

Report for Congress

Received through the CRS Web

Russian National Security Policy After September 11

August 20, 2002

Stuart D. Goldman
Specialist in Russian and Eurasian Affairs
Foreign Affairs, Defense, and Trade Division

Russia's National Security Policy After September 11

Summary

Russian President Putin appears to have made a strategic decision to shift Russian policy toward cooperation with the United States and the West. This is a major departure from the policy that Putin inherited from his predecessors, which saw Russia as the leader of a coalition aimed at opposing U.S. "global domination."

Putin seized upon the events of September 11 to promote his new policy by: cooperating with the United States against Al Qaeda and the Taliban regime in Afghanistan; softening Russian opposition to NATO enlargement, including admission of former Soviet republics, and establishing a new cooperative relationship with NATO; acquiescing in U.S. decisions regarding withdrawal from the ABM Treaty, strategic nuclear force reductions, and missile defense; and closing Russia's large military intelligence base in Cuba.

The principal reason given by Putin for the new policy is that Russia must integrate with the West in order to reconstruct its own economy and achieve a decent living standard for its people. Putin also acknowledges Russia's weakness and inability to act globally in opposition to the United States. He may also have rejected as unwise, the previous policy of *de facto* alliance with China against the United States, instead seeing China as a possible long-term threat to Russia. Putin's new policy does not seem to enjoy strong support among Russian political elites, the military and foreign policy establishment, and the general public. Putin's overall political power and prestige, however, may be sufficient to sustain the policy.

The Bush Administration responded positively to the new Russian policy after September 11. The Administration, however, did not make many concessions on key issues related to arms control, missile defense, and NATO. It has been more forthcoming on some economic issues.

The implications of Russia's pro-western policy are overwhelmingly positive for the United States in the war on terrorism and in relations with Russia and China. Russia's strategic choice of integration with the West reduces the danger seen by some of Russo-Chinese cooperation against the United States. By depriving China of its erstwhile Russian partner, it may encourage China to seek improved relations with the United States – or risk geostrategic isolation.

Some sore points remain between Washington and Moscow in which Congress takes a strong interest, such as Russia's continued and possibly expanded plans to construct nuclear reactors in Iran, its support of Iraq, and its heavy-handed policy in Chechnya. There is also friction on some trade issues.

Critics of Bush Administration policy argue that it has not been sufficiently responsive to Putin and risks losing the new cooperativeness. Others reply that Russia has no choice but to continue its pro-western course, in view of Russia's weakness and its self-interest in integrating with the West. In this view, the endurance of Russia's pro-western policy ultimately may depend on Putin's success in reviving the economy and improving Russians' well-being.

Contents

Introduction	1
Background: The Primakov Vision	1
Russia's New Policy	2
Implementing the New Policy	3
Reasons for the New Policy	8
Domestic Political Context of New National Security Policy	12
Putin's Policy: Tactical Shift or Strategic Decision?	14
Bush Administration Responses	15
Implications for U.S. Interests	18
New U.S.-Russian Relationship	19
Cooperation Against Terrorism	19
WMD Proliferation	20
Arms Control and Missile Defense	23
NATO Enlargement and the NATO-Russia Council	24
Trade and Russian Debt	25
Relations with China	28
Competing Views of How the United States Should Respond to Russia's New National Security Policy	30

Russian National Security Policy After September 11

Introduction

Russian President Vladimir Putin appears to have made a strategic decision to reorient Russian national security policy from a posture of antagonism, if not hostility, toward the United States and its allies, to a policy of more cooperation with the United States and the West. Indications of this shift were discernible even before the terrorist attacks of September 11. But Putin seized upon September 11 as an opportunity to transform dramatically the bilateral relationship along cooperative lines, making that date appear to be a real turning point in U.S.-Russian relations.

Among the more notable results of this shift in Russian national security policy were: Russia's political and military cooperation with the U.S. campaign against the Taliban regime in Afghanistan, including U.S. military deployments in former Soviet states in Central Asia; Moscow's decision to close its electronic intelligence base in Cuba; and the softening (nearly to the point of abandonment in some cases) of Russia's previously tough positions on NATO enlargement, the ABM Treaty, missile defense, and strategic nuclear force reductions.

This report will examine the implications of the shift in Russian national security policy for near-term U.S.-Russian relations and for broader U.S. security interests. It will seek to show the motives behind Putin's decision to reorient Russian policy and assess the prospects for the new policy's endurance. This report will also examine the Bush Administration's response(s) to the new Russian policy, congressional interests and congressional levers to influence U.S. policy toward Russia, as well as competing opinions on what U.S. policy toward Russia should be.

Background: The Primakov Vision

President Putin is the unchallenged – and seemingly unchallengeable – master of the Russian political scene today. He has no credible political rivals and has enjoyed consistently high standing in Russian public opinion polls (over 70% approval rating) for more than two years. Yet few foresaw these developments in August 1999, when a physically and politically exhausted President Yeltsin plucked Putin from political obscurity to become Russia's fifth Premier in two years. Prior to the premiership, Putin had headed the FSB, Russia's internal security agency for a year (July 1998-August 1999), and before that had been a nearly invisible, though increasingly influential, bureaucrat in the Presidential Administration (1996-1998).

Many in Russia and the West initially viewed Putin as a political lap dog for Yeltsin.¹ Within days of becoming premier, Putin confronted a crisis involving the breakaway republic of Chechnya and terrorist bomb attacks in Russia. Putin adopted a very tough policy toward Chechnya, which he rode to popularity and power. Yeltsin abruptly resigned as President on December 31, 1999 (six months before the expiration of his term), naming Putin Acting President. Three months later (March 26, 2000), Putin was elected President in his own right.

The national security policy that Putin inherited from Yeltsin, and that he continued to pursue for a year or more after succeeding Yeltsin, was shaped by Yevgeny Primakov, who served as Foreign Minister and then Premier in the late 1990s.² Primakov was loath to relinquish Moscow's role and status as a great power. He saw the United States as Russia's natural, inevitable foe. In view of Russia's diminished economic, political, and military means, Primakov sought to build an undeclared coalition of states, with Russia at its head, to oppose what he saw as U.S. global domination. He called this a policy of "multi-polarity." Primakov viewed China, India, and Iran as key partners and sought support among other states that opposed U.S. policy and/or resented U.S. power. In December 1998, as U.S. and British planes bombed Iraq in a dispute over U.N. arms inspections, Primakov called for a Russia-China-India alliance to oppose U.S. "global hegemonism." This was the essence of Primakov's vision of Russian national security policy – a Eurasian-based strategy of coalition politics, led by Russia, aimed at diminishing U.S. influence and thwarting (most) U.S. goals, worldwide.³

Russia's New Policy

During Putin's first year in power, while dealing with the initial military phase of the conflict in Chechnya and consolidating his domestic political position, the new Russian leader showed some signs of flexibility on national security policy but seemed mainly to continue along the path laid out by Primakov.⁴ But after a year or

¹Putin's first career, for 15 years, was as a KGB foreign intelligence officer. He served in East Germany for several years in the 1980s. After the collapse of the U.S.S.R., Putin returned to his home town, Leningrad (previously, and now again, St. Petersburg), where he served in the administration of the prominent liberal Mayor Anatoly Sobchak, rising to the post of Deputy Mayor. When Sobchak lost power in 1996, Putin was invited to take a mid-level bureaucratic post in the Kremlin Administration of President Yeltsin.

²Primakov, a leading Soviet-era Middle East specialist, befriended and supported Saddam Hussein, Hafez al-Assad, Muammar Qaddafi, and Yasser Arafat. Primakov was the last head of the Soviet KGB's Foreign Intelligence Division and the first head of its Russian successor under Yeltsin, who appointed him Foreign Minister (January 1996 to September 1998) and then Premier (September 1998 to May 1999).

³Ariel Cohen, *The "Primakov Doctrine": Russia's Zero-Sum Game with the United States*, Heritage Foundation, FYI No. 167, December 15, 1997.

⁴Putin maintained Moscow's hard line against missile defense and against Baltic accession to NATO through the end of the Clinton Administration. In November 2000, Moscow renounced the 1995 U.S.-Russian agreement limiting Russian conventional arms sales to
(continued...)

so – by mid-2001 at the latest, i.e., before September 11 – Putin appeared to be moving away from the Primakov vision. After September 11, it became clear that Putin was moving Russia in a different direction.

Implementing the New Policy

The first meetings between Presidents Bush and Putin (their brief meeting in Slovenia in June 2001 and a month later at the G-8 summit in Genoa, Italy) were notable for the emphasis (in public, at least) on personal rapport over political substance. Much was made of President Bush's assertion that he had "looked into" Putin's "soul" and found him "to be very straightforward and trustworthy." Putin responded publicly with praise for the new and untested U.S. President. It is not clear whether, and/or to what extent, the softening of Russian policy toward the United States may have been influenced by personal rapport between the two leaders. Some believe that Putin, a career KGB foreign intelligence officer, was unlikely to be swayed by such ephemera as personal chemistry and had made up his mind in advance to seek a friendly relationship with Bush and improved relations with the United States.

Even before September 11, there was softening of Russia's previously outspoken opposition to U.S. missile defense plans and to the U.S.-backed accession to NATO of the former Soviet Baltic republics of Estonia, Latvia, and Lithuania. Putin may have concluded there was an inevitability related to U.S. missile defense and NATO enlargement and sought to moderate the outcomes as much as possible, if only marginally, rather than continuing to fight and gain nothing in the process. This could be seen in Moscow's abandonment of its "red line" rhetoric regarding Baltic accession to NATO⁵ and its movement toward modifying the ABM Treaty. September 11, however, seemed to provide a turning point or breakthrough in U.S.-Russian relations.

Immediately after the September 11 attacks, it was obvious that if the United States was going to take action against Al Qaeda and its host, the Taliban regime in Afghanistan, Russian cooperation would be very valuable, perhaps indispensable. Many observers initially assumed that Moscow would adopt a tough position along the following lines: *Now the Americans need us. Very well, what is the most that we can extract from them and the minimum cooperation that we must offer in return?* This assumption was based on the belief that Putin, the ex-KGB agent, viewed the United States negatively, only grudgingly had begun to soften Russian policies, and

⁴(...continued)

Iran. In 2000, Russia staged – and publicized – several military exercises with a pointedly anti-NATO character.

⁵For several years, the Russian Government had warned that if NATO expanded into the territory of the former Soviet Union, it would cross a "red line" that would wreck NATO-Russia relations and trigger "dangerous" Russian political and military countermeasures. Putin signaled a major policy shift during a trip to Finland on September 2-3, 2001, when he declared that Russia does not plan any "campaign of hysteria" over Estonia's, Latvia's and Lithuania's determination to become NATO members. "It is their choice," he said. *Jamestown Monitor*, September 6, 2001, May 30, 2002.

would gladly revert to a harder line once the September 11 attacks had strengthened his hand.⁶ Events showed that Putin took a different view. He appears to have decided immediately after the terror attacks to seize upon those epochal events as an opportunity to transform U.S.-Russian relations.

