



U.S.-Russia Relations: Thaw after Kosovo Marred by Money-Laundering Allegations

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From the nadir in U.S.-Russian relations since the Cold War occasioned by the NATO air campaign against Serbia, a slow improvement in ties could be detected during this period, even if Russia played the aggrieved party for all it was worth. Then the money-laundering scandal broke. The alleged involvement of Russia in the transfer of billions of dollars through U.S. banks, and claims of kickbacks to members of the Yeltsin family cast further shadows over Russia's image in the U.S. and in the West. The quarter ended amid signs of partial disengagement, further prompted by continued disagreement over a variety of arms control issues.

Stepashin in the U.S.

Buoyed by the anti-Western sentiment engendered by the NATO air campaign against Serbia and the popularity of the June 12 dash for Pristina airport, a hard-line and vocal element of the Russian defense establishment maintained a harsh critique of the U.S. for weeks after the Kosovo conflict ended. The rhetoric was toned down as preparations went ahead for the brief visit of the new prime minister, Sergei Stepashin, to the U.S. at the end of July. Stepashin took part in a session of the Russian-American Commission for Economic and Technological Cooperation, formerly known as the Gore-Chernomyrdin Commission and renamed the Gore-Stepashin Commission. Reconciliation was a major theme of Stepashin's speeches. The new prime minister made a favorable impression on his American hosts and generous praise was lavished on him by interlocutors who did not know that he had less than two weeks left in office. How could they, when Stepashin himself had no inkling of his brief tenure?

Thunder from the Military Lobby

Anti-U.S. and anti-NATO diatribes continued to emanate from military spokesmen even after the Stepashin visit to the U.S., and President Yeltsin felt obliged on more than one occasion to remind his armed forces that Russia's main security threat lay not in a large-scale attack from the West, but from smaller conflagrations along the country's borders. Meanwhile, friction surfaced between the Russian contingent on the ground in Kosovo and the troops of the other peacekeeping powers.

Russian-Chinese Summit

Towards the end of August, Boris Yeltsin made a rare trip abroad to Bishkek, the capital of Kyrgyzstan, where a Central Asian summit provided the venue for a Russian-Chinese summit. On his arrival, Yeltsin blurted out one of his unhelpful and almost incoherent remarks to the effect that he was fit and ready for a fight, and especially with the “Westernizers.” Foreign Minister Igor Ivanov interpreted this to mean that the president meant to criticize certain states (just whom could he have had in mind?) for their efforts to dominate world politics. Both Yeltsin and Chinese leader Jiang restated their joint opposition to U.S. plans to deploy a national missile defense system, and both attacked parallel efforts by Washington and Tokyo to develop theater missile defense systems.

Money-Laundering Scandal: “A Certain Invented Financial Scandal”

The money-laundering scandal burst upon an otherwise fairly quiet month of August. This appeared to involve the transfer of many billions of dollars from Russian sources through the venerable Bank of New York. New and more pungent revelations surfaced, it seemed, almost every day, and aspersions were cast not only on Russian mobsters but also on principal Russian banks, the Russian Central Bank, and on prominent personalities up to and including members of Yeltsin’s natural family as well as on “the Family.” It was further suggested that money from IMF loans had been laundered through the same channels. This led to congressional hearings and to impassioned reviews of the sorry state of Yeltsin’s Russia plus the reopening of the long-playing debate on “Who lost Russia?”

The initial response from the authorities in Moscow and from most of the Russian media was to denounce the money-laundering charges as a) an attempt to besmirch the fair name of Russia, b) a Republican trick to undermine Al Gore’s campaign for the presidency, or c) both of the above. The head of the presidential administration, Aleksandr Voloshin, dismissed the charges as “a certain invented financial scandal.” Towards the end of September, more specific allegations aimed at Yeltsin’s son-in-law, Leonid Dyachenko, surfaced that were taken more seriously by the Russian media.

Other Bilateral Issues

Russian Public Perception of America. A reputable public opinion research center found that, whereas in March 49 percent of Russian citizens polled thought “badly” of the U.S., by August 49 percent had a positive view against 32 percent with a negative view.

No Movement in Arms Control. Arms control negotiations in Moscow on September 7-8 focussed on proposed U.S. changes to the 1972 ABM Treaty and on moving forward START-3. Little progress was reported. Most Russian observers felt that the current Duma would not ratify START-2, despite their government’s urging.

Y2K Looms. Earlier in the year, the U.S. and Russian governments had agreed to set up a joint team at NORAD in Colorado Springs to monitor possible false alarms of missile attacks during Y2K. The Russian side suspended this, along with most other forms of cooperation, to show their anger over Kosovo. The Y2K agreement was reinstated on September 13. The U.S. authorities have been reluctant to help their Russian counterparts on

other possible computer malfunctions. The reasoning goes that computer malfunctions in Russia on January 1, 2000, are virtually inevitable and, with conspiracy theories abounding, many in Russia could attribute these mishaps to U.S. assistance.

Dagestan and Chechnya. As armed incursions from Chechnya into Dagestan grew in scope and intensity, and as federal security forces built up their strength along the border with Chechnya, the Russian government line was that the struggle was not aimed at Chechnya or the Chechens but against international Moslem terrorists. This played well in the U.S. and the EU, and Western criticism of the Russian military buildup was muted. Pious hopes were aired that excessive force would not be applied. In contrast to the vocal public disapproval of the War with Chechnya in the early nineties, the Russian people largely support the current military action due to a number of deadly apartment building bombings the government claims were perpetrated by Chechen militants.

Partial Disengagement?

