.

The transit agreement that the two leaders signed in Moscow will go a long way toward the alleviation of logistical problems in Afghanistan. The Kremlin continues to support U.S. and International Security Assistance Force (ISAF) coalition operations in Afghanistan, but with a wary eye toward Central Asia. Well-publicized was the decision in February by the Kyrgyz government (with Russian support) to close the U.S. airbase at Manas, which has been a vital supply and transport link for ISAF operations in Afghanistan and across the region. The initial announcement was accompanied by an announcement of increased Russian aid for Kyrgyzstan and Russian access to another military base in that country. The same dynamics were in play back in 2005 when the Uzbek government forced the closure of a U.S. base there. But in what is becoming a common refrain in the region, the Kyrgyz government reversed its decision in June. It announced that a new cargo transit center would be opened at Manas International Airport (effectively keeping the base open). Thus, the U.S. military will be able to continue operating in Kyrgyzstan, but will pay an increased rent (\$60 million annually vs. \$17.4 million previously). Additionally an aid package worth roughly \$117 million was granted by the U.S. to Kyrgyzstan to help with facility improvements and antiterror efforts. The Russian government voiced its displeasure at the news of the deal and one unidentified Russian diplomat was quoted as saying that Russian had been “tricked” and that Russia would make an “adequate response” to the deal in the near future. But Medvedev publicly supported the deal saying that it was “good for the common cause [in Afghanistan].” The leaders of the Central Asian nations have become adept at playing Russia and the U.S. (and China) off of one another.

Northeast Asia

The DPRK nuclear test in May initially galvanized the five other members of the Six-Party Talks. Both Beijing and Moscow spoke about possible UN sanctions and even support for Proliferation Security Initiative (PSI) operations meant to interdict North Korean shipping. But this initial enthusiasm waned in ensuing weeks, as events like the Iranian presidential election, the surge in Afghanistan, and violence in Xinjiang took away attention from this pressing issue. If an Iranian link to the DPRK program (Iranian observers were said to be at the test) can be identified, then Moscow will be forced to make a decision to stand by the U.S. and its partners, or to be seen supporting the two pariah states. The decision by Moscow could ultimately hinge on China’s decision.

Prime Minister Putin visited Tokyo in May, his third visit to Japan since 2000. In Tokyo, he was accompanied by a delegation of Russian business leaders. The focus was ostensibly economic cooperation, but the territorial dispute dominated discussions between Putin and Prime Minister Aso Taro. Aso hoped to have hammered out some sort of territorial agreement in time for the G8 summit in Italy, but he was stonewalled both by the Russians and by conservative MPs in the Diet. Putin asked for Japanese cooperation in the economic development of the Russian Far East, and came with a list of projects in hand. Japanese businesses have a growing interest in the Russian market as evidenced by the opening of the Nissan assembly plant in St. Petersburg in June. Political relations, however, remain stagnant.

Upcoming agenda

U.S.-Russian relations have stabilized after having reached their nadir in the fall of 2008. President Obama is looking for a constructive relationship – but not a close partnership – with the Kremlin. His visit was a good first step. But the same issues that vexed relations in the fall of 2008 remain major sources of irritation, and no serious effort has been undertaken to alleviate them. Georgia remains a prime source of tension, and there is even talk of a renewal of war there this summer. Decisions will need to be made soon concerning the nuclear programs of Iran and the DPRK. Russia has been content to let these issues play themselves out, but with the latest DPRK test, the time may have come for action. If a definitive link between the two (Iran and the DPRK) can be made, a decision on action could be reached as soon as the fall. The missile defense system destined for Eastern Europe appears to be moving forward and there is little Russia can do. Moscow can, however, stall on START extension talks. However, as pointed out above, this may not be in its best interest. Nevertheless, START-1 expires on Dec. 5, and whether an extension or successor is inked will tell us much about the state of U.S.-Russian relations at the end of the year.

Chronology of U.S.-Russia Relations April-June 2009

April 1, 2009: In London President Barack Obama meets President Dmitry Medvedev for the first time ahead of a G20 summit to address the global economic crisis.