Although Putin may have decided to move Russia closer to the United States before September 11, the Bush Administration did not appear eager to reciprocate at that time. To the contrary, most of the Administration's top agenda items regarding Russia were negative issues for Moscow: missile defense; the ABM Treaty; NATO enlargement; Russian transfers to Iran of nuclear reactors, missile technology, and conventional arms; Russian support of Iraq; Russian abuses in Chechnya; and suppression of press freedom in Russia. September 11 gave Putin the opportunity to change the subject. The new dominant issue would be cooperation against international terrorism. Since late 1999, Putin had been trying to interest Washington in the idea of joint action against terrorism as the new core issue for bilateral cooperation. Neither the Clinton nor the Bush Administration was receptive to this, in view of Putin's claim that his military campaign in Chechnya was a prime example of anti-terrorism in action.

On September 11, only hours after the attacks, Putin, using the hot line, was the first world leader to speak to Bush, in Air Force One, about the tragedy. Putin reminded Bush that Russia had suffered a series of dreadful terrorist bombing attacks against apartment buildings in Moscow and other cities two years earlier that had killed hundreds of Russians. Putin attributed those attacks to radical Islamic Chechen terrorists.⁷ Beyond personal and official condolences, Putin informed his American counterpart that he was ordering the immediate cancellation of military exercises scheduled to begin the next day that included long-range bomber flights in the direction of the United States, Canada, Great Britain, Norway, and Iceland. Sailing orders for Russian submarine and surface naval units were also cancelled.⁸ He may have wished to avoid false alarms. In a somber speech to the Russian people, Putin compared the September 11 attacks to Nazi atrocities, which some observers took as a sign of Putin preparing the public for a possibly dramatic shift in Russian policy, i.e., strategic cooperation with the United States.

Within days, the Bush Administration began to focus on action against Al Qaeda and the Taliban regime. The possibility of U.S. military deployments in Central Asia was prominently mentioned by U.S. officials and in the press. The immediate response from Russian officials was strongly negative. Even Defense Minister Sergei Ivanov, perhaps Putin's closest political associate, said on September 16 that there were "no prospects" for U.S. military forces to operate in any of the C.I.S. states. Putin personally intervened to change that policy. He publicly contradicted his defense minister and declared that U.S. military deployments in Central Asia could

⁶A typical example was an AP story that ran on September 12, "Russia Voices Solidarity with US but Looks to Exploit Terrorist Attacks."

⁷Not all observers are fully satisfied with Moscow's account. Some claim that Russian security forces may have been involved, using the bombings as a pretext to re-invade Chechnya and give Putin a national security emergency to bolster his authority and prestige.

⁸"Nuclear Conflict Scenario Set Aside," *Vremya Novostei* [Moscow], September 12, 2001.

be viewed positively under certain circumstances. U.S. Air Force and Special Forces units reportedly began flying to Uzbekistan and Tajikistan on September 19.⁹

There are divergent accounts of Moscow's initial role in the U.S. deployments to Central Asia. Some say that at first Russian officials tried to prevent Central Asian leaders from offering Washington military bases on their territory. Others say that Moscow facilitated, or at least did not stand in the way of, the U.S. deployments.¹⁰ Perhaps there is some truth in both accounts, reflecting early divisions in Moscow on this issue. Ultimately, Russia could not prevent sovereign states in Central Asia from hosting U.S. military forces if they saw it as in their interest to do so, which was clearly the case in Uzbekistan. But Russian influence in Tajikistan is very strong, and some say that U.S. deployments there would not have been possible if Moscow had objected strongly.¹¹ The fact that U.S. combat forces were deployed in large numbers to military bases in Central Asian Soviet successor states would have been unimaginable a few months earlier. Regardless of his own initial reaction to this development, Putin put the best face on it, offering political and logistical assistance.

Russian cooperation in the campaign against the Taliban was not based solely on a desire to draw closer to the United States. Moscow had long viewed the Taliban as a serious threat to Russian security because of that regime's role in promoting the spread of radical Islam in Central Asia. This was an immediate threat to the secular Central Asian regimes along Russia's southern frontier, which might ultimately destabilize Russia's own large Muslim population.¹² To counter Taliban-supported insurgency, Russia provided covert and open support to the anti-Taliban Northern Alliance. Despite a five-year Russian effort, however, the Taliban had expanded its control to over 90% of Afghan territory by September 2001 and squeezed the Northern Alliance into a small pocket near the Afghan-Uzbek border. Thus, U.S. operations in Afghanistan after September 11 served a double interest for Moscow: the opportunity to demonstrate concrete strategic cooperation with Washington, and the elimination of a serious security threat on its vulnerable southern flank.

Russian support for the U.S.-led campaign in Afghanistan was not limited to the deployment of coalition forces in Central Asia. Russia greatly increased its arms supplies to the Northern Alliance, including heavy weapons such as tanks, artillery and helicopters. In addition, Russian military specialists such as tank commanders, artillery officers, pilots, and other skilled personnel were attached to Northern

⁹ "Warplanes Begin Deploying to Gulf, Central Asia," *Washington Post*, September 20, 2001, p. A1.

¹⁰ Discussions with U.S. officials. See also, *Jamestown Monitor*, May 30, 2002; and Vladimir Votapek, "Russia and the United States," in *Toward an Understanding of Russia, New European Perspectives*, Council on Foreign Relations, New York, 2002, p.193-4.

¹¹ Russia's 201st Motorized Infantry Division has been stationed in Tajikistan since a civil war there in the early 1990s, making that country dependent on Russia for internal security.

¹²This is explicit in Russia's official Military Doctrine, approved by Putin in April 2000. The text of the Military Doctrine can be found in *Nezavisimaya Gazeta* [Moscow], April 22, 2000, p. 5-6. English translation by Foreign Broadcast Information Service, Document ID: CEP20000424000171.

Alliance forces during the decisive operations in October-November 2001. U.S. Defense Department officials credit these Russian efforts with having contributed substantially to the rapid defeat of the Taliban in the North.¹³

At the same time that Moscow was giving Washington unprecedented cooperation in Afghanistan, it was showing a willingness to compromise on missile defense, the ABM Treaty, and strategic force reductions. In mid-November, in the run-up to the Bush-Putin summit in Washington and Crawford, Texas, U.S. and Russian media carried reports of a possible negotiating breakthrough that might result in a big “package deal” on these issues.¹⁴ These reports proved premature, however, because the United States did not back off many of its demands and positions. The November summit yielded few major substantive results and three weeks later Bush announced that the United States would unilaterally withdraw from the ABM Treaty. Putin, while “regretting” the U.S. decision, insisted that it was “not a tragedy,” and that it would not destabilize otherwise excellent bilateral relations. As with NATO enlargement, Putin appears to have decided that it was futile to continue trying to resist the inevitable, and that Russian interests were best served by minimizing the damage on missile defense and the ABM Treaty and by getting the best deal he could on strategic nuclear force reductions. On this, too, Putin eventually yielded on virtually all substantive points in the Treaty on Strategic Offensive Reductions (Treaty of Moscow) signed on May 24, 2002.¹⁵

During this evolution on strategic nuclear issues, another significant indication of Putin’s shift in national security strategy received relatively little public attention. On October 17, 2001, Putin announced that Russia would close its electronic intelligence base at Lourdes, Cuba. This listening post, established in 1964, was Moscow’s largest and most important intelligence facility outside its borders and was considered a thorn in the side by the United States.¹⁶ To the extent that Russia viewed the United States as an adversary, the base at Lourdes, which was manned by 1,500 Russians and provided 60%-70% of Russia’s electronic intelligence data on the United States, was a significant strategic asset. The decision to close it was more than a symbolic move; it was a strategic decision.¹⁷

¹³ Despite Pentagon expressions of appreciation for Russian assistance, the U.S. role was decisive. Moscow undoubtedly noted that the United States accomplished in 5-6 weeks what Russia had been unable to accomplish in 5-6 years, in a theater remote from the United States and in Russia’s backyard. Moscow’s sense of satisfaction in its new partnership may have been overshadowed by its awareness of the widening gap between U.S. and Russian military capabilities.

¹⁴ See, for example, Walter Pincus, “U.S., Russia Likely to Agree on Arms; Summit Could Lead to Historic Cuts,” *Washington Post*, November 11, 2001, p. A-43.

¹⁵ CRS Report RL31448, *Nuclear Arms Control: The Strategic Offensive Reductions Treaty*. June 10, 2002.

¹⁶In 2000, the House adopted a measure (H.R. 4118) to prohibit the rescheduling or forgiveness of Russian debts to the United States unless Russia closed the base at Lourdes.

¹⁷*Jamestown Monitor*, December 4, 2001. Some argue that Putin’s decision to close the base was driven more by the cost of maintaining it than by a desire to accommodate Washington.

Other aspects of Russian defense policy under Putin support the idea of a shift away from confrontation toward cooperation with the United States and the West. One of the most significant moves was Putin's decision (August 2000) that Russia's strategic nuclear forces would be unilaterally reduced from nearly 6,000 deployed warheads to 1,500 in this decade.¹⁸ This acknowledgment of Russia's inability or unwillingness to maintain quantitative parity with the United States in strategic nuclear forces was a significant step. In 2001, the Ministry of Defense announced plans to further reduce Russian military manpower from 1.2 million to 850,000. In 2002, the government announced plans to accelerate the transition from a mainly conscript to a mainly professional army. In the long-run, a smaller professional force may be more capable in many respects than a mass conscript army. But mass was traditionally the Russian Army's strong suit and the basis of its presumed offensive capability vis-a-vis NATO.

In the early 1990s, Russian defense spending was cut drastically and procurement of major new weapons systems virtually came to a halt.¹⁹ The government's fiscal situation improved substantially after 1999 and defense spending has increased somewhat, but the increment has gone mostly to pay military salaries. Large-scale serial production of major weapon systems has not yet resumed.²⁰

In the late 1990s, into the early stage of Putin's presidency, Russian military exercises were given an almost ostentatiously anti-NATO, anti-American edge. This tendency has been reduced since September 11. Also, in the past two years, Putin has instituted major personnel changes in the military high command, removing a number of outspoken advocates of anti-western, anti-U.S. military policies.²¹

The case of the Russian nuclear submarine *Kursk*, which sank on August 12, 2000, sheds light on the shift in Russian defense policy in several respects. The military exercise in which the *Kursk* sank was the prelude to sending a powerful

¹⁷(...continued)

Russia paid Cuba \$200 million annually for use of the base. Others find this argument unconvincing, noting that: a) the Russian economy was stronger in 2001 than at any time since the collapse of the Soviet Union, that there was actually a budget surplus in 2001, and that if Moscow could afford the payment in earlier years, it could better afford it in 2001; b) Russia's payment to Cuba was mainly not in hard currency but in more affordable below-market-price oil deliveries and other commodities such as military spare parts, and; c) Putin, as a former career intelligence officer, would be expected to value the Lourdes base.

¹⁸U.S. analysts had been predicting such a cut for several years, based on the inability of the Russian economy to sustain the 6,000 warhead force level permitted under START I. CRS Report RL30660, *Arms Control After START II: Next Steps on the U.S.-Russian Agenda*. Updated June 22, 2001.

¹⁹CRS Report 97-820, *Russian Conventional Armed Forces, On the Verge of Collapse?* September 4, 1997, p. 7-10.

