



# Russian Political, Economic, and Security Issues and U.S. Interests

**Jim Nichol, Coordinator**

Specialist in Russian and Eurasian Affairs

**William H. Cooper**

Specialist in International Trade and Finance

**Carl Ek**

Specialist in International Relations

**Steven Woehrel**

Specialist in European Affairs

**Amy F. Woolf**

Specialist in Nuclear Weapons Policy

**Steven A. Hildreth**

Specialist in Missile Defense

**Vincent Morelli**

Section Research Manager

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## Summary

Although Russia made some uneven progress in democratization during the 1990s, this limited progress was reversed after Vladimir Putin rose to power in 1999-2000 (first as prime minister, then as president), according to most observers. During this period, the State Duma (lower legislative chamber) came to be dominated by government-approved parties, and opposition democratic parties were excluded. Putin also abolished gubernatorial elections, placed controls on the activities of non-governmental organizations (NGOs), and established government ownership or control over major media and major industries, including the energy sector. Putin's suppression of insurgency in the Chechnya republic demonstrated his government's generally low regard for the rule of law and respect for human rights, according to these observers. Dmitry Medvedev, Vladimir Putin's chosen successor and long-time protégé, was elected President in March 2008 with about 70% of the vote. Immediately after the election, Putin became Prime Minister. President Medvedev generally has continued policies established during the Putin presidency. In August 2008, the Medvedev-Putin "tandem" directed wide-scale military operations against Georgia and unilaterally recognized the independence of Georgia's separatist South Ossetia and Abkhazia, actions that most of the international community have censured.

The sharp decline in oil and gas prices since mid-2008 and other aspects of the global economic downturn put a halt to a Russian economic expansion that had begun in 1999, resulting in an officially reported 9.5% drop in gross domestic product in 2008 and an estimated 8-9% drop in 2009. These declines exacerbate existing problems: 15% of the population live below the poverty line; inadequate healthcare contributes to a demographic decline; domestic and foreign investment is low; inflation hovers around 12%-14%; and crime, corruption, capital flight, and unemployment remain high.

Russia's military has been in turmoil after years of severe force reductions and budget cuts. The armed forces now number about 1.2 million, down from 4.3 million Soviet troops in 1986. Readiness, training, morale, and discipline have suffered. Russia's economic revival allowed it to substantially increase defense spending. Some high-profile activities were resumed, such as multi-national military exercises, Mediterranean and Atlantic naval deployments, and strategic bomber patrols. Stepped-up military efforts were launched in late 2007 to further downsize the armed forces and emphasize rapid reaction and contract forces. The global economic downturn and strong opposition within some segments of the armed forces appears to have slowed down force modernization. After the Soviet Union's collapse, the United States sought a cooperative relationship with Moscow and supplied almost \$17 billion to Russia from fiscal year 1992 through 2008 to support urgent humanitarian needs, to encourage democracy and market reform, and to support WMD threat reduction. U.S. aid to reduce the threats posed by the proliferation of weapons of mass destruction in recent years has hovered around \$700-\$900 million per fiscal year, while other foreign aid to Russia has dwindled, due in part to the phase-out of some aid and to congressional conditions. Despite rising U.S.-Russia tensions in recent years on issues such as NATO enlargement, Kosovo's independence, and proposed U.S. missile defenses in Eastern Europe, Washington and Moscow found some common ground on Iranian and North Korean nuclear issues and on nuclear non-proliferation in general. The August 2008 Russia-Georgia conflict threatened such cooperation. The Obama Administration has endeavored to "reset" relations with Russia to reinvigorate and expand bilateral cooperation. Russia welcomed the Obama Administration's announcement in September 2009 of the cancellation of the planned missile defense setup in Eastern Europe. The 111<sup>th</sup> Congress has held several hearings, introduced and passed legislation, and otherwise has debated the future of U.S.-Russian relations.

## Contents

Recent Developments.....	1
Post-Soviet Russia and Its Significance for the United States.....	2
Political and Human Rights Developments.....	2
Background .....	2
The Putin-Medvedev Era.....	3
The Impasse of Political Pluralism .....	5
Human Rights Problems.....	7
Insurgency in the North Caucasus .....	8
Defense Reforms.....	10
Trade, Economic, and Energy Issues .....	12
Russia and the Global Economic Crisis .....	12
Russia’s Accession to the World Trade Organization (WTO) and PNTR for Russia.....	13
Intellectual Property Rights (IPR) Enforcement in Russia.....	13
Russian Energy Policy .....	14
Foreign Policy.....	16
Russia and the West .....	16
NATO-Russia Relations .....	17
Russia and the European Union.....	20
Russia and the Soviet Successor States.....	22
U.S.-Russia Relations .....	24
The Obama Administration Moves to “Re-set” Bilateral Relations .....	24
Bilateral Relations and Iran.....	26
Bilateral Relations and Afghanistan.....	27
Arms Control Issues.....	29
Cooperative Threat Reduction.....	30
Russia and Missile Defense.....	31
U.S.-Russia Economic Ties .....	34
Russian Restrictions on Meat Imports .....	36
U.S. Assistance to Russia .....	37

## Tables

Table 1. U.S. Merchandise Trade with Russia, 1992-2008 .....	35
Table 2. U.S. Government Funds Budgeted for Assistance to Russia, FY1992-FY2008 .....	38

## Contacts

Author Contact Information .....	39
Acknowledgments .....	39

## Recent Developments

The Working Group on Civil Society, part of the U.S.-Russia Bilateral Presidential Commission, held its first U.S. meeting on January 27, 2010. As per agreement, the working group is composed of government officials and some representatives of non-governmental organizations. The officials and NGO representatives met in separate sessions, and then the two groups compared notes. The topics of discussion included corruption, protecting children, and national stereotyping. Some Members of Congress had called in December 2009 for the Administration to boycott the meetings until Russia changed its head of the group.<sup>1</sup>

On January 22, 2010, President Dmitriy Medvedev convened a meeting of the advisory State Council (a conclave composed of regional governors) to discuss electoral and legislative reform proposals he and various political parties had proposed. Strong criticisms about political developments in Russia by the Communist Party and other opposition parties were televised nationwide. A report by a State Council commission on the parties' suggestions basically praised the current political system (the report had been edited by Vladislav Surkov, first deputy chief of staff of the presidential administration). Medvedev defended Russia's electoral system as basically democratic, stating that allegations that recent local elections were not free and fair had not been proven in the courts. Some observers speculated that Prime Minister Vladimir Putin's appearance at the meeting indicated that there would be little progress in political reforms.

Russia is considering whether to purchase an amphibious assault warship, called the Mistral, that can carry 16 helicopters, up to 13 tanks, and up to 900 troops. French Foreign Minister Bernard Kouchner reportedly has rejected criticism of the possible purchase, stating that "we refuse to be prisoners of the past" by considering Russia a hostile power.<sup>2</sup> Some Members of Congress have raised concerns with France over the possible purchase. H.Res. 982 (Ros-Lehtinen), introduced on December 16, 2009, calls on the President and the Secretaries of State and Defense to urge France, other NATO member states, and the European Union not to sell offensive military arms to Russia until it has: withdrawn its troops from Georgia and revoked its recognition of Georgia's breakaway regions; withdrawn its military forces from the Transnistrian region of Moldova; halted sales of materials usable in the construction of weapons of mass destruction to state sponsors of terrorism; and made progress in respecting the rule of law and human rights.

Russia's restrictions on meat imports are becoming a major irritant in U.S.-Russian trade relations. U.S. and Russian agricultural officials met in Moscow the week of January 17- 23, 2010, to discuss the issues; however, no final solution appears to have been reached.

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<sup>1</sup> "Interview: McFaul on U.S., Russian Stereotypes and His Controversial Co-Chair, *RFE/RL*, January 28, 2010.

<sup>2</sup> Nathalie Guibert, Natalie Nougayrede, and Piotr Smolar, "Mistral's Unfavorable Winds," *Le Monde*, January 25, 2010.

## Post-Soviet Russia and Its Significance for the United States

Although Russia may not be as central to U.S. interests as was the Soviet Union, cooperation between the two is essential in many areas. Russia remains a nuclear superpower. It still has a major impact on U.S. national security interests in Europe, the Middle East, and Asia. Russia has an important role in the future of arms control, the nonproliferation of weapons of mass destruction, and the fight against terrorism. Such issues as the war on terrorism, the future of NATO, and the U.S. role in the world are affected by developments in Russia.

Russia is a potentially important trading partner. Russia is the only country in the world with more natural resources than the United States, including vast oil and gas reserves. It is the world's second largest producer and exporter of oil (after Saudi Arabia) and the world's largest producer and exporter of natural gas. It has a large, well-educated labor force and a huge scientific establishment. Also, many of Russia's needs—food and food processing, oil and gas extraction technology, computers, communications, transportation, and investment capital—are in areas in which the United States is highly competitive, although bilateral trade remains relatively low.

### Russia: Basic Facts

**Area and Population:** Land area is 6.6 million sq. mi., about 1.8 times the size of the United States. The population is 140.0 million (World Factbook, mid-2009 est.). Administrative subdivisions include 46 regions, 21 republics, 9 territories, and 7 others.

**Ethnicity:** Russian 79.8%; Tatar 3.8%; Ukrainian 2%; Bashkir 1.2%; Chuvash 1.1%; other 12.1% (2002 census).

**Gross Domestic Product:** \$2.1 trillion; per capita GDP is about \$15,200 (World Factbook, 2009 est., purchasing power parity).

**Political Leaders:** President: Dmitriy Medvedev; Prime Minister: Vladimir Putin; Speaker of the State Duma: Boris Gryzlov; Speaker of the Senate: Sergey Mironov; Foreign Minister: Sergey Lavrov; Defense Minister: Anatoliy Serdukov.

**Biography:** Medvedev, born in 1965, received a doctorate in law from Leningrad (now St. Petersburg) State University in 1990. In 1991-1996, he worked with Vladimir Putin as an advisor to the mayor of Leningrad. In late 1999, he became deputy head of Putin's presidential administration, and in October 2003, chief of staff. From 2000-2008, he also was vice chairman or chairman of the board of Gazprom. In November 2005, he became first deputy prime minister and was elected President in March 2008.

## Political and Human Rights Developments

### Background

Russia is a multinational, multi-ethnic state with over 100 nationalities and a complex federal structure inherited from the Soviet period that includes regions, republics, territories, and other subunits. During Boris Yeltsin's presidency, many of the republics and regions won greater autonomy. Only the Chechen Republic, however, tried to assert complete independence. During his term, President Putin reversed this trend and rebuilt the strength of the central government vis-a-vis the regions. In future decades, the percentage of ethnic Russians is expected to decline because of relatively greater birthrates among non-Russian groups and in-migration by non-Russians. Out-migration of ethnic Russians from many republics and autonomous regions may result in the titular nationalities becoming the majority populations. Implications may include

changes in domestic and foreign policies under the influence of previously marginalized ethnic groups and federal devolution or even rising separatism.