April 3, 2009: NATO holds its 60th anniversary celebration at a summit in Strasbourg, France. At the Strasbourg summit, President Obama criticizes the Russian “invasion” of Georgia, and states that “we can’t go back to the old ways of doing business.”

April 5, 2009: In a speech in Prague, President Obama promises to move forward with plans for a missile defense system based in the Czech Republic and Poland.

April 6, 2009: A Russian tanker delivers the first shipment of LNG from Russia’s Sakhalin-2 project to Japan.

April 15, 2009: Sen. Carl Levin, the chairman of the Senate Armed Services Committee, holds talks in Moscow with Russian Foreign Minister Sergei Lavrov to discuss arms control issues.

April 24, 2009: Introductory consultations on the renewal of the START-I treaty take place in Rome. Representing the U.S. is Assistant Secretary of State for Verification and Compliance Rose Gottemoeller. Representing Russia is Anatoly Antonov, director of the Foreign Ministry’s department for security and disarmament.

April 25-26, 2009: Russian Deputy Prime Minister and Finance Minister Alexei Kudrin travels to Washington, DC to attend a meeting of the G7/G20 finance ministers.

April 28, 2009: The Ford Foundation announces that because of the severe decline in its assets, it is closing its office in Moscow.

April 30, 2009: Two Russian diplomats are expelled from the NATO mission in Brussels over allegations of spying.

May 1, 2009: The Japanese government announces that it will give \$40 million toward an international project to dismantle decommissioned Russian nuclear submarines in the Far East.

May 6, 2009: The NATO Partnership for Peace *Cooperative Longbow-Cooperative Lancer 2009* peacekeeping exercises begin in Georgia. These involve 1,300 soldiers from 19 member-countries of the alliance. President Medvedev calls them an “open provocation.”

May 7, 2009: Foreign Minister Sergei Lavrov travels to Washington and meets counterpart Hillary Clinton, as well as President Obama, to discuss a wide range of security issues.

May 11-12, 2009: Prime Minister Putin visits Tokyo.

May 19-20, 2009: The first round of U.S.-Russian consultations on the renewal of the START-I treaty takes place in Moscow.

May 25, 2009: The DPRK conducts a nuclear test.

May 26, 2009: Russia’s Techsnabexport (Tenex), a unit of Russian state-owned nuclear power company Atomenergoprom, signs a \$1 billion deal to supply U.S. electric utilities in California and Texas with nuclear fuel for electricity generation in nuclear power plants.

May 29, 2009: Russia and the U.S. formally open a plant in Shchuchye, Siberia to destroy a huge stockpile of artillery shells filled with deadly nerve agents.

June 2-3, 2009: Second round of U.S.-Russian consultations on renewal of START-I takes place in Geneva.

June 10, 2009: In response to a statement issued the previous day by Secretary of Defense Robert Gates, Russian Foreign Ministry spokesman rejects reports that the U.S. is going to deploy elements of a missile defense system on Russian territory.

June 13, 2009: At a meeting of finance ministers from the G8 in Lecce, Italy, Russian Finance Minister Alexei Kudrin says that Russia has full confidence in the dollar and there are no immediate plans to switch to a new reserve currency.

June 16, 2009: Leaders of Brazil, Russia, India and China, the so-called BRIC countries, meet in Yekaterinburg, Russia to discuss their respective strategies to the world economic crisis. At the meeting President Medvedev criticizes the role of the dollar as international reserve currency.

June 22-23, 2009: Third round of U.S.-Russian consultations on renewal of START-I in Geneva.

June 23, 2009: Kyrgyz President Kurmanbek Bakiyev announces that his government reached a new agreement with the U.S. on the status of Manas Air Base in Bishkek. U.S. and ISAF forces will be able to continue using the airbase for non-military supplies for Afghanistan.

June 26, 2009: In Moscow, Adm. Michael Mullen, chairman of the U.S. Joint Chiefs of Staff, meets the chief of the Russian general staff, Gen. Nikolai Makarov, to discuss bilateral military cooperation and arms control.

July 6-8, 2009: President Obama and his family visit Moscow. He attends meetings with President Medvedev, Prime Minister Putin, opposition leaders, business students, and journalists.