²⁰*The Military Balance, 2000-2001*, International Institute for Strategic Studies, London, 2001; and discussion with IISS analysts.

²¹The most significant such move was the dismissal of notoriously anti-American Colonel-General Leonid Ivashov as head of the Treaties and International Cooperation Department of the Ministry of Defense.

Russian flotilla into the Mediterranean, reportedly meant “to send NATO a signal of Russia's intention to maintain a ‘blue-water’ offensive naval strategy.”²² The Mediterranean deployment was cancelled. Most of the Russian military establishment claimed that the *Kursk* sank after colliding with a U.S. or British submarine and stuck to that story for more than a year. In July 2002, the Russian government released an official report that a faulty torpedo had exploded inside the *Kursk*. In the meantime, Putin replaced the Commander and Deputy Commander of the Northern Fleet, the Navy Chief of Staff, and the Minister of Defense, among others. In a televised interview soon after the *Kursk* sank, Putin said that, “[O]ur armed forces should match our needs on one hand and the possibilities of the state on the other,” adding that the military must be “compact, modern and well paid.... We have been talking about military reform for how long? At least eight years and perhaps a whole ten years, but there has been little change in this area.”²³ After the *Kursk*, Putin began to make changes. That was thirteen months before September 11, 2001.

Soon after September 11, a somewhat skeptical Polish analyst wrote that there were two key questions in judging Putin’s policy. The first was whether Russia really sought full-fledged cooperation with the West; the second was the price of such cooperation. “Russian participation in an anti-terrorist offensive,” he continued, “together with only moderate demands in return, might be a substantial indication of Russian preparedness to become a reliable partner of the West. It is exam time and we can only hope that Russia will not fail.”²⁴ Putin appears to have passed this test.

Reasons for the New Policy

If Putin really has fundamentally reoriented Russian policy toward cooperation and integration with the West, one may well ask why. Does the former KGB agent have a cultural or ideological affinity for the United States and the West? I.e., does he *like* us? Does he *like* western democracy? Most observers would say, “no.” Instead, Putin’s change of course seems to be based on a sober assessment of Russia’s vital interests and its current limitations.

First and foremost, from the day Putin became Acting President to the present time, he has insisted that Russia’s most urgent need and his top priority is the reconstruction and vitalization of the economy. In a speech on December 13, 1999, he warned that, “Russia is in the midst of one of the most difficult periods in its history. For the first time in 200 or 300 years, it is facing a real threat of sliding to the second, possibly the third, echelon of world states.” The catastrophic economic collapse of the 1990s had to be reversed in order to ensure the strength of the state, the dignity and well-being of the Russian people... and Putin’s political future. Putin established as a primary goal for Russia the transition to a functioning market economy whose gross domestic product (GDP) was growing at a healthy, sustainable

²²Robyn Dixon, “Russian Navy Is Adrift in an Ocean of Problems,” *Los Angeles Times*, August 27, 2000.

²³*Ibid.*

²⁴ Votapek, “Russia and the United States,” p. 193.

rate. This would assure rising living standards for Russian citizens and provide the basis for a strong central state.

Putin sees Russia's economic reconstruction and vitalization proceeding from its integration in the global economic system dominated by the advanced industrial democracies, i.e., economic integration with the West. He said this clearly in his April 2002 State of the Nation address. "I must once again make a firm statement today on our priorities as far as Europe is concerned.... [W]hat is clear are our... numerous and concrete steps towards integration with Europe. We will continue to work actively with the European Union, designed to create a single economic space."²⁵ It is axiomatic that this requires a relatively benign international environment for Russia. Russia's economic integration with the West cannot be accomplished in an atmosphere of political/military confrontation or antagonism with the West and/or with the United States.

It follows from this that Russian national security policy must support Russia's preeminent economic objectives. Putin underlined this point in a conference of Foreign Ministry officials, including virtually all ambassadors, who were ordered to Moscow for the purpose (July 12, 2002). This was the second such conference in the 202-year history of the Foreign Ministry. The first was convened by Mikhail Gorbachev in 1986 to lay down his principles of "new thinking" in foreign policy and of "glasnost" and "perestroika." Putin also intended to lay down new principles. He lectured the assembled foreign policy bureaucracy, criticizing them on various shortcomings, and noted that under his leadership, "Russia has managed to get out of the long period of confrontation" and now sought "truly reliable, businesslike" relations. He went on to say that the new basis of Russian-U.S. relations "lies in a new reading of the national interests of the two countries...." Lest they miss the point, he declared, "I will reemphasize: the confident partnership between Russia and the U.S.A. is not only in the interests of our people. It exerts a positive influence on the entire system of international relations *and therefore remains one of our absolute priorities.*"²⁶ (Emphasis added.) General Vasily Lata, former Deputy Commander of Russian Strategic Rocket Forces, put it more bluntly. "Economic policy is dictating all the other aspects of international relations.... Putin sees that without positive economic development, Russia has no future."²⁷

Putin's drive for economic integration with the West alone may be sufficient explanation for his abandonment of the Primakov line and his reorientation of Russian national security policy toward cooperation with the West. But there are probably other factors as well. Putin is known as a realist. He is intelligent and well informed. He has first-hand understanding of the West, having served for years as an intelligence officer in Germany. Many observers believe that underlying Putin's

²⁵BBC translation of live, televised speech, April 18, 2002.

²⁶*Speech by President of the Russian Federation Vladimir Putin at Enlarged Conference with Participation of Russian Federation Ambassadors at MFA [Ministry of Foreign Affairs] July 12, 2002.* On the web site of the Russian Foreign Ministry [<http://www.mid.ru/>]

²⁷Cited in Peter Baker, "Putin's Concessions to the United States Are Limited by the Bottom Line," *Washington Post*, August 16, 2002, p. A15.

frequent assertion that Russia must adjust its foreign and defense policies to its (limited) capabilities is his conclusion that Primakov's concept – of maintaining Russia's status as a great power and the leader in the struggle against American "hegemonism." – was a losing strategy in view of the preponderance of U.S. economic, political, and military power compared to Russia.²⁸

Putin may also have had doubts about the wisdom of Primakov's reliance upon China as a key partner and preferably an ally, vis-a-vis the United States. Russian-Chinese relations are friendly and the two states share a number of important interests, including: opposition to U.S. or international interference in a country's internal affairs on the basis of human rights violations; opposition to the spread of radical Islam in Central Asia; mutual support in suppressing separatist tendencies in Chechnya and Tibet; and resentment of the economic dominance of the advanced industrial democracies. Both states felt threatened by proposed U.S. missile defense plans and by the principle of U.S.-led military intervention in Yugoslavia's Kosovo conflict without U.N. or OSCE approval.²⁹ As both China's and Russia's relations with the United States soured in the late 1990s and into the first year of the Bush Administration over these and other issues,³⁰ Russo-Chinese condemnations of "global hegemonism," a thinly veiled reference to U.S. dominance and unilateralism, seemed to some to be moving in the direction of alliance against the United States, as envisioned by Primakov.³¹

There is ample reason, however, for Moscow to be wary of such a policy. While Primakov and like-minded Russian nationalists saw China as an opportunity to be exploited in the short-term to counterbalance U.S. predominance, other Russians saw – and see – China as a long-term threat. The basic reasons for this are the apparent trajectories of Russian decline and Chinese ascendance and Russian concerns about a possibly dangerous China as a neighbor in the future. Russia is by far the largest nation in the world in terms of territory, but whereas the Soviet population in 1991

²⁸The director of a Russian think tank said to be close to Putin put it this way: "[S]ince the United States is the center of world power and strength, the closer Russia is to it, the stronger Russia is.... We are present at the formation of a new world order shaped by the United States, and for Russia to resist this and to look for an adequate reaction to every move Washington makes is counterproductive.... [N]ow we are a matador and the United States is a bull with which we should not clash." *Komsomolskaya pravda* [Moscow], March 21, 2002.

²⁹Russian nationalists warned, "today Kosovo, tomorrow Chechnya." Beijing worried about possible U.S. military intervention in support of Taiwan. The accidental U.S. bombing of the Chinese Embassy in Belgrade (1999) further inflamed anti-American sentiment in China. Russia and China were in almost continuous consultation during NATO's air assault – until Moscow unilaterally decided to join the West in pressing Milosevic to accept NATO terms.

³⁰Other issues with China included the Taiwan Straits confrontation of 1996, President Bush's statement that the United States would "do whatever it takes" to protect Taiwan's independence, and the mini-crisis over the collision of a U.S. EP-3 reconnaissance plane and a Chinese jet fighter near Hainan Island (April 1, 2001).

³¹For a recent summary of the development of Russian-Chinese strategic cooperation, see Jeanne L. Wilson, "Strategic Partners, Russian-Chinese Relations and the July 2001 Friendship Treaty," *Problems of Post-Communism*, May-June 2002, p. 3-13.

was 286 million, Russia's population then was only 149 million. Today it stands at 144 million – despite substantial net in-migration of ethnic Russians from other Soviet successor states – and it is falling rapidly. Russia is experiencing an extraordinary demographic crisis. Putin frankly acknowledges this as one of Russia's most urgent problems. In April 2002, the Russian State Committee on Statistics (*Goskomstat*) published its official projections for the population of the Russian Federation in the year 2050. There were three variants: optimistic - 126 million; pessimistic - 77 million; and median (presumably the most realistic official estimate) - 100 million.³² Furthermore, the Russian Far East and Eastern Siberia, that huge expanse east of Lake Baikal, a territory larger than the contiguous 48 United States, has a population of barely 6 million, which is contracting more rapidly than the general population as Russians migrate back toward the European heartland to escape harsh climatic and economic conditions.

In contrast, China's population today is about 1.3 billion, and growing. China faces a perceived scarcity of land and resources. Much of resource-rich Eastern Siberia and the Russian Far East was seized from China by Tsarist Russia in the second half of the 19th century, in what the Chinese call "unequal treaties." Nearly all the territory yielded by China to other imperialist states (notably: Britain, France, Germany, and Japan) in 19th and 20th century "unequal treaties" has been recovered by China. Russia is the outstanding exception. The giant Asian neighbors have officially resolved virtually all territorial issues along their 3,000 mile border and they have concluded numerous other agreements, including a 25-year Friendship Treaty signed in July 2001. They have important, mutually beneficial trade relations. Both parties want and need continued friendly relations in the near- and medium-term future as they focus on domestic development. Many Russians worry, however, that eventually China could become a threat.

Russian concerns about China tend to focus on the possibility of China becoming a superpower with sustained economic growth that eventually generates great political and military power, vis-a-vis a relatively weak Russia. China experts are by no means agreed that China will continue to enjoy rapid economic growth and become a superpower. Another school of thought foresees stagnation, economic decline, and instability for China.³³ Curiously, this scenario too is a source of concern for Russia. In a troubled and unstable China, there could be uncontrolled population movement toward Russia's sparsely populated eastern regions. More worrisome for Moscow is the prospect that the Chinese Communist Party – or its successor – having already virtually abandoned Marxist-Leninist ideology as a legitimizing principle, might turn to patriotic nationalism as a means of maintaining political legitimacy and national cohesion. Increased Chinese nationalism could revive territorial claims against Russia – as Mao did in the 1960s-1970s. Thus, it is arguable that whether China evolves into a superpower, or fails in its transition and becomes a troubled, unstable state, the prospects for Russia in either case could be

³²Alexei Chernyak, "Analysis of Demographic Situation in Russia," *Vremya Novostei*, No. 54, April 2002.