The Russian Constitution combines elements of the U.S., French, and German systems, but with an even stronger presidency. Among its more distinctive features are the ease with which the president can dissolve the parliament and call for new elections and the obstacles preventing parliament from dismissing the government in a vote of no confidence. The president, with parliament's approval, appoints a prime minister who heads the government. The president and prime minister appoint government ministers and other officials. The prime minister and government are accountable to the president rather than the legislature. Dmitriy Medvedev was elected president on March 2, 2008 and inaugurated on May 7. On May 8, Putin was confirmed as Prime Minister. In November 2008, constitutional amendments extended the presidential term to six years and the term of Duma Deputies from four to five years.

The bicameral legislature is called the Federal Assembly. The State Duma, the lower (and more powerful) chamber, has 450 seats. In previous elections, half the seats were chosen from single-member constituencies and half from national party lists, with proportional representation and a minimum 5% threshold for party representation. In May 2005, a law was passed that all 450 Duma seats be filled by party list election, with a 7% threshold for party representation. In the December 2007 legislative election, the pro-Kremlin United Russia Party won 315 seats, more than the two-thirds majority required to amend the constitution. The upper chamber, the Federation Council, has 166 seats, two from each of the 83 regions and republics of the Russian Federation. Deputies are appointed by the regional chief executive and the regional legislature.

The judiciary is the least developed of the three branches. Some of the Soviet-era structure and practices are still in place. Criminal code reform was completed in 2001. Trial by jury was planned to expand to cover most cases, but recently was restricted following instances where state prosecutors lost high-profile cases. The Supreme Court is the highest appellate body. The Constitutional Court rules on the legality and constitutionality of governmental acts and on disputes between branches of government or federative entities. Federal judges, who serve lifetime terms, are appointed by the President and must be approved by the Federation Council. The courts are widely perceived to be subject to political manipulation and control.

## **The Putin-Medvedev Era**

Former President Boris Yeltsin's surprise resignation (December 31, 1999) propelled then-Prime Minister Vladimir Putin into the Kremlin first as acting President, then as president in March 2000. Putin's meteoric rise in popularity was due to his being presented on state-owned TV and other mass media as a youthful, vigorous, sober, and plain-talking leader; and to his aggressive launch of military action against the breakaway Chechnya region. Putin was a Soviet KGB foreign intelligence officer for 16 years and later headed Russia's Federal Security Service (the domestic component of the former KGB). His priorities as president were strengthening the central government and restoring Russia's status as a great power.

Under Putin, the government took nearly total control of nation-wide broadcast media, shutting down or effectively nationalizing independent television and radio stations. In 2006, the Russian government forced most Russian radio stations to stop broadcasting programs prepared by the U.S.-funded Voice of America (VOA) and Radio Liberty (RL). Journalists critical of the government have been imprisoned, attacked, and in some cases killed with impunity.

A defining political and economic event of the Putin era was the October 2003 arrest of Mikhail Khodorkovski, CEO of Yukos, then the world's fourth largest oil company. Khodorkovski's arrest was triggered by his criticism of some of Putin's actions, his financing of anti-Putin political parties, and his hints that he might enter politics in the future. Khodorkovski's arrest was seen by many as politically motivated, aimed at eliminating a political enemy and making an example of him to other Russian tycoons. In May 2005, Khodorkovski was found guilty on multiple criminal charges of tax evasion and fraud and sentenced to eight years in prison. A new trial on charges of embezzlement, theft, and money-laundering could extend his imprisonment.<sup>3</sup> Yukos was broken up and its principal assets sold off to satisfy alleged tax debts. Since then, the government has re-nationalized or otherwise brought under its control a number of other large enterprises that it views as "strategic assets." These include ship, aircraft, and auto manufacturing, as well as other raw material extraction activities. At the same time, the Kremlin has installed senior officials to head these enterprises. This phenomenon of political elites taking the helm of many of Russia's leading economic enterprises has led some observers to conclude that "those who rule Russia, own Russia."

In September 2004, a terrorist attack on a primary school in the town of Beslan, North Ossetia, resulted in hundreds of civilian casualties. President Putin seized the opportunity provided by the crisis to propose a number of political changes he claimed were essential to quash terrorism. In actuality, the changes marked the consolidation of his centralized control over the political system and the vitiation of fragile democratic reforms of the 1980s and 1990s, according to many observers. The changes included abolishing the popular elections of regional governors (replacing such elections with the appointment of presidential nominees that are confirmed by regional legislatures) and mandating that all Duma Deputies be elected on the basis of national party lists, based on the proportion of votes each party gets nationwide. The first measure made regional governors wholly dependent on, and subservient to, the president. The second measure eliminated independent deputies, further strengthening the pro-presidential parties that already controlled an absolute majority in the Duma. In early 2006, President Putin signed a new law regulating non-government organizations (NGOs), which Kremlin critics charged has given the government leverage to shut down NGOs that it views as politically troublesome (see also below, "Human Rights Problems").

The Kremlin decided to make the December 2, 2007, State Duma election a display of Putin's popularity. Despite Putin's apparently genuine popular appeal, his backers used myriad official and unofficial levers of power and influence to ensure an overwhelming victory for United Russia, the main Kremlin party. Putin's October 2007 announcement that he would run for a Duma seat at the head of the United Russia ticket made the outcome doubly sure. Russian authorities effectively prevented the Organization for Security and Cooperation in Europe (OSCE) from sending an observer team by delaying the issuance of visas until the last minute, thus blocking normal monitoring of the election campaign. United Russia won 64.3% of the popular vote and 315 of the 450 seats—more than the two-thirds majority required to amend the

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<sup>3</sup> S.Res. 189, introduced by Senator Roger Wicker on June 18, 2009, and a similar bill, H.Res. 588, introduced by Representative James McGovern on June 26, 2009, express the sense of the chamber that the prosecution of Khodorkovski is politically-motivated, calls for the new charges against him to be dropped, and urges that he be paroled as a sign that Russia is moving toward upholding democratic principles and human rights. President Obama has raised concerns about a new trial for Khodorkovski. The White House. Office Of The Press Secretary. *Transcript of President Obama's Interview with Novaya Gazeta*, July 6, 2009. The European Court of Human Rights plans to hold hearings on a complaint by Khodorkovski that the Russian government subjected him to inhumane and degrading treatment, unlawful and politically motivated arrest and detention, and judicial persecution.

constitution. Two other pro-Putin political parties won 78 seats, giving the Kremlin the potential support of 393 of the 450 Duma members. The only opposition party in the Duma is the Communist Party, which won 57 seats.<sup>4</sup>

Barely a week after the Duma election, Putin announced that his protégé Dmitry Medvedev was his choice for president. Medvedev announced that, if elected, he would ask Putin to serve as Prime Minister. This carefully choreographed arrangement presumably was meant to ensure political continuity for Putin and those around him. The Putin regime manipulated election laws and regulations to block “inconvenient” candidates for the prospective March 2, 2008, presidential election from getting onto the ballot. Medvedev easily won against three candidates, garnering 70% of the vote. Television news coverage was skewed overwhelmingly in Medvedev’s favor. As with the Duma election, the OSCE refused to submit to restrictions demanded by Moscow and did not send electoral observers.<sup>5</sup>

There has been considerable speculation about power-sharing between President Medvedev and Prime Minister Putin. The dual power arrangement between the two leaders has been viewed by some observers as inherently unstable, although so far it has appeared that the “tandem” has worked. Tensions in their relationship have appeared, reflected by conflicts between their respective supporters, including over how to remedy the severe domestic impact of the global economic downturn. These tensions may deepen in 2010, some observers suggest. Possible succession scenarios include Medvedev stepping down after his first term as president or even resigning just short of the end of his first term. In either case, Putin would be eligible to run, since he would not have served more than two *consecutive* terms. Medvedev has suggested that he and Putin would not both run as candidates.<sup>6</sup>

## **The Impasse of Political Pluralism**

According to the State Department’s latest *Country Reports on Human Rights Practices* (released in February 2009), the Russian government’s accountability to its citizens lessened during 2008, because of increased presidential power, decreased legislative power, a non-independent judiciary, corruption, selective law enforcement, restrictions on media, and harassment of some NGOs. The government restricted the ability of opposition parties to participate in the political process. It also was hostile toward NGOs involved in human rights monitoring as well as those receiving foreign funding. A decree from Prime Minister Putin in June 2008 removed tax-exempt status from the majority of NGOs, including international NGOs, and imposed a potentially onerous annual registration process.<sup>7</sup>

In late 2008, President Medvedev proposed a number of political changes that were subsequently enacted or otherwise put into place. Observers regarded some of the changes as progressive and others as regressive. These included extending presidential and State Duma terms, giving small political parties more rights (see below), requiring annual government reports to the State Duma, permitting regional authorities to dismiss mayors, reducing the number of signatures for a party to

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<sup>4</sup> See CRS Report RS22770, *Russia’s December 2007 Legislative Election: Outcome and Implications*, by Jim Nichol.

<sup>5</sup> RFE/RL, *Newline*, February 5, 20, 2008.

<sup>6</sup> *The ISCIP Analyst*, November 12, 2009.

<sup>7</sup> *Country Reports on Human Rights Practices for 2008*.

participate in elections, reducing the number of members necessary in order for parties to register, and abolishing the payment of a bond in lieu of signatures for participation in elections.

According to many observers, the rule of law appeared to remain imperiled in 2009 despite Medvedev's pledges to combat "legal nihilism." In May 2009, Russian Constitutional Court Chairman Valeriy Zorkin warned that "today, laws on many cardinal issues have been adopted by the parliament in the backroom manner without discussion with the people," and that these laws threaten to turn constitutional law "into a fiction." Genri Reznik, president of the Moscow Bar Association, similarly argued in May 2009 that the presidential selection process for judges was a "mockery of justice," and that "the situation has become much worse in terms of judges' independence" from political pressure.<sup>8</sup> In August 2009, President Medvedev called for further limiting jury trials (he had signed a law at the end of 2008 limiting jury trials in terrorist or extremist cases) that involve "criminal communities," which some legal experts and civil rights advocates criticized as an effort to further squelch unwanted acquittals by juries.