By the end of September, relations between Moscow and Washington had improved appreciably from the low point reached over Kosovo. The allegations over money-laundering, however, provoked investigative reporters on both sides, but particularly in the U.S., into digging up many related cases of skullduggery in the new Russia. The congressional hearings, which started in September and were carried through to October, brought new revelations and evidence purportedly implicating members of the Yeltsin family. The charges might not stick, but could further sour U.S.-Russian ties.

With elections approaching in both countries, an element of disengagement has set in. No Gore-Putin Commission is apparently scheduled. The U.S. administration is defensive about its record in Russia, and waiting for Yeltsin to go. There is no talk of any further U.S.-Russian summit before the parliamentary and presidential elections in Russia (scheduled for December 19, 1999, and, probably, June 4, 2000, respectively). And the next Russian head of state (the current favorite is Yevgeni Primakov) may not wish to invest much political capital in meeting with a lame-duck U.S. president.

Chronology of U.S.-Russia Relations

July - September 1999

July 17, 1999: Prime Minister Sergei Stepashin, on a visit to Sevastopol, orders the Black Sea Fleet “to practice all measures to counteract...aggressive actions [similar to those] undertaken by NATO forces against Yugoslavia.”

July 25-28, 1999: Stepashin makes a generally favorable impression during his brief visit to the U.S., which includes a session of the Russian-American Commission for Economic and Technological Cooperation. The government newspaper *Rossiiskaya gazeta* opines “the almost four month-long cold spell has been replaced by a thaw, a thaw so necessary for the world climate as a whole.”

July 27, 1999: Referring to the U.S., Stepashin says: “We are entering the 21st Century. We must enter it as friends.”

July 27, 1999: Stepashin warns of a looming “humanitarian catastrophe in the heart of Europe,” if the U.S. and others maintain their opposition to aid for the Serbs while Slobodan Milosevic remains in power.

July 27, 1999: Foreign Minister Igor Ivanov dusts off Moscow’s call for the creation of an international order based “on the principles of a multipolar world.”

Aug 1, 1999: Roskhlebrodakt President Leonid Cheshinski recommends that Russia petition the West for more food aid, as imports of 14-15 million tons of grain will be needed.

Aug 2, 1999: Duma Foreign Affairs Committee Chairman Vladimir Lukin reckons that there is little chance of the Duma ratifying START-2 before January 2000.

Aug 3, 1999: Stepashin meets in Moscow with Milo Djukanovic, the pro-Western president of Montenegro, in another indication of Moscow’s shift away from unconditional support for President Milosevic.

Aug 5, 1999: The Russian Defense Ministry announces that Russia will not take part in the Partnership for Peace (PfP) *Peace Shield-99* exercises.

Aug 9, 1999: Russian President Boris Yeltsin fires Prime Minister Sergei Stepashin after less than three months in office and quickly names as his replacement Vladimir Putin, a former intelligence officer. Yeltsin endorses Putin as his candidate for president in next year’s election.

Aug 12, 1999: A network of international activists opens a drive to persuade Presidents Clinton and Yeltsin to “stand down” 2,500 ICBMs on both sides during Y2K.

Aug 25, 1999: On the eve of the Central Asian summit in Bishkek, Yeltsin speaks to reporters of his fitness and his readiness to do battle with “Westernizers.” In his helpful “clarification,” Ivanov says that the comment should be interpreted as criticism of certain states (read the U.S. and NATO) for their efforts to dominate world politics.

Aug 25, 1999: At the Yeltsin-Jiang summit within the Central Asian summit, both sides restate their joint opposition to U.S. plans to deploy a national missile defense system and to parallel efforts by Washington and Tokyo to develop a theater missile defense system in Asia.

Aug 27, 1999: Kremlin administration chief Aleksandr Voloshin warns the *New York Times*, the *Wall Street Journal*, *U.S.A Today*, and *Newsweek* to put an end to the “anti-Russian campaign of slander” in connection with a “certain invented financial scandal.”

Sept 2, 1999: Ivanov promises that the government will press the Duma to ratify START-2 when it reconvenes.

Sept 7-8, 1999: Two days of arms control negotiations in Moscow fail to break a deadlock over changes that the U.S. wishes to make in the 1972 ABM treaty. The Russian side also

reportedly proposes lowering ceilings for strategic warheads under START-3 to 1,000-1,500 and banning the deployment of sea-launched cruise missiles-both unacceptable to the U.S. side.

Sept 8, 1999: In a telephone conversation with President Clinton, President Yeltsin denies that he or his family had received kickbacks from the Mabetex firm.

Sept 12, 1999: Talks between President Clinton and Prime Minister Putin in New Zealand focus on the alleged Russian money-laundering scandal and on arms control.

Sept 13, 1999: The U.S. and Russia finalize an agreement establishing a joint center in Colorado Springs to monitor possible false alarms of missile attacks caused by Y2K.

Sept 16, 1999: U.S. Secretary of State Madeleine Albright warns the Russian government that it risks losing U.S. support for multilateral aid efforts-such as IMF loans-if it does not ensure that funding will be properly used. She also warns it against considering the postponement or cancellation of upcoming parliamentary and presidential elections.

Sept 18, 1999: Two Tu-95 MS “Bear-H” bombers show up on radar screens 200 miles from the Alaska coast. U.S. F-15s scramble to intercept, but the bombers turn away. It is the first such incident since 1993. The Russian Air Force expresses “surprise and regret” over the attempted intercept.

Sept 23, 1999: Ivanov states that commencing consultations on START-3 will help the ratification of START-2.