³³For these opposing views of China's future, see Edward Timperlake and William C. Triplett II, *Red Dragon Rising*, Regnery, Washington, D.C., 1999; and Gordon G. Chang, *The Coming Collapse of China*, Random House, New York, 2001.

disturbing.³⁴ This may be another reason why Putin turned away from Primakov's policy of reliance on China against the United States. Some analysts suggest that eventually, Moscow may have to turn to the United States and NATO for security against China.

Domestic Political Context of New National Security Policy

In the first two years after the collapse of the Soviet Union, Russian national security policy seemed remarkably (critics would say, naively) pro-American. Yeltsin and his Foreign Minister Andrei Kozyrev seemed to say to the United States, "Just tell us what you want...." By late 1993, this began to change. The continued sharp contraction of the economy and commensurate impoverishment of much of the population eroded Yeltsin's popularity. His erratic, undisciplined, hands-off leadership style made things worse. Communists and ultra nationalists dominated the Duma through the mid- to late 1990s. This political opposition and a rising Russian disillusionment with perceived U.S. unresponsiveness to Russian needs and interests gave rise to increasing assertiveness and nationalism in Russian foreign and defense policy. In January 1996, Yeltsin appointed Primakov to replace the pro-western Kozyrev, and U.S.-Russian relations became more strained.

Many observers in Russia, Europe, and the United States caution that Putin's new national security policy, like Yeltsin's a decade earlier, lacks solid domestic political support. Indeed, the dominant view among Russian specialists is that the new policy is so much Putin's policy that it is virtually a one-man show. Some say that Defense Minister Sergei Ivanov, a Putin loyalist, is perhaps the only senior leader who truly embraces the policy.³⁵ Senior military leaders, the Foreign Ministry bureaucracy, the majority of political elites – and indeed much of the general population – is said to be opposed to, or not very supportive of, the policy of cooperation with the United States.³⁶ Some specialists dispute this view, claiming that even "most conservative political elites, *in private discussions*, admit that Putin's course of integration with America and the West is the only way to modernize the economy." (Emphasis added.) According to the same source, "although Putin personally makes key decisions, there is an impressive brain trust behind the

³⁴The view that either China's successful transition to superpower status, or its failure to make that transition, could pose dangers to Russian security is succinctly argued by Yuri Federov, "Sub-Strategic Nuclear Weapons: Russia's Security Interests and Prospects of Control," *Digest of the Russian Journal, Yaderny Control*, Vol. VII, No. 4, 2002, p. 21-22.

³⁵Ivanov and Putin served in the same KGB unit in 1976. When Putin became head of Federal Security Service, he named Ivanov his Deputy Director. When Putin became Premier, he brought Ivanov in to head the Security Council. In March 2001, President Putin made Ivanov Minister of Defense. He is unrelated to Foreign Minister Igor Ivanov.

³⁶This is based on extensive discussions with Russian, European, and U.S. experts, as well as many published accounts. See, for example, Daniel Williams, "Putin's Tilt to the West Riles Three Key Groups," *Washington Post*, November 25, 2001, p. A24; "Who Are Putin's Naysayers?" *RFE/RL Political Weekly*, May 22, 2002.

president... a talented and deep cadre in the Russian bureaucracy that supports the president's policy toward the United States."³⁷

While there may be uncertainty about the level of political support for Putin's policy of integration with the West, there is little doubt about his overall political strength and popularity. As noted above, Putin is the unrivaled master of the Russian political stage and continues to enjoy public approval ratings over 70%.³⁸ Putin was fortunate to come to power near the beginning of an economic upturn. The Yeltsin regime's attempt to implement a rapid transition from the most militarized command economy in history to a rudimentary market system led to a recession in which output fell by 40%-50%, followed by a financial crisis in 1998. After the financial crisis, the sharply devalued ruble and major increases in the world price of oil spurred a mini economic boom in Russia (1999 to 2001). Domestically, Putin got political credit for the improving economy. He then seized this opportunity to adopt an ambitious – and potentially risky – reform strategy. The first element of that strategy is domestic economic reform. The second element is integration into the global economy. The third element is strategic partnership with the United States and the West.³⁹ If it is true that the public is not generally supportive of his pro-western policy, this is not reflected in any decrease in his popularity or political effectiveness.

Putin successfully has extended government control over the principal broadcast media. He has curbed the power of the previously independent business “oligarchs” as a class, driving some of them into exile and neutralizing or winning the support of others. Putin has enjoyed strong support in the Duma since the beginning of his presidency. The Communist Party of the Russian Federation (CPRF) is the only major party that opposes his shift toward cooperation with the United States. In April 2002, the dominant pro-Putin bloc in the Duma staged a political coup, stripping the CPRF of most of its committee chairmanships and other leadership posts.⁴⁰ Now there appears to be no effective parliamentary opposition to Putin's domestic or foreign policies. Furthermore, the Russian Constitution (tailored to Yeltsin's

³⁷Clifford Kupchan, "The Russian-American Agenda: Today and Tomorrow, " in *A New Agenda in U.S.-Russian Relations*, Moscow, Institute for Applied International Research, 2002, (forthcoming). Kupchan, former professional staff member of the House International Relations Committee, is vice president of the Eurasia Foundation.

³⁸A public opinion poll conducted in late May 2002 found that Putin's popularity rating had reached 75%, up 4% from April. The same polling organization found that nearly half of those polled disapproved of Russia's recent foreign policy of cooperation with the United States. Only 25% supported the Kremlin's pro-American policy. Reported in *FRE/RL Newslines*, June 3, 2002.

³⁹See John Hardt, "Overview," Ben Slay, "The Russian Economy, How Far from Sustainable Growth?" and James Millar, "Long-Run Prospects for the Russian Economy," in *Russia's Uncertain Economic Future*, A Compendium of Papers submitted to the Joint Economic Committee of the Congress of the United States [by CRS], December 2001, p. xi-xxii, 25-46, 329-346.

⁴⁰After the December 1999 Duma election, the pro-Putin forces entered into an alliance with the CPRF. As Putin's policies became more market-oriented and pro-western, the CPRF became less cooperative. The "coup" of April 2002 was seen by many as removing a political obstacle to Putin's economic reforms and his shift toward the West.

specifications in late 1993, after he forcibly disbanded the previous parliament), concentrates political power in the President's hands to such an extraordinary degree that Russia is a "super-presidential" republic. The institutional power of the presidency, combined with Putin's personal prestige and popularity, are such that there is no significant political opposition in Russia today. At present, there is no effective means of translating unhappiness with Putin's pro-western course into political pressure that could force him to change that policy – as long as he personally believes in it.

Those who are concerned about the lack of support for Putin's pro-western policy caution, however, that Russia's large and unwieldy government bureaucracy could find many ways to delay, obstruct, undermine, and sabotage that policy.

Putin's Policy: Tactical Shift or Strategic Decision?

As the shift in Russian national security policy became evident in 2001, some in the United States saw it as a short-term tactical response to the September 11 attacks and their aftermath. In this view, a principal goal of Putin was to assure that Russia was on the right side of – and not targeted or jeopardized by – any U.S.-led anti-terrorist operations and also to channel the upsurge of U.S. anti-terrorism sentiment into support for Russia's campaign in Chechnya. As Putin's policy has evolved, however, most analysts have come to see it as a fundamental strategic reorientation of Russian policy, based on Putin's assessment of Russian national interests – domestic economic as well as geostrategic.

Those who see the new Russian policy as a strategic decision argue that the numerous changes of position that Putin has made on major issues in relations with the United States are cumulatively so substantial that they seem too high a price to pay in exchange for some short-term tactical objective(s). Putin has declared repeatedly that Russia's economic future is tied to its integration with the West. The bulk of his domestic economic and national security policies point in that direction. Many of the above concessions that Moscow made to Washington in the past year could be difficult or impossible to reverse.

The change in Russia's strategic relationship with China may also fall into this category. Although the Chinese and Russian governments do not say so officially, there can be little doubt that Beijing was and is displeased with Putin's turn away from the Primakov policy of strategic cooperation with China, toward integration with the West (see p. 29-30, below). From the Chinese perspective, this was the third time in five years that Moscow had "surrendered" to the West after initially declaring strong opposition to western policy. The first case was the accession to NATO of Poland, Hungary, and the Czech Republic. From 1995 to 1997, Moscow insisted that taking the former Warsaw Pact states into NATO would poison East-West relations, with dire political and military consequences. In the end, Yeltsin acquiesced, flew to Paris, and signed the NATO-Russia Founding Act (May 27, 1997).⁴¹

⁴¹See CRS Report 97-666, *NATO Enlargement: The Process and Allied Views*, updated July 1, 1998.

The second perceived “surrender” was over the U.S.-led NATO military intervention in Yugoslavia during the Kosovo conflict. Moscow consistently took the Serbian side, to the point that the NATO air war precipitated a crisis with Russia in the spring of 1999. Russia enlisted Chinese support in this clash with the West. After U.S. planes accidentally bombed the Chinese Embassy in Belgrade, China became even more strongly committed to this cause. In the end, however, Moscow decided to join in the NATO pressure on Yugoslav President Slobodan Milosevic to accept NATO’s terms on Kosovo.⁴²

In the Chinese opinion, the third “surrender,” Putin’s post-September 11 concessions to the United States, is more sweeping and strategic in scope. Again, Moscow had made a point of soliciting Chinese support for resistance to U.S. missile defense plans and in support of the ABM Treaty, and then abandoned that policy – and China. Moscow and Beijing also had emphasized their strategic cooperation in co-sponsoring the Shanghai Cooperation Organization (SCO, July 2001), an underlying, though undeclared, principle of which was Sino-Russian cooperation to thwart U.S. influence in Central Asia.⁴³ Within months, Russia cooperated with U.S. military deployments to Central Asia, into states bordering on China’s sensitive western frontier. Moscow did not consult with Beijing prior to this move.⁴⁴

The fact that Putin and Bush cemented their post-September 11 strategic cooperation in a private meeting during the APEC Conference *in Shanghai* (October 2001) may have seemed a further affront to the Chinese. By demonstrating, yet again, Russia’s unreliability as a partner and potential ally of China vis-a-vis the United States, Putin may have forfeited the option of the “China card” that Primakov had worked so hard to create. This too would seem a very high price for Putin to pay for some short-term tactical objective.

This is not to say that Russia’s new western orientation is permanent and unchangeable. The economic revival that Putin seeks through integration with the West could eventually strengthen Russia to the point that it is able revert to previous patterns of antipathy toward the West. On the other hand, the economic revival that Putin seeks, and other changes in Russia and in the international environment, might transform Russia and its perception of its place in the world such as to anchor it in the West. In any case, Putin seems to acknowledge that for the near- and medium-term future, cooperation with the West is a necessity.