Possibly a positive development, in February 2009 Medvedev revived a moribund "Presidential Council to Promote the Development of Civil Society Institutions and Human Rights," including by replacing several pro-government members with prominent oppositionists. He met with the Council in April 2009, at which criticism of the human rights situation in Russia included that NGOs were being harmed by the 2006 NGO law. In response to the criticism, in mid-May 2009 Medvedev established a Working Group on Nonprofit Organization Law to consider amendments to the NGO law. On June 17, 2009, Medvedev submitted amendments proposed by the Council to the legislature, and they were approved and signed into law on July 20, 2009. Changes included easing some reporting requirements and limiting the ability of bureaucrats to inspect NGO facilities. Restrictions on foreign-based NGOs were only slightly eased, however. Some critics viewed the approved amendments as mainly cosmetic.<sup>9</sup>

Perhaps a sign of a future broadening of political accountability, the Federal Assembly approved a Medvedev proposal in April 2009 for political parties that get between 5%-7% of the vote in future Duma elections (presently, a party must get 7% or more of the vote to gain seats) to win one or two seats. Subsequently, Medvedev suggested that the 7% hurdle might be lowered. In June 2009, Medvedev met with unrepresented party leaders for discussions on how the government might improve the environment in which the parties operate, such as making media access more available. He also called for regional authorities to ensure that small parties are freely able to participate in local elections.

President Medvedev authored an article in September 2009 that pledged that Russian democracy would be developed slowly so as not to imperil social stability and that "foreign grants" would not be permitted to influence the development of civil society (these views seemed to echo those of Central Asia's authoritarian leaders). He pointed to such changes as political party participation in the Duma (mentioned above) as marking progress in democratization, but also admitted that "we have only just embarked" on creating a judicial system free of corruption that is capable of protecting citizens' rights and freedoms.<sup>10</sup> A few days later, Russian Duma Speaker Boris Gryzlov (who is, along with Putin, the top leader of United Russia) published an article that praised former

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<sup>8</sup> Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), May 6, 2009, Doc. No. CEP-4003.

<sup>9</sup> Michael Allen, "Obama Trip Prompts Token NGO Reform, but Kremlin Incapable of Real Change," *Democracy Digest*, July 6, 2009.

<sup>10</sup> *CEDR*, September 10, 2009, Doc. No. CEP-378001.

President Putin's abolition of popular gubernatorial elections as strengthening central government administration. He also asserted that the abolition of the elections did not harm democratization, and praised Medvedev's proposal to "perfect" the process by having the dominant local political party propose gubernatorial candidates to the president. Gryzlov hailed Medvedev's statement that Russia would democratize at its own pace and in its own way."<sup>11</sup>

On October 11, 2009, mayoral and other local elections took place in most of Russia's regions. Ruling United Russia Party candidates won overwhelmingly. Alleged irregularities in many races led the three minority parties represented in the State Duma—the Communist Party, Liberal Democratic Party, and Just Russia—to temporarily walk out as a sign of protest. President Medvedev also criticized the elections, but was careful to blame "some regional representatives of both United Russia and other parties" of turning elections into administrative exercises. He stated that "we must simply get rid of these people and at the same time these bad political habits as well."<sup>12</sup>

In the state of the nation address to the Russian Federal Assembly on November 11, 2009, President Medvedev deplored the economic downturn in Russia and proposed a program of technological modernization. He also appeared to criticize the top-down administrative authoritarianism implemented by Putin and the "prejudice and nostalgia" of current foreign policy. He called for ten political reforms—such as standardizing the ratio of deputies to the voting populations of the regions, using the internet to disseminate legislative debates and campaign information, and eliminating the gathering of signatures by parties in order to qualify to run in elections—that were viewed by some critics as useful but minor. He stated that a session of the State Council (a conclave of governors) would be held in January 2010 to consider these and other suggestions from political parties on how to modernize the political system. A few days later, however, the congress of the United Russia Party approved a "conservative ideology" that appeared at variance with Medvedev's call for modernization. Gryzlov then published an article that proclaimed that conservatism and modernization were compatible, since Medvedev was advocating incremental rather than revolutionary change that would fulfill Putin's 2020 development goals and maintain "traditional Russian values."<sup>13</sup>

Medvedev convened another meeting of the Presidential Council on Civil Society in November 2009, where he proposed state assistance to NGOs that do charity work. He appeared sensitive to criticism of the courts by some attendees, stating that the prestige of the courts should be enhanced rather than attacked. He also expressed disbelief when told that only 0.04% of criminal court cases result in acquittal, but pledged to examine the issue. Some human rights activists praised the meeting as bringing problems to the attention of the president that otherwise would have been suppressed by bureaucrats.

## **Human Rights Problems**

According to the State Department, there were numerous reports of government human rights problems and abuses during 2008. The Russian government restricted media freedom through

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<sup>11</sup> *CEDR*, September 14, 2009, Doc. No. CEP-23005.

<sup>12</sup> The Kremlin. President of Russia. *Speech at 11th United Russia Party Congress*, November 21, 2009, at [http://eng.kremlin.ru/speeches/2009/11/21/1823\\_type84779](http://eng.kremlin.ru/speeches/2009/11/21/1823_type84779).

<sup>13</sup> *CEDR*, December 1, 2009, Doc. No. CEP-49009.

direct ownership of media outlets, pressuring the owners of major media outlets to abstain from critical coverage, and harassing and intimidating journalists into practicing self-censorship. According to the Glasnost' Defense Foundation, a Russian NGO, 69 journalists were physically attacked and 5 journalists were killed in Russia in 2008, a few under circumstances that may have indicated government involvement. Local governments limited freedom of assembly, sometimes using violence, and restricted religious groups in some regions. There were incidents of societal discrimination, harassment, and violence against religious minorities, including anti-Semitism. In Chechnya, Ingushetia, and Dagestan, security forces continued allegedly to be involved in unlawful killings, torture, abductions, and other abuse, and to act often with impunity. One positive development was the decline in the disappearance of citizens in Ingushetia and Chechnya, which formerly was linked in many cases to extrajudicial killings by government security forces.<sup>14</sup>

Developments of concern during 2009 include continuing physical attacks against human rights advocates and reporters, according to the NGO Human Rights Watch. Media censorship also continued if not increased. In January 2009, human rights lawyer Stanislav Markelov and reporter Anastasiya Baburova were killed in Moscow just after leaving a press briefing where Markelov had criticized the early release of a former Russian officer in Chechnya who was convicted of murder. In late March 2009, human rights advocate Lev Ponomarev was beaten by unidentified assailants just after leaving a meeting on human rights with a representative of the Legislative Assembly of the Council of Europe. Aleksey Sokolov, an advocate of prisoners' rights, was arrested in Yekaterinburg in mid-May 2009 on theft charges that other prominent Russian human rights advocates viewed as politically motivated because of his recent reports on police torture. President Medvedev created a "Commission Under the Russian Federation President To Counter Attempts To Falsify History to the Detriment of the Interests of Russia" in April 2009, which some observers viewed as an ominous sign of his intent to further control freedom of expression. Among other problems, prominent human rights advocate Lev Ponomarev alleged in a June 2009 journal article that there were "about 40" prison facilities in Russia where torture techniques were routinely used, and termed them "concentration camps."<sup>15</sup>

## **Insurgency in the North Caucasus**

Some observers have argued that Russia's efforts to suppress the separatist movement in its Chechnya region have been the most violent in Europe in recent years in terms of ongoing military and civilian casualties and human rights abuses.<sup>16</sup> In late 1999, Russia's then-Premier Putin ordered military, police, and security forces to enter the breakaway Chechnya region. By early 2000, these forces occupied most of the region. High levels of fighting continued for several more years and resulted in thousands of Russian and Chechen casualties and hundreds of thousands of displaced persons. In 2005, then-Chechen rebel leader Abdul-Khalim Saydullayev decreed the formation of a Caucasus Front against Russia among Islamic believers in the North Caucasus, in an attempt to widen Chechnya's conflict with Russia. After his death, his successor, Doku Umarov, declared continuing jihad to establish an Islamic fundamentalist Caucasus Emirate in the North Caucasus and beyond.

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<sup>14</sup> U.S. Department of State. *Country Reports on Human Rights Practices for 2008*, February 2009.

<sup>15</sup> *CEDR*, June 12, 2009, Doc. No. CEP-21002.

<sup>16</sup> For background information, see CRS Report RL32272, *Bringing Peace to Chechnya? Assessments and Implications*, by Jim Nichol.

Russia's pacification policy has involved setting up a pro-Moscow regional government and transferring more and more local security duties to this government. An important factor in Russia's seeming success in Chechnya has been reliance on pro-Moscow Chechen clans affiliated with regional president Ramzan Kadyrov. Police and paramilitary forces under his authority allegedly have committed flagrant abuses of human rights.

The Center for Strategic and International Studies, a U.S. think tank, has estimated that armed violence in the North Caucasus—which had ebbed markedly after the mid-2000s with the killing, capture, or surrender of leading Chechen insurgents—started to increase in early 2007 and was at an even higher level in 2009.<sup>17</sup> Among prominent recent incidents, Dagestani Internal Affairs Minister Adilgerey Magomedtagirov was killed on June 5, 2009, and the president of Ingushetia, Maj. Gen. Yunus-bek Yevkurov, was severely wounded by a bomb blast on June 22, 2009. In July 2009, prominent human rights advocate Natalia Estemirova was abducted in Chechnya and, after passing through police checkpoints, was found murdered in Ingushetia. In August 2009, Zarema Sadulayeva and Alik Dzhabraïlov, who ran a child rehabilitation center in Chechnya, were murdered.

After a suicide truck bombing in Ingushetia killed 21 policemen and wounded 150 civilians in August 2009, President Medvedev fired the republic's Interior Minister. At a meeting of the Security Council in Stavropol, Medvedev admitted that "some time ago, I had an impression that the situation in the Caucasus had improved. Unfortunately, the latest events proved that this was not so." He reportedly urged legal and judicial changes that would reduce procedural rights and streamline the prosecution of "bandits." At a joint news conference with visiting German Chancellor Angela Merkel in Sochi, President Medvedev asserted that the murders of human rights workers and officials in the North Caucasus were carried out by enemies of Russia financed and supported from abroad.<sup>18</sup>

Indicating a new widening of the conflict beyond the North Caucasus, the Nevskiy Express passenger train was bombed outside of Moscow on November 27, 2009, killing over two dozen civilians and injuring over 100. Some of the victims were Russian officials. The same train had been bombed in 2007, allegedly by Pavel Kosolapov (an associate of Umarov and the late Chechen terrorist Shamil Basayev). Russian media termed the Nevskiy Express bombing the worst terrorist act outside of the North Caucasian region since the August 2004 bombing of two airliners that had taken off from Moscow, killing 89. On December 2, Umarov allegedly took responsibility for ordering the Nevskiy Express bombing and warned that "acts of sabotage will continue for as long as those occupying the Caucasus do not stop their policy of killing ordinary Muslims."<sup>19</sup>

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<sup>17</sup> Center for Strategic and International Studies, *Violence In The North Caucasus: Trends Since 2004*, 2008; *Violence in the North Caucasus: Summer 2009*, 2009. See also PACE, *Situation in the North Caucasus Region: Security and Human Rights, Second Information Report*, September 29, 2009.