Bush Administration Responses

In its first year-and-a-half, the Bush Administration, with missile defense as a high priority, took a harder line toward Russia than its immediate predecessors. Before September 11, the Administration saw Russia on most issues as “part of the

⁴²See CRS Report 31053, *Kosovo and U.S. Policy*, updated July 3, 2002.

⁴³CRS Report RL31213, *China's Relations with Central Asian States and Problems with Terrorism*, December 17, 2001, p. 18.

⁴⁴CRS interview with senior Chinese Foreign Ministry officials.

problem.” After September 11 and the war on terrorism, the Administration has tended to see Russia generally as “part of the solution.”

Some would argue that this generalization is too glib and glosses over the fact that reportedly there are significant splits within the Administration on Russia policy. The conventional wisdom holds that Vice President Cheney and Defense Secretary Rumsfeld take a harder, less conciliatory line toward Moscow. Secretary of State Powell is reportedly more willing to compromise. National Security Advisor Rice’s position is less clear-cut, but reportedly more often leans toward Cheney and Rumsfeld.⁴⁵ Secretary Powell has been known to quip that he sometimes has an easier time discussing U.S.-Russian relations with Foreign Minister Ivanov than with Defense Secretary Rumsfeld. Putin’s willingness to acquiesce on many issues – even some that Moscow had long held to be core interests that it would defend tenaciously – is seen by some as validating the less conciliatory approach reportedly favored by the Vice President and Defense Secretary.

The Bush Administration made the most of Russian cooperation in Afghanistan. Pentagon spokesmen praised Russia’s contributions, but it is primarily a U.S. operation, the outcome of which may serve Russia’s security needs as much as America’s. Other aspects of America’s war against terrorism are less pleasing to Moscow.

Some Russian officials have publicly fretted over the duration of the U.S. military presence in Central Asia. The Central Asian governments, however, appear to view longer term U.S. military presence as powerful assistance in their struggles against radical Islam and also as a healthy counterweight to the previously predominant influence of Russia and China. Russians who are wary of China’s ambitions in the region may also welcome the United States as a helpful counterweight.⁴⁶

Many Russians criticized the Georgia Train and Equip Program (GTEP), announced by the Bush Administration in March 2002, of sending a U.S. military contingent to Georgia to assess Georgian military, security, and border forces to help them combat Chechen, Arab, Afghani, al-Qaeda, and other terrorists who allegedly have infiltrated Georgia.⁴⁷ In view of the tension between Moscow and Tbilisi over alleged Russian support for the Abkhazian separatist movement in Georgia, and Russia’s continued occupation of military bases in Georgia against the wishes of the Georgian government, and Russian claims that Georgia is harboring Chechen terrorists, some Russians have expressed concern that U.S. training and equipment might be turned against Russian interests. Some Russians also worry that the small

⁴⁵“Is Russia Worth Paying Attention to Anymore?” *RFE/RL Russian Political Weekly*, May 30, 2002; Martha Brant and Evan Thomas, “A Steely Southerner,” *Newsweek*, August 6, 2001, p. 28; Evan Thomas, “Chemistry in the War Cabinet,” *Newsweek*, January 28, 2002, p. 26.

⁴⁶CRS Report RL31213, *China's Relations with Central Asian States and Problems with Terrorism*, December 17, 2001, p. 18.

⁴⁷CRS Issue Brief IB95024, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*, regularly updated.

(150 men) U.S. military contingent in Georgia might grow and become more permanent. U.S. officials reply that GTEP is a temporary mission which also serves Russian interests, in that it will enhance Georgia's ability to deal with security threats arising from the presence of Chechen refugees and fighters in the Pankisi Gorge area of Georgia, adjacent to Chechnya.⁴⁸

After September 11, the Bush Administration substantially reduced, although it did not entirely stop, its criticism of Russian human rights abuses in Chechnya.

The Bush Administration pushed ahead with plans for NATO enlargement, likely to include the former Soviet republics of Estonia, Latvia, and Lithuania. At the same time, the Administration reached out to Moscow, agreeing to a new NATO-Russia Council in which Moscow will have an equal voice, and vote, on certain issues (see below, p. 24-25), but not on core Alliance collective security issues or on admitting new members.

After the inconclusive November 2001 Washington/Crawford, Texas summit, the Bush Administration went ahead with withdrawal from the ABM Treaty and stuck to its guns on strategic nuclear force reductions, eventually yielding only on designating the resulting agreement an international treaty, subject to legislative approval, as the Russians – and the U.S. Senate – had demanded.⁴⁹ Between the two summit meetings, news of the Bush Administration's Nuclear Posture Review ruffled Russian feathers. The new NPR continued to list Russia as a potentially hostile state against which nuclear contingencies might have to be planned, despite U.S. claims that it no longer sees a Russian "threat" as the basis for sizing and structuring U.S. nuclear forces.⁵⁰

The Bush Administration has been more forthcoming in addressing what Putin says is his top priority, Russian economic interests. On June 4, 2002, the U.S. Department of Commerce made good on a pledge the President made the previous year, officially certifying Russia as a "market economy." This will facilitate bilateral trade, ease the burden that Russian exporters face in anti-dumping and countervailing duty procedures, and bring Russia a step closer to WTO membership. The Russian government hailed this as an important step. Some critics of Bush Administration policy toward Russia fault the length of time the Commerce Department took to act, arguing that certification should have been completed before the November 2001 Bush-Putin summit, and certainly before the May 2002 summit. But certification came two weeks after the May summit. This could be interpreted as an insult, a sign that Russia's most urgent interests are not so urgent in Washington. On the other hand, others could argue that the deliberate pace of Commerce Department action was a positive sign that Russia was finally being treated like a "normal country," the

⁴⁸Paul J. Saunders, *U.S.-Russian Relations: Uneasy Road to Strategic Partnership*, The Nixon Center, May 2002, p. 2-3.

⁴⁹CRS Report RL31448, *Nuclear Arms Control: The Strategy Offensive Reductions Treaty*. June 10, 2002.

⁵⁰The seven states against whom nuclear contingencies are envisioned in the Nuclear Posture Review are: China, Russia, Iraq, Iran, North Korea, Syria, and Libya.

issue handled in a businesslike way, decided on its merits because real commercial issues were at stake, not pushed through as a political case requiring special handling.

Moscow complains about still being subject to the “freedom-of-emigration ” requirements of the Jackson-Vanik amendment (Title IV of the Trade Act of 1974), which is linked to granting Russia “permanent normal trade relations” (PNTR) status. At their November 2001 summit meeting, Bush promised Putin that he would work with the Congress to grant Russia PNTR status. Two bills have been introduced in the 107th Congress (H.R. 3553 and S. 1861) to grant PNTR status to Russia. Some critics of U.S. policy toward Russia argue that the Bush Administration has not made the lifting of the Jackson-Vanik amendment’s application to Russia a high enough priority.⁵¹

In the past year, President Bush has repeatedly stated his wish to see U.S. trade with and investment in Russia increase. Many Russian officials are disappointed with the level of U.S. trade and investment.⁵² Having grown up in a command-economy environment, many Russians may not fully appreciate that trade and investment flows are mainly responsive to market forces rather than to political pronouncements. Under Putin’s leadership, the Russian government has made administrative changes and the legislature has enacted laws aimed at creating a more market-friendly climate for trade and investment. Most western specialists agree, however, that although a good start has been made, the task is far from complete and that foreign business interests want to see more implementation of market reforms, especially in such areas as contract enforcement, protection of shareholders’ rights, reform of the banking sector, and clarification of tax authority among federal, regional, and local governing structures.⁵³

Implications for U.S. Interests

The shift in Russian national security policy and the Bush Administration’s responses to that shift have important implications for future relations between two nations. Below is a brief discussion of possible effects of the new dynamic in U.S.-Russian relations on selected issues, with an eye toward issues of congressional interest and congressional means of exercising influence on those issues.

⁵¹For a discussion of the Jackson-Vanik amendment and PNTR for Russia, see CRS Report RS21123, *Permanent Normal Trade Relations (PNTR) Status for Russia and U.S.-Russian Economic Ties*, Feb. 26, 2002.

⁵²The United States was Russia’s second largest trade partner (behind Germany) in 2000, the last year for which complete figures are available. But total U.S. trade turnover with Russia (\$10.6 billion) is small in absolute terms and a tiny fraction (0.5%) of total U.S. foreign trade. International Monetary Fund, *Direction of Trade Statistics Quarterly*, Washington, D.C., March 2002, p. 215, 266.

⁵³See *Russia’s Uncertain Economic Future*, p. 25-211.

New U.S.-Russian Relationship

In the decade of the 1990s, U.S.-Russian relations lurched from declarations of the end of the Cold War, to pledges of “strategic partnership” and “alliance,” to disillusionment, recrimination, and neo-Cold War antagonism. The new leadership in both Washington and Moscow seem intent on avoiding such dramatic swings. At the Bush-Putin summit in May 2002, the two leaders issued a Joint Declaration on the New Strategic Relationship, couched in relatively realistic terms, listing specific, concrete areas of planned cooperation and identifying issues on which their interests diverged. The two pledged that their countries would, “...continue an intensive dialogue on pressing international and regional problems,” noting candidly that, “Where we have differences, we will work to resolve them in a spirit of mutual respect.” To help keep bilateral relations on an even keel, Bush and Putin established the Consultative Group for Strategic Security, which includes the U.S. and Russian foreign and defense ministers. Implicit in the Presidents’ Joint Declaration, and in the Strategic Offensive Reductions Treaty signed the same day, is Russia’s recognition of current U.S. geostrategic dominance. This statement in the Joint Declaration, affirmed by both leaders but reflecting Putin’s priorities, is the key: “...[T]he security, prosperity, and future hopes of our peoples rest on a benign security environment, the advancement of political and economic freedoms, and international cooperation.”⁵⁴ An important element of U.S.-Russian economic partnership is cooperation in key sectors such as energy and finance and in improving Russian corporate governance. Russia could gain a great deal from an economic partnership with the United States. The United States is the world’s largest market, generates the most investment capital, and has a leading role in the policies of international financial and economic institutions such as the IMF, World Bank, EBRD, OECD, and WTO.⁵⁵

If Putin continues to believe that Russia’s economic recovery and future prosperity require “a benign security environment” and economic cooperation with the United States, Russia may be a good deal more cooperative on security issues in the next few years than in 1996-2000. Some Russian foreign policy specialists suggest that the United States should come to regard Russia in much the same way it regards France: as an important country, an ally with shared strategic interests, but a “thorny ally” with which it also has significant policy differences.