<sup>18</sup> President of the Russian Federation. *Russian president addresses Security Council meeting on Caucasus*, June 10, 2009, at <http://www.kremlin.ru>; CEDR, August 14, 2009, Doc. No. CEP-950185; and August 25, 2009, Doc. No. CEP-546006. See also CRS Report RL34613, *Stability in Russia's Chechnya and Other Regions of the North Caucasus: Recent Developments*, by Jim Nichol.

<sup>19</sup> *Reuters*, December 2, 2009.

## Defense Reforms

Despite the sizeable reduction in the size of the armed forces since the Soviet period—from 4.3 million troops in 1986 to 1.2 million at present—the Russian military remains formidable in some respects and is by far the largest in the region. Because of the deteriorating capabilities of its conventional forces, however, Russia relies increasingly on nuclear forces to maintain its status as a major power. There is sharp debate within the Russian armed forces about priorities between conventional versus strategic forces and among operations, readiness, and procurement. Russia is trying to increase security cooperation with the other Soviet successor states that belong to the Commonwealth of Independent States (CIS).<sup>20</sup> Russia has military facilities on the territory of all the CIS states (even in Azerbaijan, there is a Russian military contingent at a radar site). Attempting to resist, Georgia, Ukraine, Moldova, and Azerbaijan have shifted their security policies toward a more western, pro-NATO orientation. The passage of legislation in October 2009 providing for the Federation Council to authorize the use of troops abroad to protect its “peacekeepers” and citizens, and to combat piracy at sea appears to underline that Russia might use military force to reinforce the “lesson” that small countries adjacent to Russia may disregard Moscow’s interests and warnings only at their peril.

The improvement of Russia’s economy since 1999, fueled in large part by the cash inflow from sharply rising world oil and gas prices, enabled Russia to reverse the budgetary starvation of the military during the 1990s. Defense spending increased substantially in each of the past few years. The 2009 proposed defense budget was 1.279 billion rubles (\$38.8 billion), a 25% increase from the previous year. If one adds the funds planned for security, border, and defense-related law-enforcement activities; the emergencies ministry; and military pensions to the total defense budget, spending on defense reaches around 1.9 billion rubles (\$57.6 billion).<sup>21</sup> Even factoring in purchasing power parity, Russian defense spending still lags far behind current U.S. or former Soviet levels. The efficacy of the larger defense budgets is reduced, however, by systemic corruption. Some high-profile military activities have been resumed, such as large-scale multinational military exercises, show-the-flag naval deployments to the Mediterranean and the Atlantic, and strategic long-range bomber patrols that approach U.S. and NATO airspace.

In February 2007, then-President Putin appointed Anatoly Serdyukov as defense minister. With a career outside the military establishment, many observers suggest that Serdyukov was chosen to carry out a transformation of the armed forces from a mobilization model—large divisions only partially staffed and dependent upon the mobilization of reserves during emergencies—to permanently-staffed smaller brigades. In October 2008, Serdyukov announced that planned cuts in the officer corps would be accelerated, so that the 355,000-strong officer corps would be reduced to 150,000 within three years. The non-commissioned officers’ ranks of warrant officer and midshipman in the Russian Army and Navy would be abolished. The bulk of these 140,000 NCOs would retire and 78,000 sergeants would be trained. The number of personnel at the Defense Ministry and General Staff would be cut, the number of higher military schools would be reduced, and combined arms divisions would be converted to 85 service branch brigades (as in the U.S. military). He also endorsed further revamping of the four-tier troop control system of military districts, armies, divisions, and regiments into a three-tier system of military districts,

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<sup>20</sup> Members include Armenia, Azerbaijan, Belarus, Moldova, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, and Uzbekistan. Georgia withdrew following the August 2008 Russia-Georgia conflict.

<sup>21</sup> “Russia,” *The Military Balance*, February 1, 2009, p. 215.

tactical commands, and brigades. The total size of the armed forces would be reduced from 1.2 million to under 1 million by 2012. At the same time, a major rearmament effort would be accelerated.

During 2009, the brigade system was set up and other reforms were completed or well underway. However, President Medvedev decreed a revised deadline of 2016 for completing force reductions, at least in part because of revenue shortfalls for added military pensions, retraining for civilian occupations, transitioning to a volunteer military, housing, and rearmament efforts.<sup>22</sup>

Weapons modernization has included the development of the RS-24 strategic nuclear ballistic missile, which reportedly may begin to be deployed in 2010. However, substantial modernization is contingent on rebuilding the largely obsolete defense industrial complex. Some observers have argued that Russia is seeking as a partial alternative purchasing some advanced military weapons and technology from abroad, such as the recent acquisition of unmanned aerial drones from Israel and the possible acquisition of Mistral-class warships from France.<sup>23</sup>

At the same time, force reductions and lagging weapons modernization have increased the Russian government's emphasis on its strategic nuclear forces. The new Russian military doctrine, under final review, reportedly declares that nuclear weapons may be used in local and regional conflicts with non-nuclear powers. Some observers view this language as lowering the threshold of use.<sup>24</sup>

According to Security Council Secretary Nikolay Patrushev, the new Russian military doctrine will more specifically address the United States and NATO expansion as strategic threats, Japan as a threat to Russia's territorial integrity, and instability in the North Caucasus as an internal threat. It also covers such "new military dangers" as the struggle for fuel and energy and other resources, the proliferation of weapons of mass destruction, and international terrorism.<sup>25</sup>

At the July 2009 U.S.-Russia Summit, the two sides agreed to the resumption of military-to-military activities, which had been suspended since the August 2008 Russia-Georgia conflict. The two sides agreed in their work plan to conduct nearly 20 exchanges and operational events before the end of 2009, and to plan a more ambitious work plan for 2010. The two sides also agreed to renew the activities of the Joint Commission on POW/MIAs and the four working groups that seek to account for personnel from World War II, the Korean War, the Vietnam War, and the Cold War, including Soviet military personnel unaccounted for in Afghanistan. The Commission's work had been disrupted since 2004, when Russia downgraded the status of its representatives and failed to appoint a co-chair in the face of cooling U.S.-Russia relations.<sup>26</sup>

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<sup>22</sup> "Moscow Reconsidering Military Reform Plans," *RIA Novosti*, January 5, 2009; Roger McDermott, "Russian Military Reform Delayed by Financial Crisis," *Eurasia Daily Monitor*, January 28, 2009; Lt. Col. Erik Rundquist, *Russian Federation Armed Forces*, The ISCI Analyst, April 30, 2009.

<sup>23</sup> Vladimir Socor, "Moscow Seeks French High-Tech Transfers with Mistral Amphibious Assault Ships," *Eurasia Daily Monitor*, January 7, 2010.

<sup>24</sup> CEDR, January 5, 2010, Doc. No. CEP-358002; December 15, 2009, Doc. No. CEP-677001; *The ISCI Analyst*, October 29, 2009.

<sup>25</sup> CEDR,

<sup>26</sup> U.S. Department of Defense. *U.S.-Russia Joint Commission on POW/MIAs*, at <http://www.dtic.mil/dpmo/sovietunion/jcsd.htm>; Bill Gertz, "Inside the Ring," *Washington Times*, July 9, 2009.

## Trade, Economic, and Energy Issues

### Russia and the Global Economic Crisis<sup>27</sup>

As is the case with most of the world's economies, the Russian economy has been hit hard by the global financial crisis and resulting recession. However, even before the financial crisis, Russia was showing signs of economic problems when world oil prices plummeted sharply around the middle of 2008, diminishing a critical source of Russian export revenues and government funding.

The financial crisis brought an abrupt end to about a decade of impressive Russian economic growth that helped raise the Russian standard of living and brought economic stability that Russia had not experienced for more than two decades. Russia had experienced strong economic growth over the past 10 years (1999-2008), during which time its GDP *increased* 6.9% on average per year in contrast to an average annual *decline* in GDP of 6.8% during the previous seven years (1992-1998).

In 2008 and into 2009, however, Russia faced a triple threat with the financial crisis coinciding with a rapid decline in the price of oil and the costs of the country's military confrontation with Georgia. These events exposed three fundamental weaknesses in the Russian economy: substantial dependence on oil and gas sales for export revenues and government revenues, a rise in foreign and domestic investor concerns, and a weak banking system. The economic downturn is showing up in Russia's performance indicators. Although Russia's real GDP *increased* 5.6% in 2008 as a whole, it *declined* during the final two quarters of that year and continued to decline the first two quarters in 2009. It *declined* an estimated 8.0% in 2009, although began to show signs of recovery, albeit weak, in the last quarter of 2009.<sup>28</sup> The Russian government has implemented a number of stimulus programs to boost economic growth.

Oil, natural gas, and other fuels account for about 65% of Russia's export revenues. In addition, the Russian government is dependent on taxes on oil and gas sales for more than half of its revenues. Oil prices have been very volatile in the last two years which have affected the Russian economy. As of January 22, 2010, the price of a barrel of Urals-32 (the Russian benchmark price) oil was \$75.06, a 45.5% drop from its July 4, 2008, peak of \$137.61 but a 119.5% rise from its January 2, 2009 low point of \$34.02. The volatility has challenged Russian fiscal policy. The drop in oil prices forced the government to incur a budget deficit in 2009 estimated to be around 7% of GDP; however, the rise in oil prices during the later months of 2009 prevented the deficit from being even higher.<sup>29</sup> Russian foreign currency reserves declined from \$597 billion at the end of July 2008 to \$368 billion at the end of April 2009, but have since increased to \$436 billion as of January 22, 2010.<sup>30</sup>

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<sup>27</sup> Prepared by William H. Cooper, Specialist in International Trade and Finance.

<sup>28</sup> Economist Intelligence Unit.

<sup>29</sup> Economist Intelligence Unit. *Country Report--Russia*. January 2010.

<sup>30</sup> Central Bank of Russia..

## **Russia's Accession to the World Trade Organization (WTO) and PNTR for Russia**

Russia first applied to join the General Agreement on Tariffs and Trade (GATT—now the World Trade Organization [WTO]) in 1993. For many years, Russia's accession process seemed to move slowly, but in the last few years, Russia had accomplished some critical steps, including the completion of bilateral agreements with the European Union (EU), the United States, and most of the other WTO members that sought such agreements. At the beginning of 2009, Russia was in the process of completing negotiations with a WTO working party (WP), which includes representatives from about 60 WTO members, including the United States and the EU. Throughout this process, WP members have raised concerns about Russia's intellectual property rights enforcement policies and practices, sanitary and phytosanitary (SPS) regulations that may be unnecessarily blocking imports of agricultural products, and Russia's demand for large subsidies for its agricultural sector, among other issues.

However, in what has been largely considered a stunning announcement, Prime Minister Putin stated on June 9, 2009, that Russia would be abandoning its application to join the WTO as a single entity, a customs union with Belarus and Kazakhstan. It is not clear at this time why Russia's leaders had decided to change substantially the country's application status. Belarus and Kazakhstan have also applied to join the WTO, but Belarus was not so far along as Russia was in the process as the other two countries. The customs Union went into effect in January 2010. The three countries decided to pursue accession separately but with common proposed tariff schedules.

The WTO requires that each member grant to all other members "unconditional" most-favored-nation (MFN), or permanent normal trade relations status (PNTR). Not granting PNTR usually requires a WTO member to invoke, upon accession of a new member, a provision of the WTO that makes WTO rules inapplicable in their bilateral trade relationship.

NTR is used to denote nondiscriminatory treatment of a trading partner compared to that of other countries. Russia's NTR status is governed by Title IV of the Trade Act of 1974, which includes the so-called Jackson-Vanik amendment (section 402). Under Title IV, Russia currently receives NTR on the condition that the President continues to determine that Russia complies with freedom-of-emigration criteria under section 402 subject to a semiannual review and to a congressional resolution of disapproval. In order for Russia to receive unconditional or "permanent" NTR (PNTR), Congress would have to pass and the President would have to sign legislation indicating that Title IV no longer applies to Russia. To date, no such legislation has been introduced in the 111<sup>th</sup> Congress. Russian leaders consider the absence of PNTR an affront and Jackson-Vanik a relic of the Cold War that should no longer apply to U.S.-Russian trade relations, especially since such still ostensibly communist countries as China and Vietnam have PNTR.

## **Intellectual Property Rights (IPR) Enforcement in Russia**

The apparent lack of adequate intellectual property rights protection in Russia has tainted the business climate in Russia for U.S. investors for some time. The Office of the United States Trade Representative (USTR) consistently identifies Russia in its Special 301 Report as a "priority watch list" country, as it did in its latest April 30, 2009, report. This report cites industry estimates that online piracy and other copyright infringements cost U.S. intellectual property owners more

than \$2.8 billion in losses in 2008. While the USTR report acknowledges some improvement in IPR protection, it also finds that implementation of laws has been slow and enforcement weak. In particular, the report cites the failure of Russia to fulfill its commitments to improve IPR protection made as part of the 2006 bilateral agreement that was reached as part of Russia's WTO accession process.<sup>31</sup>

## **Russian Energy Policy** <sup>32</sup>

Russian oil and natural gas industries are important players in the global energy market, particularly in Europe and Eurasia. Russia has by far the largest natural gas reserves in the world, possessing over 30% of the world's total. It has been the second largest oil producer and is eighth in the world in reserves, with at least 10% of the global total. Another key trend has been the concentration of these industries in the hands of the Russian government. The personal and political fortunes of Russia's leaders are tied to the energy firms, as Russia's economic revival in the Putin/Medvedev era has been due in large part to the massive revenues generated by energy exports, mainly to Europe.

Some Members of Congress, U.S. officials, and European leaders (particularly those in central and eastern Europe) have pointed to a potential long-term threat to transatlantic relations arising from European dependence on Russian energy and Russia's growing influence in large segments of Europe's energy infrastructure. Analysts have noted that Russia itself views its natural resources as a political tool. Russia's "National Security Strategy to 2020," released in May 2009, states that "the resource potential of Russia" is one of the factors that has "expanded the possibilities of the Russian Federation to strengthen its influence on the world arena."<sup>33</sup>

Concerns about Russian energy policy have centered largely on Russia's natural gas supplies to Europe. In early January 2009, the state-controlled Russian natural gas firm Gazprom halted all gas supplies transiting Ukraine after the two sides failed to reach agreement on several issues, including a debt allegedly owed by Ukraine to Gazprom and the price that Ukraine would pay for gas supplies for 2009. About 80% of Europe's natural gas imports from Russia transit Ukrainian pipelines. An increasingly angry EU threatened to reevaluate its whole relationship with the two countries unless the impasse was resolved. Finally, on January 18, Russia and Ukraine reached an agreement, and gas supplies to Europe resumed on January 20. A similar gas cut off to Europe occurred at the beginning of 2006. In January 2010, Russia temporarily slowed down its oil shipments to Belarus in a dispute over prices. Russia's Druzhba pipeline transits Belarus (and a southern branch transits Ukraine) to supply oil to Germany, Poland, Hungary, Slovakia, and Czech Republic. About 10% of Europe's oil supplies are delivered through the pipeline. The slowdown did not affect the transit of oil to Europe but provided further evidence of Russia's unreliability as an energy supplier, according to many observers.

Concerns about the reliability of gas supplies and transit have caused Russia and some European countries to propose new pipeline projects. Gazprom has started work on the North European Gas Pipeline (NEGP, often referred to as Nord Stream), which would transport natural gas from

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<sup>31</sup> Office of the United States Trade Representative. *Special 301 Report*. April 30, 2009. p. 16.

<sup>32</sup> Prepared by Steven Woehrel, Specialist in European Affairs.

<sup>33</sup> The text of the National Security Strategy can be found at the website of the Russian National Security Council at <http://www.scrf.gov.ru/documents/99.html>

Russia to Germany via a pipeline under the Baltic Sea starting in 2012, bypassing pipelines running through the states of central and eastern Europe. Nord Stream will have a planned capacity of 55 billion cubic meters (bcm) per year, as compared to the Ukrainian pipeline system's 120 bcm per year. However, Russian officials have expressed frustration with delays in the Nord Stream project caused by objections from Sweden and other Baltic countries due to environmental concerns.

Another pipeline project favored by Moscow is South Stream. In November 2007, Gazprom and the Italian firm ENI signed an agreement to build South Stream, which would run from Russia under the Black Sea to Bulgaria, then through the Balkans, with branches to Austria, Italy, and Greece. Serbia and Hungary have also signed on to the project. Russia hopes to complete South Stream in 2015. Like Nord Stream, South Stream would bypass Belarus, Ukraine, Poland, and other central European countries. In May 2009, Russia and Italy announced that the pipeline would have a capacity of 63 bcm per year.

Those concerned about the possible consequences of overdependence on Russia for energy have called for the building of pipelines circumventing Russian territory that would transport non-Russian gas supplies to Europe. In May 2009, the EU held a summit in Prague with leading transit and supplier nations in the South Caucasus and Central Asia. The summit agreed to expedite the creation of the Nabucco pipeline, which could have a capacity of 31 bcm per year. It would get its supplies from Azerbaijan and perhaps Turkmenistan through pipelines in Georgia and Turkey. Nabucco received a further boost on July 13, 2009, when Austria, Hungary, Romania, Bulgaria, and Turkey signed an intergovernmental agreement on the project. It is hoped that work on the pipeline could begin in 2011, with the first gas supplies available by 2014 and full capacity reached in 2019.

While denying that Nabucco and South Stream are conflicting projects, Russian officials have cast doubt on Nabucco's prospects, claiming that the gas supplies for such a pipeline may be difficult to find. Russia has attempted to buy up gas supplies in Azerbaijan and Turkmenistan, in what some analysts view as an attempt to undermine Nabucco. In order to build political support for South Stream, Russia has tried to entice a large number of countries to participate in the project as investors or as transit countries or both. For example, in what may have been a reaction to Turkey's signature of the July 2009 intergovernmental agreement on Nabucco, Prime Minister Putin agreed with Turkish leaders in August 2009 to route South Stream through Turkish territorial waters.

In addition to possible competition from Europe for Central Asian energy supplies, Russia also faces a challenge from China. A pipeline from Turkmenistan to China opened in late 2009, delivering 30 bcm of gas per year. China is also helping develop South Yoloten, one of Turkmenistan's biggest gas fields.

Prime Minister Putin sharply criticized as "ill-considered and unprofessional" a March 2009 agreement between the EU and Ukraine that would provide EU assistance to help modernize Ukraine's gas pipeline system in exchange for greater transparency by Ukraine in how the system is run. Additional funding for the project is expected to come from the World Bank, European Investment Bank, and the European Bank for Reconstruction and Development. Russian officials said that any agreement about Ukraine's pipelines should include Russia. Russia has long sought a controlling stake in Ukraine's pipeline system. Russia may hope that it can secure control of the Ukrainian pipeline system if a pro-Russian candidate is elected at president of Ukraine (a run-off election is scheduled for February 2010 between the two candidates who gained the most votes

during the first round in January). In any case, North Stream and South Stream and the threat of rerouting a substantial portion of Russian gas away from Ukraine could serve as a powerful political and economic weapon for Moscow against Ukraine.

Like the Bush Administration, the Obama Administration has promoted the diversification of natural gas supplies and pipelines to Europe, including the building of pipelines from Central Asia and the Caspian region that bypass Russia, chief among them Nabucco. However, the Obama Administration has been less critical of Nord Stream and South Stream than the previous Administration. Part of the change in tone may be due to an effort to “reset” ties with Russia that were frayed during the Bush years. Ambassador Richard Morningstar, the State Department Special Envoy for Eurasian Energy, has denied that the United States and Russia are involved in a “great game”—that is, a geopolitical struggle—for Central Asian energy supplies. He has said that the United States should at least try to work with Russia on the issue. Morningstar has said that the United States does not oppose Nord Stream and South Stream; that the United States does not see Nabucco as being in competition with South Stream; and that it was possible that Russia could provide gas for Nabucco.<sup>34</sup>

## Foreign Policy

### Russia and the West

After the collapse of the Soviet Union and the turmoil associated with the Yeltsin period, a consensus emerged as the Putin era began on reestablishing Russia’s global prestige as a “great power” and its dominance in “the former Soviet space.” The pursuit of these goals by then-President Putin and his closest policy advisors seemed to be driven by the belief that the West, and in particular the United States, had taken advantage of Russia’s political turmoil and overall weakness during the Yeltsin years. Putin and his advisors were determined to restore what they believed to be Russia’s rightful place as a significant influence on the world stage.