Cooperation Against Terrorism

As noted above, Putin began promoting the idea of U.S.-Russian cooperation against terrorism well before September 11. This remains a key element in both countries’ security agendas, although with the Taliban regime gone, their emphases and priorities differ somewhat. Both countries excoriate Al Qaeda and like-minded radical Islamic movements. Cooperation in Central Asia may continue on that basis

⁵⁴[<http://www.whitehouse.gov/news/releases/2002/05/20020524-2.html>]

⁵⁵Matthew J. Sagers, “The Russian Energy Sector: Current Conditions and Long-Term Outlook,” and Jonathan Sanford, “Russia and the International Financial Institutions: From Special Case to a Normal Country,” in *Russia’s Uncertain Economic Future*, p. 213-252.

as long as Russia does not feel threatened by the U.S. presence there. At their May 2002 summit, Presidents Bush and Putin announced that the U.S.-Russia Working Group on Afghanistan would be given a broader mandate and renamed the U.S.-Russia Working Group on Counter terrorism, which would, among other issues, address the threats posed by nuclear, biological, and chemical terrorism. But whereas Moscow characterizes Chechen rebels almost exclusively as terrorists, Washington has doubts about the accuracy of that picture. Similarly, the Bush Administration's denunciation of Yasser Arafat's leadership as irremediably tainted by its links to terrorism, is not shared by Moscow, among others – although the Russian government flatly condemns Palestinian suicide bombings.⁵⁶ In the 1990s, Russian support for Iraq was a sore spot in U.S.-Russian relations, particularly during Primakov's stewardship of Russian policy. Some Russian officials, scholars, and think-tank analysts recently hinted that Moscow might not object too strongly to U.S. military action against Iraq, provided that: a) Washington does not act unilaterally and, b) Russian economic interests in Iraq are respected.⁵⁷

WMD Proliferation

U.S.-Russian activities in the area of preventing WMD proliferation have two distinctly different aspects. The first involves cooperative efforts to safeguard dangerous nuclear, chemical, and biological materials and related weapons technologies inside Russia and other Soviet successor states. This has been addressed in the past through high-level initiatives such as the Nunn-Lugar Comprehensive Threat Reduction (CTR) program, in which Congress has taken a leading role.⁵⁸ In today's atmosphere of U.S.-Russian strategic cooperation, such programs are believed likely to continue, and perhaps increase. For example, the Russian Federation Debt Reduction for Nonproliferation Act of 2001 (S. 1803), would authorize the President to engage in debt-for-nonproliferation exchanges to

⁵⁶Moscow's attitude toward the Israeli-Palestine conflict is increasingly influenced by sympathy with the large and growing Russian diaspora in Israel, which now numbers about one million, some 20% of the population of Israel.

⁵⁷Discussions with Russian officials and scholars, January-May 2002. The admonition against unilateral action means that Moscow wants Washington to secure U.N. or other international approval before any attack. Baghdad owes Moscow over \$7 billion for Soviet-era arms sales. Russian energy firms also hope to reap immense profits on new contracts once economic sanctions against Iraq are lifted. Putin's Russia seems more interested in these economic interests than in preserving Saddam Hussein's regime. Some Russians believe that Moscow might be more likely to attain its economic objectives after a regime change in Iraq, since the United States seems determined to maintain economic sanctions as long as Saddam is in power, and as long as the sanctions remain in force, Russia is unlikely to be repaid or be able to implement new contracts. Baghdad may hope to buy stronger Russian support through the \$40 billion five-year economic cooperation agreement with Russia announced on August 16, 2002. See p.22-23, below.

⁵⁸See CRS Report 97-1027, *Nunn-Lugar Cooperative Threat Reduction Programs: Issues for Congress*, updated Mar. 6, 2002; and CRS Report RL31368, *Preventing Proliferation of Biological Weapons: U.S. Assistance to the Former Soviet States*, updated Apr. 19, 2002.

reduce the amount of Soviet-era debt owed by Russia to the United States.⁵⁹ Another example is the so-called “10 plus 10 over 10” plan, backed by the United States and adopted at the G-8 summit in Canada in June 2002. This plan, if implemented, would add up to \$10 billion from the other six (non-U.S.) G-7 countries to the \$10 billion pledged by the United States, over the next ten years, to finance WMD nonproliferation programs in Russia and other Soviet successor states.

The other key aspect of the Russian WMD proliferation issue concerns Russian transfers of nuclear reactors and ballistic missile technology to certain states, particularly Iran.⁶⁰ This has been a vexing issue in U.S.-Russian relations since the mid-1990s. The Clinton and Bush Administrations and the Congress have treated these as very high priority issues, but have had little success in convincing Russia to halt either its nuclear reactor construction program at Bushehr, Iran, or the covert transfers of missile technology from Russian institutes and enterprises to Iran.⁶¹ Moscow argues that the Bushehr reactor project is legal, proper, and safe. Washington replies that while the program may be legal – in that it violates no treaties or international obligations to which Russia is a party – it will be used by Iran to advance a clandestine nuclear weapons program which will be a grave security threat to the United States, its allies and friends, and to Russia as well.⁶²

The question of missile technology transfer is less clear cut. Different Russian authorities have claimed at various times that: a) there were no such transfers; b) there were some unauthorized transfers, but they have been stopped; c) the transfers were/are being done illegally by shadowy entities that elude Russia’s best efforts at export control; d) the alleged illicit transfers are of legitimate dual-use technology not covered by the Missile Technology Control Regime (MTCR).⁶³

One of the results of recent Bush-Putin summitry was a decision to address questions of Russian nuclear reactor and missile technology transfers to Iran more systematically. A standing bilateral working-level group was established for this purpose. There had been some speculation that an understanding might be reached in which Russia would complete the single Bushehr reactor, with enhanced safeguards, but would provide no additional nuclear cooperation to Iran. In late July, however, the Russian press reported that the Ministry of Atomic Energy (MINATOM) had adopted a plan to build five new nuclear reactors in Iran over a ten-year period, three more at Bushehr and two at another site. According to a senior Bush administration official, “... the White House was infuriated by that and

⁵⁹S. 1803, sponsored by Sen. Biden, was passed unanimously by the Senate on January 20, 2002 and sent to the House International Relations Committee.

⁶⁰See CRS Report RL30551, *Iran: Arms and Technology Acquisitions*, updated January 26, 2001.

⁶¹The Clinton Administration tried persuasion for several years, then began applying economic sanctions against specific Russian enterprises and institutes. Congress enacted the Iran Nonproliferation Act (P.L. 106-178) which was signed into law in March 2000.

⁶²The arguments on both sides can be found in CRS Report 98-299, *Russian Missile Technology and Nuclear Reactor Transfers to Iran*, updated December 14, 1998.

⁶³*Ibid.*

extremely surprised.... What we were told was: It's a draft and it's not done." A high-level U.S. delegation made a previously planned visit to Moscow to urge Russia to cancel this deal. Recent reports quote the head of MINATOM as saying that the ten-year plan was "theoretical" and might be reevaluated in light of "political factors."⁶⁴

While the outcome of the Russia-Iran agreement remained unclear, reports of new Russian ties with Iraq and North Korea drew attention. On August 16, 2002, Iraq's Ambassador in Moscow announced that the two countries would soon sign an economic cooperation agreement worth \$40 billion. A senior Russian official confirmed that a five-year agreement with Iraq, encompassing the oil, electrical, chemical, agricultural, and transport sectors, under consideration for several years, has been approved by the relevant ministries and is being readied for signing. He also said the contracts would not violate U.N. sanctions against Iraq. The official U.S. response downplayed the reported deal. A White House spokesman said that Putin remained a strong supporter of the war against terrorism and that Washington expected Moscow to continue honoring the sanctions regime against Iraq.⁶⁵ Also in mid-August, Moscow announced that North Korean leader Kim Jong-il would soon visit the Russian Far East. Putin is expected to meet with him there.

Continued Russian nuclear reactor and missile technology transfers to Iran could become a critical test of Putin's policy of cooperation with the United States. On the one hand, Moscow sees Teheran as a stable, friendly regional power and a vitally important market for its cash-strapped nuclear power and defense industries. On the other hand, the United States sees Iran as a leading state sponsor of international terrorism and is absolutely committed to trying to prevent Iran from acquiring nuclear weapons and long-range missiles. Some observers question whether Putin's claim of being America's chief ally in the fight against terrorism can be considered credible in the face of continued – and expanded – Russian nuclear cooperation with Iran. Congressional support for the Russian Debt for Nonproliferation Act (S. 1803), *inter alia*, might be adversely affected by such a Russian policy.⁶⁶

It may be that the Russian reactor construction program in Iran was drafted by enthusiasts at the Ministry of Atomic Energy or elsewhere, without prior Kremlin approval, and that it will ultimately be buried. Alternatively, the ten-year, five-reactor plan might be a negotiating ploy aimed at getting Washington to agree to a more limited expansion of Russian nuclear cooperation with Iran. A more cynical interpretation might be that the reported plan is a ruse, meant to be floated and then withdrawn as a "concession," to ease U.S. pressure on the original Bushehr project.

Similarly, the Russia-Iraq economic cooperation agreement can be interpreted in different ways. Baghdad is eager to muster as much international support as

⁶⁴Peter Baker, "U.S. Team To Press Moscow on Iran Issues, Wider Nuclear Plan Complicates Mission," *Washington Post*, July 30, 2002, p. A-11; Steven Lee Myers, "Russia Says It May Reconsider Its Nuclear Plant Deal With Iran," *New York Times*, August 3, 2002.

⁶⁵Peter Baker, "Russia, Iraq Plan Deal to Bolster Ties," *Washington Post*, August 17, 2002, p. A1; Dan Morgan, "Bush Aide Plays Down Significance of Russia-Iraq Deal," *Washington Post*, August 19, 2002, p. A10.

⁶⁶Discussion with congressional staff.

possible in the face of a possible U.S. military attack, and may have offered Moscow an especially rich plum in order to bolster Russia's support. Moscow may have been motivated primarily by financial gain. On the other hand, Russia's deal with Iraq, together with the Iranian reactor plan and the invitation to Kim Jong-il – encompassing all three elements of Bush's "axis of evil" – may be a signal that Moscow is displeased with current U.S. policy.

Arms Control and Missile Defense

During the Cold War, arms control often dominated the U.S.-Soviet agenda. Moscow has sought to maintain that arrangement, which inherently treats the two parties as equals and provides opportunities for Moscow to try to restrain Washington from further tilting the military balance in America's favor. The Bush Administration takes the position that the Cold War is over and that friendly states do not need arms control treaties to protect them from one another. Some in the Administration and Congress also maintain that Russia is too weak economically, politically, and militarily to prevent the United States from acting unilaterally in its best interests on vital questions of nuclear forces and missile defense. Many others, critical of the unilateral approach, argue that Russia remains a nuclear superpower and that U.S. security and nonproliferation are best served by maintaining the arms control process with Russia.

There is general agreement that in the Strategic Offensive Reductions Treaty, Moscow acceded to the U.S. position on virtually every substantive issue.⁶⁷ Most observers think that the Treaty will win approval easily in the Senate. It is also widely believed that Putin's political power and prestige ensure parliamentary approval of the Treaty in Moscow. Both sides officially agree (Russia reluctantly) that the ABM Treaty and the (unratified 1993) START II Treaty are both dead letters. That leaves missile defense as the principal item remaining from the old strategic arms control agenda.

Russia still seeks to slow or shape U.S. missile defense activities as much as possible, arguing that missile defense will be destabilizing bilaterally and globally, and will accelerate nuclear weapons proliferation among non-weapon states.⁶⁸ Russian authorities appear to understand, however, that acting alone, they lack the leverage to prevent the Bush Administration from going forward as rapidly as possible with missile defense, a strategic initiative to which it is deeply committed.