Fueled in part by the massive inflow of petro-dollars, Moscow’s self-confidence grew over the several years prior to the late 2008 global economic downturn, and officials and observers in Europe and the United States expressed growing concern about what they viewed as an increasingly contrarian Russian foreign policy. This was evident in recent years in Russia’s sharp political struggles with Estonia and Ukraine, its opposition to a planned U.S. missile defense system in Eastern Europe, the suspension of compliance with the Conventional Armed Forces in Europe Treaty, and its strong opposition to NATO membership for Ukraine and Georgia.

According to analyst Dmitriy Trenin, then-President Putin became greatly alarmed following the “rose revolution” in Ukraine in 2004-2005 and the “tulip revolution” in Kyrgyzstan later in 2005, and his attitude toward the United States hardened. Trenin claims that Putin viewed these popular revolts as “part of a U.S.-conceived and led conspiracy. At minimum, these activities ... aimed at drastically reducing Russia’s influence.... At worst, they constituted a dress rehearsal for ... installing a pro-U.S. liberal puppet regime in the Kremlin.”<sup>35</sup> In February 2007, at the 43<sup>rd</sup> annual

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<sup>34</sup> Morningstar’s testimony before the Senate Foreign Relations Committee hearing “\$150 Oil: Instability, Terrorism, and Economic Disruption,” July 16, 2009; State Department Foreign Press Center Briefing, June 23, 2009.

<sup>35</sup> Dmitriy Trenin, “Russia’s Spheres of Interest, not Influence,” *The Washington Quarterly*, October 2009.

Munich Security Conference, President Putin delivered a particularly harsh speech attacking Bush Administration policies and condemning the “unipolar” world he alleged the United States was creating.<sup>36</sup>

In contrast to Putin, President Medvedev has been considered by some observers to be a potentially pragmatic leader who could shift Russia’s attitudes more positively toward the United States and the West. However, during Medvedev’s initial period in office, Russia’s relations with the west became increasingly tense. In September 2008, at the annual meeting of the Valdai Discussion Club, which brings together Russian experts from around the world with Russia’s leaders, Medvedev articulated a set of guiding principles for Russian foreign policy, including a claim that “Russia, just like other countries, has regions where it has its privileged interests.” Asked if he was referring to neighboring countries, Medvedev replied, “certainly the regions bordering [on Russia], but not only them.”<sup>37</sup> Russia under the Medvedev-Putin “tandem” has continued to voice strong opposition to NATO enlargement to Georgia and Ukraine; invaded Georgia and occupied two of its regions; refused to recognize Kosovo’s independence; cut off or reduced energy supplies in disputes with Ukraine and Belarus; boosted ties with Cuba and Venezuela; and attempted to end the use of airbases in Central Asia by the United States and NATO. In the aftermath of the August 2008 Russia-Georgia conflict, relations between Russia and the West reached what many considered to be their lowest point since the Cold War.

Russia’s apparent obsession with restoring its global prestige and being viewed as a powerful nation with great influence on the world stage has worried many in Europe and may clash with the Obama Administration’s efforts to defuse tensions and set a new course for relations between Russia and the West through practical cooperation on issues of concern.

### **NATO-Russia Relations<sup>38</sup>**

Russia’s cooperation with NATO on issues such as the mission in Afghanistan, the implementation of the Conventional Forces in Europe Treaty (CFE), missile defense, Alliance enlargement, nuclear non-proliferation, and even cyber and energy security is of critical importance to the Alliance.

The principal mechanism for NATO’s ongoing relations with Russia is the NATO-Russia Council (NRC), founded in May 2002. Recognizing that both NATO and Russia faced many of the same global challenges and shared similar strategic priorities, Russian and NATO leaders structured the NRC as a “consensus” forum of equals with a goal of “political dialogue, common approaches, and joint operations.”

The NRC has recorded some achievements since its inception, including a 2004 comprehensive action plan on terrorism and a 2005 agreement for providing a joint counter-narcotics training program in Afghanistan. However, the NRC has fallen short of its potential, according to many, because Russia’s leadership has become increasingly concerned about NATO’s long-term intentions. The establishment of U.S. and NATO airbases in Central Asia after the terrorist attacks on the United States in late 2001 for operations in Afghanistan, the enlargement of NATO in 2004

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<sup>36</sup> The full text of Vladimir Putin’s speech at the 43<sup>rd</sup> Munich Conference on Security Policy, February 10, 2007 can be found at <http://www.securityconference.de>.

<sup>37</sup> Dmitriy Medvedev, “We Did Everything Right, and I’m Proud of It,” *Russia Today*, September 13, 2008.

<sup>38</sup> Prepared by Vincent Morelli, Section Research Manager.

to include six former Eastern bloc nations bordering Russia, and the subsequent decision by the United States to establish, albeit non-permanent, military facilities in Bulgaria and Romania were viewed by some in Moscow as an encirclement of Russia by NATO and the United States. The refusal by NATO member states to recognize the Moscow-encouraged independence of Abkhazia and South Ossetia and the reluctance of NATO to establish relations with the Russian-led Collective Security Treaty Organization (CSTO; members include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan) has led Moscow to fear that NATO will not recognize a Russian “zone of influence” along its border and will strengthen its own influence in the Caucasus and Central Asia. In addition, Moscow has been critical of those who have suggested a more formal role for NATO in the debate over European energy security.

For its part, recent actions taken by Moscow have caused uncertainty and unease within NATO that has resulted in a division among the Allies on Russia’s intentions. In 2007 Russia suspended its compliance with the CFE Treaty, signed in 1990 by 22 members of NATO and the Warsaw Pact to limit non-nuclear forces in Europe. The CFE agreement was designed to limit troop and equipment levels; provide for the exchange of data on equipment and training maneuvers; provide procedures for the destruction of equipment; and permit on-site inspections to verify treaty compliance. Moscow claimed that NATO countries were taking too long to begin the ratification of the CFE Treaty. NATO claimed that Russia had failed to live up to its agreed “Istanbul Commitments” to remove its military forces from Georgia and Moldova.

NATO’s (and the United States’) relations with Russia reached a new low in 2008. Following Russia’s decision to suspend compliance with the CFE Treaty and the January 2008 shut off of gas to Ukraine, then-President Putin, at the NATO Bucharest summit in April 2008, strongly warned NATO against offering Membership Action Plans (MAPs) to Georgia and Ukraine. Although NATO, after serious internal debate, deferred the decision to extend MAPs at the summit, Moscow still appeared to be disappointed with NATO’s concluding statement that both Georgia and Ukraine would eventually become members of the Alliance. Putin also warned against the deployment of a U.S. missile defense system in Poland and the Czech Republic, and intimated that this decision could make those two countries targets of Russia’s nuclear arsenal.

Finally, the August 2008 war between Russia and Georgia caused much concern throughout Europe and opened a serious debate within NATO over how to react to Russia’s action. The swift invasion of Georgia by Russian troops, and the subsequent actions taken by Russia toward Georgia caused NATO-Russia Council meetings to be placed on hold and initiated an entirely new debate among the Allies over the implications for Europe of what many termed Russia’s new, more aggressive and assertive foreign policy intended to carve out a Russian “sphere of influence” along its border with Europe. The debate also led some Allies to call for a complete review of NATO’s mission and a return to an Alliance that emphasizes and prepares for the territorial defense of Europe.

Up until the Russia-Georgia conflict, the NRC met regularly at the Ambassador level and twice yearly at the foreign and defense minister level. During the remainder of 2008 and the beginning of 2009, NATO’s relations with Russia were generally limited to low-level technical discussions.

Soon after the Obama Administration’s early public statements that the United States intended to “re-set” relations with Moscow, NATO leaders, despite strong dissenting views among several Allies, agreed at their April 2009 summit in France to re-start the NATO-Russia Council “as soon as possible.” On April 29, 2009, the NATO-Russia Council resumed its normal meetings at the ambassadorial level. On June 18, 2009 the NATO-Russia Council met in Ankara, Turkey to

review and reinforce a joint program for training Afghan and Central Asian personnel in counter-narcotics. On June 27, the first meeting of the NATO-Russia Council at the foreign minister's level took place on Corfu, Greece where both sides agreed that the NATO-Russia Council represented the best approach for promoting Euro-Atlantic security. The ministers also agreed to restart military cooperation within the NATO-Russia Council as well.

President Obama's July summit meeting with President Medvedev and Prime Minister Putin was seen as setting a new tone in the bi-lateral relationship that many hoped would spill over to the NATO-Russia relationship. At the time, no new ground had been made on missile defense, the CFE Treaty, Georgia or Ukraine. However, one positive note came with respect to Afghanistan, when Russia agreed to allow the resupply of the NATO/ISAF mission overland and through its airspace. Russia also agreed to consider bolstering training for Afghan police forces and to provide financial assistance for reconstruction projects in Afghanistan. Russian helicopters, operated by civilian crews, had already begun providing transport in Afghanistan.

Shortly after assuming the role as the new Secretary General of the Alliance in August 2009, Anders Fogh Rasmussen indicated that he would make improvement in relations between NATO and Russia one of his top priorities. In his first major public speech in September, entitled: "NATO and Russia: A New Beginning,"<sup>39</sup> given just one day after President Obama's decision not to deploy a missile defense system in Europe, Secretary General Rasmussen presented his concept of a partnership with Russia that envisioned practical cooperation, joint review of security challenges, and the rejuvenation of the NATO-Russia Council, and stated that "NATO-Russia cooperation is not a matter of choice – it is a matter of necessity." Dmitry Rogozin, Russia's ambassador to NATO apparently welcomed the Secretary General's remarks as "very positive, very constructive".<sup>40</sup>

On September 24, 2009, on the sidelines of the opening Fall session of the U.N. General Assembly, Secretary General Rasmussen met in New York with Russian Foreign Minister Lavrov. Both officials expressed the desire to strengthen NATO-Russia cooperation in areas such as fighting terrorism, anti-piracy operations, and Afghanistan. While acknowledging that differences over some issues will remain, they both felt the relationship should continue to move forward on a positive basis. Rasmussen then accepted an invitation by Minister Lavrov to visit Russian President Medvedev in Moscow before the end of the year. Inviting the NATO Secretary General to Moscow was seen by some as a sign that Russia did want to explore how to lower existing tensions between Russia and NATO.

Relations took a further step toward improvement on November 2009 when, as part of the NATO-Russia dialogue, senior policy staff and experts from Russia and NATO countries convened a conference in Oslo, Norway to discuss nuclear weapons issues, nuclear doctrine, and deterrence options. The purpose of the conference was to promote an open and transparent dialogue on nuclear weapons and to help boost understanding between all participants.