⁶⁷Major General Vladimir Dvorkin, Director of the Nuclear Strategic Forces Center of the Russian Military Academy in Moscow, said in an interview, that Russia had been forced to accept the U.S. position on such issues as storing rather than destroying decommissioned nuclear weapons, and on monitoring and verification, because Russia simply had no negotiating leverage. "What does Russia have in terms of leverage to be used against the Americans? After all, any treaty is a form of exchange. You give me this, and you get that from me. Now, Russia has nothing to give. Moscow announced immediately [before the negotiations] that it would bring down its nuclear arsenals to 1,500 warheads." Ivan Safronov, *Kommersant* [Moscow], May 24, 2002.

⁶⁸See CRS Report RL30967, *National Missile Defense: Russia's Reaction*, updated June 14, 2002.

Although Washington and Moscow continue to disagree on missile defense, the Joint Declaration at the May 2002 summit suggests that Washington has the upper hand. In it the United States and Russia:

... acknowledge that today's security environment is fundamentally different than during the Cold War.

... agreed to implement a number of steps aimed at strengthening confidence and increasing transparency in the area of missile defense, including the exchange of information, ... reciprocal visits to observe missile defense tests, and observation aimed at familiarization with missile defense systems....

... agreed to study possible areas for missile defense cooperation, including the expansion of joint exercises... and the exploration of ... programs for joint research and development of missile defense technologies....

... will, within the framework of the NATO-Russia Council, explore opportunities for intensified practical cooperation on missile defense for Europe.⁶⁹

It would seem that Russia's main hopes for altering or slowing U.S. missile plans defense lie outside the realm of bilateral relations. Moscow will probably continue trying to rally international opposition to missile defense, including opposition from U.S. allies in Europe and Asia. Congress, through the budget process and other means, has a critical role in the future of missile defense. In view of the sharp divisions within the Congress over missile defense in general and the Bush Administration approach in particular, this is bound to remain a contentious issue.

NATO Enlargement and the NATO-Russia Council

Russia, having given up trying to block NATO enlargement, including accession of former Soviet republics Estonia, Latvia, and Lithuania, has removed some of the drama from the issue. Under these circumstances, NATO states, and Congress, can consider which candidates to invite to join the Alliance on the basis of their merits, without being overly concerned about possible negative responses from or repercussions with Russia.

The creation of the NATO-Russia Council in May 2002 opens a new chapter in relations between Russia and the Alliance formed 53 years earlier to resist Soviet encroachments in Europe. The new Council, which will bring Russia together with the 19 (at present) Alliance members to discuss security issues, is similar in many respects to its predecessor, the NATO-Russia Permanent Joint Council (PJC), created in May 1997. The new Council, however, is both more ambitious and more limited than its predecessor in important ways. It is more ambitious in that it will give Russia an equal voice and an equal vote in its deliberations and decisions. It is more limited in that the PJC set out to address a very broad but vaguely defined range of issues, global in scope, numbering fifty-six in all. The new Council begins with a more narrowly and clearly defined work plan: counter terrorism, nonproliferation, arms control and confidence-building measures, theater missile defense, peace

⁶⁹[<http://www.whitehouse.gov/news/releases/2002/05/20020524-2.html>]

keeping and crisis management, search and rescue at sea, civil emergency preparedness, and military-to-military cooperation and military reform.⁷⁰

In the old PJC, characterized initially as 19+1, the Russian representative took an antagonistic, obstructionist position. In response, Alliance members adopted the practice of arriving at a common NATO policy before a PJC meeting and presenting Russia with a *fait accompli*, which Moscow derisively characterized as 19 vs.1.⁷¹ The new Council, characterized as NATO-at-20, begins with a higher level of trust on both sides, but also with built-in safeguards. The Council will operate on the basis of consensus, but if it fails to reach consensus on an issue, that issue can be withdrawn and referred to the North Atlantic Council, NATO's main decision-making body. Also, any member state can request that an issue be withdrawn from the NATO-Russia Council. It remains to be seen what kind of role Russia will play in the new NATO-at-20 Council. Optimists hope that Russia will behave like an ally, if at times a "thorny ally." Skeptics worry that Russia will try to use the new Council to weaken and divide the Alliance. Some critics also worry that certain Alliance members, particularly small states near Russia, may feel intimidated by Russia's presence in the Council and might not speak or act as they would otherwise.

In an indication of increased congressional interest in NATO, Senators Daschle and Lott reestablished a bipartisan Senate NATO Observer Group (SNOG) of Senators that will monitor developments in NATO in light of the new relationship with Russia and the run up to the Prague summit (November 2002), when invitations to join NATO will be extended to candidate members. Adding new members to the Alliance, of course, would require Senate approval.

Trade and Russian Debt

The high priority that Putin gives to domestic economic development, and the linkage between that and his reorientation of Russian national security policy, increase the importance of economic issues in U.S.-Russian relations. During the Cold War, bilateral economic relations usually were subordinated to political considerations by both sides. That attitude still lingers in both countries. Bilateral trade and U.S. investment in Russia to date have been minuscule by global standards. A functioning market economy in Russia, however, could provide a major market for U.S. goods, services, and investments. Such a development could be mutually profitable and further anchor Russia in the capitalist West.⁷²

Putin and Bush both say they want the relationship between their two countries to be more "businesslike." The U.S. Commerce Department's certification of Russia as a market economy is a step in that direction. As Congress and the Administration

⁷⁰*NATO-Russia-Relations: A New Quality, Declaration by Heads of State and Government of NATO Member States and the Russian Federation*, May 28, 2002. [www.nato.int/docu/basicxt/b020528e.htm].

⁷¹Discussion with U.S. officials and non-government analysts.

⁷²Inga Litvinsky, Matt London, and Tanya Shuster, "U.S.-Russian Trade and Investment: Policy and Performance," *Russia's Uncertain Economic Future*, p. 411-424.

consider another step in that direction – “graduating” Russia from Jackson-Vanik amendment restrictions – several trade issues may receive prominent attention. Chief among these are steel, chicken, and oil.

A trade dispute over Russian steel exports to the United States arose in the late 1990s as U.S. steel imports surged. Analysts attributed the sudden growth in steel imports to a rapid increase in U.S. demand, insufficient domestic capacity, and the appreciation of the dollar. The U.S. steel industry filed a number of anti-dumping complaints with the Department of Commerce and the U.S. International Trade Commission against foreign steel exporters, including Russian steel, claiming that the steel was being sold in the United States at less than fair value. In lieu of completing the Commerce and ITC antidumping investigations, Russia agreed in 1999 to two pacts that impose quotas and set minimum prices on Russian steel exports to the United States. Russian steel exporters and political leaders were not pleased with this outcome, but could have faced costlier restrictions if the antidumping investigations had run their course and high dumping tariff margins were imposed on Russian steel.⁷³ On March 5, 2002, the Bush Administration imposed tariffs on steel imports, including Russian steel, to protect domestic producers. U.S. policy on steel remains a source of aggravation with Moscow, among others.

At about the same time that the Bush Administration imposed steel tariffs, a dispute arose over U.S. poultry exports to Russia. Poultry is the largest single U.S. export product to Russia. Russia is the largest single foreign market for U.S. poultry exports.⁷⁴ Russia’s domestic poultry industry suffered in the 1990s as the overvalued ruble made imports highly competitive and U.S. imports won a large market share. On March 1, 2002, the Russian Veterinary Service suspended the issue of licenses for imports of poultry from the United States, citing health concerns over bacterial contamination and growth hormones. A complete ban was imposed on March 10. Many in the United States saw this as retaliation for the U.S. steel tariff.⁷⁵ High-level U.S. remonstrations resulted in Russian authorities announcing an end to the import ban on April 15; but that did not end the problem. The Russian Veterinary Service allowed the resumption of some U.S. poultry shipments, but continued to block most imports, pending agreement on a new, more stringent veterinary certificate. Negotiations over the new certificate dragged on for months while most U.S. poultry remained shut out of the Russian market. On July 24, U.S. trade officials said that

⁷³This summary of the steel issue is based on CRS Report RS21123, *Permanent Normal Trade Relations (PNTR) Status for Russia and U.S.-Russian Economic Ties*, Feb. 26, 2002, p. 5.

⁷⁴U.S. poultry exports to Russia in 2001 exceeded 1 million tons, valued at over \$600 million, accounting for over 20% of total U.S. exports to Russia. *International Trade Reporter*, July 25, 2002.

⁷⁵The fact that the Bush Administration was considering imposing steel tariffs had been in the news for several weeks. Moscow’s March 1 import license suspension could be viewed as a warning to Washington. The steel tariffs were imposed on March 5. The ban on chicken imports was imposed March 10.

they were close to agreement with their Russian counterparts on a new certificate that would again allow U.S. poultry to enter Russia.⁷⁶

The third major trade issue, oil, highlights the potential for cooperation rather than friction. Russia currently is the world's second largest oil producer and exporter, behind Saudi Arabia, which leads in both categories. Russia's proven oil reserves are twice as large as those of the United States. Although Russia's reserves are much smaller than Saudi Arabia's, its production has been comparable to Saudi Arabia's. According to a prominent recent assessment, Russia is now engaged in a contest with Saudi Arabia for dominance in the world energy market.⁷⁷ As the global economy slowed in 2001-2002, Saudi Arabia and its OPEC partners cut their oil production to shore up prices. In both 2000 and 2001, Russia increased its oil output.⁷⁸ Russia's political and corporate leaders are portraying Russian oil companies as reliable sources of supply, willing and able to add output to the market to keep prices reasonable and thus help revive the global economy. This has economic as well as political significance. Economically, it helps Russia integrate itself into the industrialized West. Politically, Russia's energy policy increases its leverage in its prospective partnership with the United States.⁷⁹

Russia is not expected to replace Saudi Arabia as the oil price setter – as Saudi Arabia replaced Texas decades ago. What Russian export policy might do, however, is increase competition, keeping oil prices at stable, moderate levels. This would help avoid inflationary pressure in the United States and other developed countries. On August 6, 2002, OPEC Secretary-General Alvaro Calderon arrived in Moscow to discuss disagreements over the volume of Russia's oil exports and target prices. Calderon told journalists that while OPEC believes that oil should cost \$22-\$28 a barrel, Russia prefers a lower range of \$20-\$25.⁸⁰

At the Bush-Putin summit in May 2002, the two leaders emphasized the importance of Russia's role as a reliable oil supplier in partnership with the United States. Their Joint Statement on the New U.S.-Russian Energy Dialogue pledged bilateral cooperation aimed at reducing volatility and enhancing predictability of global energy markets and supplies. They foresaw enhanced interaction between

⁷⁶*Inside U.S. Trade*, July 26, 2002.

⁷⁷Edward L. Morse and James Richard, "The Battle for Energy Dominance," *Foreign Affairs*, March/April 2002, p. 16-31. Another study disputes Russia's ability to displace Saudi Arabia in oil market dominance, but does not deny Russia's role as a major player. Fiona Hill and Florence Fee, "Fueling the Future: The Prospects for Russian Oil and Gas," *Demokratizatsiya* [forthcoming], summer 2002, viewable on the Brookings Institution web site, [http://www.brookings.edu/dybdocroot/views/papers/hillf/200205_demokratizatsiya.pdf]

⁷⁸After publicly resisting Saudi pressure to cut its production, Moscow agreed to a symbolic reduction of 0.15 mbd in the winter quarter of 2001. This reflected a normal seasonal adjustment by Russian producers operating in the extreme cold of Siberia. "Fueling the Future," p. 2.