In a June 2008 speech in Berlin, President Medvedev suggested that a new treaty was needed that would redefine European security cooperation and establish a new security architecture that would make it easier to address and resolve the myriad issues threatening the peace and stability

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<sup>39</sup> "NATO and Russia: A New Beginning." Speech by NATO Secretary General Anders Fogh Rasmussen at the Carnegie Endowment, Brussels, September 18, 2009.

<sup>40</sup> "NATO chief reaches out to Russia," *BBC News*, September 18, 2009.

of Europe. The text of the Russian initiative was posted on the Kremlin's web site in late November and on December 2, 2009 the Russian government provided copies of the treaty text to European and U.S. leaders and well as leaders of several organizations, including the United Nations. The Russian proposal was met almost immediately by disagreements over the venue in which the proposal should be discussed. Russia had wanted the initiative debated within the NATO-Russia Council. The Allies, on the other hand suggested the initial debate begin in the OSCE. On December 4, Russia threatened to walk out of the scheduled NATO-Russia Council meeting if its proposal was not placed on the agenda; it was not and the meeting did take place.

Despite the brief pre-Council disagreement, the NATO foreign ministers and Russian minister Lavrov did meet in what was considered a positive discussion. The Council did issue a new NRC Work Program for 2010 that included "political dialogue, positive cooperation, and military-to-military cooperation." The ministers also announced a plan to conduct a "Joint Review of 21<sup>st</sup> Century Common Security Challenges" and to produce a report by the end of 2010.

Finally, on December 15 and 16, 2009, NATO Secretary General Rasmussen visited Moscow to meet with President Medvedev and Prime Minister Putin to promote the "new phase" in NATO-Russia relations. Also during his visit, Rasmussen addressed the Moscow Institute for International Relations and stated that one of his priorities was to "transform NATO-Russia relations into a true strategic partnership."<sup>41</sup> In his speech, Rasmussen also asked why Russian military doctrine characterized NATO as a threat to Russia and declared that "NATO will never attack Russia...and Russia should stop worrying about that." Rasmussen also restated the importance of the NRC.

There continues to be concern among some NATO allies that Russia has not changed its fundamental view of NATO as a lingering threat and that unresolved issues—including Georgia's territorial integrity, NATO membership for Georgia and Ukraine, the unratified CFE treaty, a new NATO-sponsored missile defense system, and Russia's continued insistence on its own "sphere of influence" along its borders—will continue to plague NATO-Russia relations. And, while not NATO-specific, an "open letter" sent to President Obama in the summer of 2009 from several former leaders of Eastern European (and NATO) countries expressed the hope that the United States, in its determination to improve relations with Moscow, would not abandon a large portion of Europe to Russian influence and political pressure. This letter illustrated that some NATO member states, despite the Secretary General's goal of improving relations with Russia, remain divided over how to deal with Moscow.

## **Russia and the European Union**

Russia's May 2009 National Security Strategy calls for strengthening cooperation with the EU in the economic, foreign and domestic security, educational, scientific, and cultural spheres, and states that the negotiation of a Euro-Atlantic collective security treaty "meets Russia's long-term national interests."<sup>42</sup>

Russia is the EU's third biggest trade partner. Trade turnover in 2008 was approximately 278 billion euros. Russian oil and gas constitute a large part of the EU's imports from Russia,

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<sup>41</sup> "NATO and Russia, Partners for the Future", speech by NATO Secretary General Anders Fogh Rasmussen, Moscow, December 16, 2009.

<sup>42</sup> Russian Federation Security Council. *Russian Federation National Security Strategy Until 2020*, May 12, 2009.

although other aspects of EU-Russian trade have declined during the current global economic downturn.

In the wake of the August 2008 Russia-Georgia conflict, the European Parliament (EP) reacted sharply and approved a resolution on September 3 that—while not imposing sanctions on Russia—did provide that consultations on a new Partnership and Cooperation Agreement (PCA; to replace an expired PCA) would be postponed until Russia immediately and completely withdrew its troops from Georgia. Talks on a new PCA were resumed after the EU-Russia Summit in November 2008. EU relations with Russia were further roiled in January 2009, with Russia's cut off of gas shipments transiting Ukraine, which affected many countries in Eastern Europe. The EU was active in both cases in mediating the conflicts.<sup>43</sup>

A May 2009 EU-Russia summit appeared to reflect continuing contention between the EU and Russia on several issues. President Medvedev objected to the EU's launch of an "Eastern Partnership" of enhanced trade, aid, and other relations with Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine, raising concerns that it might become a "partnership against Russia." He also demanded that talks begin on a new energy charter to replace an existing European treaty that Russia rejects as requiring Russian pipelines and other energy infrastructure to be open to foreign commercial investment and use. Russia has moved to further limit foreign investment in the automotive, energy, finance, and telecommunications sectors.

As mentioned above, President Medvedev has called for opening trans-Atlantic talks on a new European security treaty, which he views as augmenting (if not replacing) the NATO-Russia Council, the OSCE, and the PCA.<sup>44</sup> At the Munich Security Conference in February 2009, French President Nicolas Sarkozy called for rapprochement efforts between the EU and Russia to include discussion of a new European security architecture. In late June 2009, OSCE foreign ministers met in Corfu to discuss how to address new challenges to European security and to consider Russia's proposal. In November 2009, Medvedev unveiled a draft treaty that included a provision that signatories belonging to "military alliances" (presumably NATO) pledge that "decisions taken in the framework of [NATO] do not affect significantly the security of any Party or Parties to the Treaty."<sup>45</sup> Critics viewed this provision as an attempt to provide non-members of NATO a veto over its activities (see above, NATO-Russia Relations).

Some observers have suggested that the EU's Lisbon Treaty, which entered into force at the end of 2009, may lead to more coordinated EU policies toward Russia. The Treaty creates the post of High Representative of the Union for Foreign Affairs and Security Policy and other foreign policy mechanisms. Analyst Richard Weitz speculates that a more unified EU foreign policy might result in the rebuff of Medvedev's proposed European Security Treaty, the insistence that Russia ratify the EU Energy Charter (a 1991 accord calling for transparency and reciprocity in opening energy markets), and more robust efforts to implement the Eastern Partnership program of assistance to the Western and South Caucasian Soviet successor states.<sup>46</sup>

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<sup>43</sup> "The EU-Russia Relationship at a Turning Point," *DGAPaktuell*, German Council on Foreign Relations, February 2009.

<sup>44</sup> President of Russia. President Dmitry Medvedev: Speech at Helsinki University and Answers to Questions from Audience, April 20, 2009; European Security and Russian-US Relations, June 5, 2009, at <http://www.kremlin.ru>.

<sup>45</sup> The Kremlin. President of Russia. *European Security Treaty Draft*, November 29, 2009, at <http://eng.kremlin.ru/text/docs/2009/11/223072.shtml>.

<sup>46</sup> Richard Weitz, "Eurasian Implications of EU Reforms," *CACI Analyst*, December 9, 2009.

## **Russia and the Soviet Successor States**

Russia's May 2009 National Security Strategy hails cooperation within the CIS as "a priority foreign policy direction," and proclaims that the Collective Security Treaty Organization (CSTO) is "the main interstate instrument" to combat regional military threats.<sup>47</sup> Despite this emphasis, however, there has long been scant progress toward overall CIS integration. Many CIS summit meetings have ended in failure, with many of the presidents sharply criticizing lack of progress on common concerns and Russian attempts at domination.

The CSTO was formed in 2002 with a headquarters in Moscow. An airbase at Kant, Kyrgyzstan, was designated in 2002 to provide support for Central Asian rapid reaction forces, but these force plans were unrealized, and the base has housed Russian troops. President Medvedev called in February 2009 for forming a new and sizeable CSTO rapid reaction force based in Russia, which he claimed would rival NATO. Uzbekistan raised concerns that the force could be used by Russia to intervene in its internal affairs, and refused to sign a June 2009 agreement on the formation of the force. Belarus too balked at signing the agreement until October 2009, and Tajikistan has not ratified the agreement. Despite the lack of consensus within the CSTO, Russia moved forward unilaterally, assigning the 98th Airborne Division and the 31st Airborne Assault Brigade (reportedly 8,000 troops) to the force. Although Russia welcomed Belarus as a member of the force in October, the Belarusian constitution forbids the use of its troops abroad. The rapid reaction force ostensibly is to be used to repulse military aggression from outside the CSTO, react to natural disasters, and to combat terrorist groups, trans-national organized crime, and drug traffickers. The force may be used outside the CSTO at the aegis of the U.N. The decision to use the rapid reaction force is made by the presidents of the member-states at the request of one or a group of member states.

In early June 2009, Russia suddenly banned imports of dairy products from Belarus—Russia is the main importer—on the grounds that some paperwork had not been completed. In response, Belarusian President Alexander Lukashenko boycotted a session of the CSTO, even though Belarus was to chair the session. Lukashenko also asserted in early June that he had rejected a Russian demand that Belarus extend diplomatic recognition to Abkhazia and South Ossetia as a condition for receiving a \$500 million loan from Russia, an allegation that Russia denied.<sup>48</sup> Belarus delayed signing the agreement on setting up the CSTO rapid reaction force until October 2009. In early January 2010, Russia temporarily slowed down some oil deliveries to Belarus to pressure it to agree to increased export duties, and the two countries also wrangled over fees for the transit of electricity to Russia's Kaliningrad exclave. These latter disputes appeared to make a mockery of a CIS Customs Union between Belarus, Russia, and Kazakhstan launched on January 1, 2010.

Russian forces remain in the Transnistria region of Moldova against the wishes of the Moldovan government (and in violation of Russia's commitment under the adapted CFE Treaty to withdraw the forces), in effect bolstering a neo-Communist, pro-Russian separatist regime in the Transnistria region of eastern Moldova. Russian-Moldova relations warmed, however, after the election of a communist pro-Russian government in Moldova in 2001, but even that government became frustrated with Moscow's manipulation of the Transnistrian separatists. The United States

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<sup>47</sup> Russian Federation Security Council. *Russian Federation National Security Strategy Until 2020*, May 12, 2009. Members of the CSTO include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.