⁷⁹"The Battle for Energy Dominance," p. 16-18.

⁸⁰*RFE/RL Newsline*, August 6, 2002.

U.S. and Russian energy companies in exploration, production, refining, transportation, and marketing. In the Joint Declaration, Bush pledged to encourage U.S. investment to further develop and modernize Russia's fuel energy and sector and expand its oil and gas production.⁸¹ He also pledged cooperation with Russia's energy transportation infrastructure.

In August 1999, the Paris Club of official government creditors (of which the United States is an influential member), provided a "framework agreement" reducing Russian interest payments on its Soviet-era debt (of over \$50 billion) and deferring payment of principal until after 2001. In February 2000, Russia reached an agreement with the London Club of commercial creditors, writing off 36.5% of Russia's \$32.8 billion Soviet-era commercial debt outright, with the remainder to be converted into 30-year eurobonds with lower interest rates and an 8-year grace period. This amounts to a total of 52% debt forgiveness in current net value terms. "Comprehensive" Paris Club negotiations have begun, to determine whether western government creditors will grant Russia more large-scale debt forgiveness, or offer debt rescheduling without forgiveness. Germany, which holds 48% of that debt, is calling for full repayment. Some of Moscow's critics contend that Russia's recent economic upturn and its substantial increases in defense spending should be taken into account by western governments considering further debt forgiveness for Russia.

The United States holds about 5% of Russia's Paris Club debt, about \$3 billion. Some Members of Congress have expressed interest in helping Russia reduce its Paris club debt as a way of accelerating economic recovery, or for more targeted aims, such as funneling more money into Russian nonproliferation activities. In December 2001, the Senate unanimously passed the Russian Federation Debt Reduction for Nonproliferation Act of 2001 (S. 1803), sponsored by Sen. Biden, and sent it to the House, where it is being considered as part of the State Department authorization bill (H.R. 1646). This bill would link U.S. debt forgiveness for Russia to Russian efforts in WMD nonproliferation. The Bush Administration is believed to have been leaning toward supporting Russia's quest for debt forgiveness. The House International Relations Committee held hearings on this bill July 25, 2002. Political support for this idea, however, might be adversely affected by Russia's reported plan to build more nuclear reactors in Iran.

Relations with China

As noted above, implicit in Putin's strategic decision to seek integration of Russia with the West is a rejection of the Primakov vision of a Russian-Chinese axis of cooperation against the United States as the core of Russia's national security strategy. Beijing and Moscow continue to proclaim good will and harmonious relations between them. Indeed, both countries want and need calm, friendly, stable bilateral relations. And the Cold War-era, triangular, zero-sum game of U.S.-Soviet-

⁸¹The U.S. Government can increase the incentives for U.S. firms to cooperate with Russian oil producers by expanding Ex-Im Bank credits and loan guarantees. On May 16, 2002, the U.S. Ex-Im Bank announced plans to add a long-term financing program in Russia to its current short- and medium-term programs, thus greatly expanding its loan guarantee potential in Russia (currently \$1.8 billion).

Chinese relations no longer holds sway. Nevertheless, Putin's turn toward the West does have significant implications for Russian-Chinese and U.S.-Chinese relations. There is still some triangularity in these relationships. Putin's western orientation works to the advantage of the United States vis-a-vis China by reducing Russian support for China vis-a-vis the United States.

An analysis carried by Reuters after the May 2002 Bush-Putin and NATO-Russia summits, entitled, "Russia Ends Cold War with NATO, China Shivers," calls attention to Chinese concerns that Russia's geostrategic shift could bring U.S.-led forces right up to China's western borders. "It is probably something that is very ... worrying," said one western diplomat in Beijing, "because there is a risk of isolation of China."⁸² If Russia turned toward strategic cooperation with the United States while the antagonism in U.S.-Chinese relations remained, that could leave Beijing in the position of being, or appearing to be, the leading anti-American power. That could be a costly and risky position for China, at a time when it is still struggling to accelerate and complete its economic modernization.

The antagonism in U.S.-Chinese relations noted above (p. 11), however, has not remained unchanged. In the past year there has been a warming, or at least an easing of tension, between the two. At the outset, the new Bush Administration promised a tougher approach to China than either the Clinton or the earlier Bush Administration, describing China as a "strategic competitor" of the United States. In the aftermath of the collision (April 1, 2001) of U.S. and Chinese military aircraft near Hainan Island, the antagonism on both sides deepened. After this rocky start, however, the events of September 11 appeared to alter the policies in both Washington and Beijing. The Bush Administration appeared to see the potential for Sino-U.S. cooperation against global terrorism as a priority, and U.S. officials down-played differences and problems in the relationship as they sought Chinese support with Asian states and in U.N. initiatives. For their part, after September 11 Chinese leaders have taken steps to improve Sino-U.S. relations, soften U.S. criticism of their policies, and demonstrate that China can be a responsible global player.⁸³

The apparent softening of Chinese policy (or rhetoric) toward the United States is probably driven by many factors. One of these is likely to be domestic political struggle in the run up to the 16th Communist Party Congress (Fall 2002), at which key leadership changes are expected, including the succession to President Jiang Zemin. Many analysts have described part of the internal political dynamic as a conflict between proponents and opponents of western-style economic reforms. Relations with the United States gets caught up in this because those who favor more market-oriented reform of the economy also tend to favor closer economic and political cooperation with the advanced industrial democracies, including the United States. Many opponents of further market reform also oppose more opening to the West. Thus, disagreement and political conflict over foreign policy among Chinese political

⁸²Cited in Brian Roads, "Russia Ends Cold War with NATO, China Shivers," Reuters, May 29, 2002.

⁸³CRS Issue Brief IB98018, *China-U.S. Relations*, updated regularly.

elites can become a subset of – and sometimes even a surrogate for – struggle over fundamental domestic issues.

It is also possible that concern grew among Chinese leaders in 2001, after the crisis surrounding the April 1 collision of the U.S. EP-3 aircraft and the Chinese jet fighter, and especially after September 11, that relations with the United States were deteriorating to a dangerous level. With a new and unpredictable Administration in Washington that seemed inherently unfriendly to China, Beijing may have decided independently to ease some of the tension as a precautionary measure, regardless of Russian policy.

At some point in 2001, Putin's policy shift toward the West probably entered into Chinese calculations and debates about relations with the United States. Those in the Chinese leadership who opposed the hard-line confrontational approach to the United States could use the Russian shift as an argument against a dangerous Chinese course that risked conflict with America, without the prospect of Russian support. Those in Beijing who advocated a tougher line toward Washington must have been encouraged by Primakov's policy of partnership with China against the global hegemon – and discomfited by Putin's abandonment of that policy. In the internal Chinese debate over policy toward the United States, Putin's westward tilt may not have been the most important consideration. But it most likely was one of the factors that shaped, and is shaping, Chinese policy. Thus, it seems likely that Russia's turn toward the West influenced China to move in the same direction – although not to the same degree nor for the same reasons.

Competing Views of How the United States Should Respond to Russia's New National Security Policy⁸⁴

There is an active debate about the appropriate U.S. response to Putin's policy of integrating Russia with the West. American, European, and Russian critics of Bush Administration policy toward Russia make many of the same arguments. The essence of their criticism is that the United States should do more to reciprocate Putin's cooperativeness and ensure that Russia stays on this course.

Some argue that Putin's shift toward the West lacks strong domestic political support and therefore is fragile. Some compare Putin to Gorbachev, warning that Putin's pro-western policy could meet a similar fate – arousing domestic opposition like that which led to the August 1991 coup that almost toppled, and fatally undermined, Gorbachev's leadership. Others, who see Putin's political position as relatively secure, warn that Putin himself might conclude that his cooperation with the United States is not yielding the desired reciprocity from Washington, leading him to move away from a “failed” policy. Another line of criticism is based on a longer-term view. I.e., Russia's current weakness may be such that it has no choice but to accede to heavy-handed U.S. dominance – however, Russia is likely to recover and once again be a great power, and when it does, it will harbor resentment and animosity toward the United States because of arrogant and short-sighted U.S.

⁸⁴The views in this section are based on numerous news reports, congressional hearings, analytical studies, and discussions with U.S., European, and Russian officials and analysts.

policies that ignored Russian vital interests and offended Russian national dignity. All three versions of this criticism cite the same list of U.S. actions that allegedly are offensive to Moscow, such as withdrawal from the ABM Treaty, missile defense, NATO enlargement, and U.S. military deployments in Georgia and Central Asia.

On the other hand, many observers believe that the Administration's approach to Russia is fundamentally sound. Some supporters of Administration policy argue that Russia simply does not matter very much any more – that with a population smaller than Brazil, a GDP smaller than the Netherlands, and armed forces that have little ability to project power beyond its borders, Russia should not be treated deferentially, as a great power, by the United States. Some who hold this view are dismissive of Russia – whether Russia succeeds in becoming a modern state with a functioning market economy is their business, not ours. Others view the relationship in terms of “tough love,” helping Russia adjust to its proper status as a regional, rather than a global, power. Still others, focused on the Cold War rivalry, are happy to see Russia as a weak, defeated foe and want to keep it that way.

Some supporters of U.S. policy toward Russia contend that Putin's repeated concessions to U.S. positions and acceptance of *faits accomplis*, acknowledging U.S. *force majeure*, confirm the correctness of that policy – that there was, and is, no need to make undue concessions to Moscow, because Russia has no choice but to go along with the United States, due to Russia's weakness vis-a-vis the United States and because of Russia's objective need to join the western world, on the West's terms.

Some of those who oppose being deferential to Moscow say that many of Putin's domestic policies are undemocratic, and that the United States should not hesitate to criticize such tendencies and press the Kremlin to do better. They argue that U.S. silence in the face of Russian government abuses such as restrictions on freedom of the press and religion, control over the formation of political parties, persecution and imprisonment on false charges of political dissidents, and massive human rights violations in Chechnya, are a betrayal of U.S. values and a signal to Russian authorities that the United States is not really serious about democracy in Russia as long as Moscow cooperates on security issues.

Those who question the wisdom of Administration policy warn that at some point, if Washington is not more forthcoming to Moscow, Russian policy may swing back in the direction that Primakov favored, and that this would be a tremendous lost opportunity for the United States.

Others reply that to the extent that there is a danger of Putin's pro-western policies being reversed, it will hinge not on whether the United States and the West reward Russia, but on whether Putin's domestic economic policies succeed. After all, these observers contend, Putin's fundamental rationale is that Russia must integrate with the West in order to reconstruct its economy and achieve a decent living standard for its people. If that goal, or appreciable progress in that direction, is not achieved in a reasonable period of time, the pro-western policy will be difficult to sustain. If this is true, then the United States has not only a humanitarian interest but also a strong self interest in Russia's economic recovery.