<sup>48</sup> See also CRS Report RL32534, *Belarus: Background and U.S. Policy Concerns*, by Steven Woehrel.

and the EU call upon Russia to withdraw from Moldova. Russian leaders have sought to condition the withdrawal of their troops on the resolution of Transnistria's status, which is still manipulated by Moscow.<sup>49</sup>

Moscow has used the Armenian-Azerbaijani conflict over Nagorno-Karabakh to pressure both sides, maintain Armenia as an ally, and otherwise exercise regional influence. Citing instability and the threatened spread of Islamic extremism on its southern flank as a threat to its security, Moscow intervened in Tajikistan's civil war in 1992-1996 against Tajik rebels. Russia's policy of trying to exclude U.S. influence from Central Asia as much as possible was temporarily reversed by President Putin after the September 11, 2001, attacks, but appeared to be back in place after 2005. On July 29, 2005, the Uzbek government directed the United States to cease its operations at the Karshi-Khanabad (K2) airbase within six months. Tashkent is believed to have acted not only in response to Russian and Chinese urging but also after the United States criticized the Uzbek government's repression in Andijon in May 2005. In February 2009, Kyrgyzstan accepted a large loan proffered by Russia and simultaneously requested that the United States wind up operations at the Manas airbase by August 2009. After intense U.S.-Kyrgyz talks, Kyrgyzstan reversed course in late June 2009 and agreed to permit U.S. and NATO cargoes to transit through Manas, reportedly angering Putin.<sup>50</sup>

The international community condemned Russia's military incursion into Georgia in early August 2008 and President Medvedev's August 26, 2008, decree officially recognizing the independence of South Ossetia and Abkhazia. Russian officials announced in September 2008 that two army brigades, each consisting of approximately 3,700 troops, would be deployed to new military bases in Abkhazia and South Ossetia (the brigades were reduced to a reported 1,700-1,800 troops each in mid-2009, allegedly because of Russia's budgetary problems). A part of the Black Sea Fleet also was deployed to Ochamchire in Abkhazia. The United States and others in the international community have called for Russia to reverse these deployments and rescind the recognitions of independence.

Some observers have expressed concern about the possibility of increased Russian pressure on Ukraine in the near future. One current issue is natural gas supplies. Russian officials have warned that Ukraine may not be able to meet its monthly bills for Russian natural gas, raising the possibility of a new gas shut-off similar to the ones that occurred in 2006 and 2009. Ukraine denies the Russian charges. However, Ukraine has sought loans from Russia and the International Monetary Fund (IMF) to pay for gas supplies, so far without success. Given Ukraine's economic vulnerability due to the global economic crisis, some believe Russia could use the gas supplies and the prospect of a loan to extract political and economic concessions from Kiev. Another possible avenue for Russian pressure is political. Ukraine held the first round of presidential elections in late January 2010 and the second round between the top two vote-getters is scheduled for February 7. Finally, some have expressed concern that Russia, following the model of its actions in Georgia in 2008, may attempt to provoke conflict in Ukraine's Crimea region, where pro-Russian sentiment is high and part of the Russian Black Sea Fleet is based.

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<sup>49</sup> See also CRS Report RS21981, *Moldova: Background and U.S. Policy*, by Steven Woehrel.

<sup>50</sup> For more on Russian policy in these regions, see CRS Report RL33453, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*, CRS Report RL33458, *Central Asia: Regional Developments and Implications for U.S. Interests*; and CRS Report R40564, *Kyrgyzstan and the Status of the U.S. Manas Airbase: Context and Implications*, all by Jim Nichol.

## **U.S.-Russia Relations**

The spirit of U.S.-Russian “strategic partnership” of the early 1990s was replaced by increasing tension and mutual recrimination in succeeding years. In the aftermath of the September 11, 2001, attacks, the two nations reshaped their relationship on the basis of cooperation against terrorism and Putin’s goal of integrating Russia economically with the West.<sup>51</sup> However, tensions soon increased on a number of issues that contributed to ever-growing discord in U.S.-Russian relations. Cooperation continued in some areas, and then-Presidents Bush and Putin strove to maintain at least the appearance of cordial personal relations. In the wake of the August 2008 Russia-Georgia conflict, bilateral ties reached their lowest point since the Cold War.

### **The Obama Administration Moves to “Re-set” Bilateral Relations**

The Obama Administration called for starting a dialogue with Russia from a fresh slate. A February 2009 speech in Munich by Vice President Biden to “re-set” U.S.-Russian relations was an early sign of the President’s intentions. At their first “get acquainted” meeting on April 1, 2009, in London, Presidents Obama and Medvedev issued two joint statements on opening nuclear weapons talks and on U.S.-Russia relations.

In their joint statement on U.S.-Russia relations, the two presidents agreed to “deepen cooperation to combat nuclear terrorism” and to “support international negotiations for a verifiable treaty to end the production of fissile materials for nuclear weapons.” President Obama confirmed his commitment to work for U.S. Senate ratification of the Comprehensive Nuclear Test Ban Treaty. Both sides also pledged to bring into force the bilateral Agreement for Cooperation in the Field of Peaceful Uses of Nuclear Energy, which former President Bush had withdrawn from consideration in the U.S. Senate following the August 2008 Russia-Georgia conflict. Russia agreed to assist the United States and the international community in responding to terrorism and the insurgency in Afghanistan and Pakistan, and to drug trafficking from Afghanistan. The two sides called for the continuation of the Six-Party Talks and for the verifiable denuclearization of the Korean Peninsula. They also pledged to strengthen Euro-Atlantic and European security, including through the OSCE and NATO-Russia Council.<sup>52</sup>

Reflective of Russia’s views of the bilateral relationship, its May 2009 National Security Strategy states that Moscow strives to establish “an equal and full-fledged strategic partnership” with the United States. The Strategy claims that the two countries have “key” influence in the world and should work together on arms control, on confidence-building measures, on the nonproliferation of weapons of mass destruction, on counterterrorism, and on the settlement of regional conflicts. The Strategy proclaims that Russia will work to maintain parity with the United States in strategic offensive weapons even if the United States deploys a global missile defense system.<sup>53</sup>

At the July 2009 summit, President Obama stated that “the relationship between Russia and the United States has suffered from a sense of drift” in recent years, and that the two presidents had

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<sup>51</sup> For the change in Russian policy toward integration with the West and cooperation with the United States, see CRS Report RL31543, *Russian National Security Policy After September 11*, by Stuart D. Goldman.

<sup>52</sup> The White House. Office of the Press Secretary, Remarks By President Obama and Russian President Medvedev after Meeting, April 1, 2009.

<sup>53</sup> Russian Federation Security Council. *Russian Federation National Security Strategy Until 2020*, May 12, 2009.

“resolved to reset U.S.-Russian relations.” He stressed that the United States wanted “to deal as equals” with Russia, since both countries are nuclear superpowers, and that the United States has recognized that its role “is not to dictate policy around the world, but to be a partner with other countries” to solve global problems. Some observers have argued that these statements were aimed at assuaging Russian sensitivities about the country’s status in the world. Russia’s hyperbole about its role in the world, these observers have suggested, was evidenced by President Medvedev’s statement at the summit that the United States and Russia are “powerful states [that] have special responsibility for everything that is happening on our planet,” and that strengthened bilateral cooperation “will ensure international peace and security.”

The two presidents and other officials signed six accords and issued three joint statements (details on significant decisions and deliberations at the summit are discussed below). According to McFaul, the main topics at the summit were Iran, a major U.S. concern, and missile defense, a major Russian concern. One achievement of the summit was the establishment of a U.S.-Russia Bilateral Presidential Commission intended to strengthen consultations and diplomacy. President Obama highlighted the commission as the “foundation” element in re-setting relations, since it would greatly expand communications between the two countries. The presidents are the co-chairs, and the Secretary of State and the Foreign Minister coordinate meetings.

At the July 2009 summit, President Obama stated that one area where the two presidents “agreed to disagree” was on Georgia. Michael McFaul, the Senior Director for Russian and Eurasian Affairs on the National Security Council, reported that President Obama stated that the United States would not recognize South Ossetia and Abkhazia as independent states and also argued that the Russian idea of a “sphere of influence” in the Soviet successor states does not belong in the 21<sup>st</sup> century. The two presidents did agree, however, that “no one has an interest in renewed military conflict.” They also discussed the Armenia-Azerbaijan conflict over Azerbaijan’s breakaway Nagorno Karabakh (NK) region, according to McFaul, and agreed to continue cooperative efforts to resolve the conflict. At his talk at the New Economic School in Moscow, President Obama reiterated that the sovereignty and independence of nations such as Georgia and Ukraine should be respected. Apparently in reference to Ukraine and Georgia as among countries that wanted to join NATO, he emphasized that the United States would “never impose a security arrangement on another country.”

Secretary of State Hillary Clinton reported that her visit to Russia on October 12-14, 2009, had resulted in progress in negotiations to replace the expiring Strategic Arms Reduction Treaty (START), support for the Global Initiative To Combat Nuclear Terrorism, and cooperation in Afghanistan. Discussions about Iran’s nuclear proliferation threat revealed ongoing differences, with Foreign Minister Lavrov stating that tightened sanctions against Iran were premature while diplomatic efforts were underway to ensure that Iran does not develop nuclear weapons. Meeting with Russian human rights advocates, Secretary Clinton argued that the United States would continue to advocate democratization and respect for human rights in Russia.

Secretary Clinton and Foreign Minister Lavrov convened the first meeting of the U.S.-Russia Bilateral Presidential Commission. They agreed to create added working groups on counterterrorism, the environment, and on military-to-military ties. Several of the co-chairs of working groups attached to the Commission also met. Michael McFaul, the Senior Director for Russian and Eurasian Affairs on the National Security Council, who co-chairs the civil society working group, reportedly stated that government officials and representatives of non-governmental groups would meet separately. Some Russian human rights groups criticized their exclusion from the working group. Ahead of Secretary Clinton’s trip, some co-chair meetings

already had taken place, including the education and culture working group and the anti-narcotics trafficking working group in Washington, D.C. in late September. At the latter working group meeting, Russia urged the United States to greatly step up poppy eradication efforts in Afghanistan.

Meeting on November 15, 2009, on the sidelines of the Asia-Pacific summit in Singapore, Presidents Obama and Medvedev continued discussions on START and Iran. President Obama reported that he had again stressed to Medvedev that added international sanctions should be applied to Iran if it continued to defy its international obligation not to develop nuclear weapons.

## **Bilateral Relations and Iran**

Russian perceptions of the Iranian nuclear threat and its policies toward Iran are driven by a number of different and sometimes competing factors. Russia signed the agreement to build a nuclear power plant at Bushehr and provide other assistance to an Iranian civilian nuclear program in January 1995. Although the White House and Congress have argued that Iran will use the civilian nuclear reactor program as a cover for a clandestine nuclear weapons program, Russia refused to cancel the project. Moscow maintains that its cooperation with Iran's civilian nuclear program is legal, proper, and poses no proliferation threat, arguing that Iran is, after all, a signatory of the Nuclear Non-Proliferation Treaty, and the light water reactors that Russia is building are not well-suited for producing weapons-grade fissionable material.

Russia agrees with the United States and many other nations that a nuclear-armed Iran would be destabilizing and undesirable. After Iran's clandestine program to master the entire nuclear cycle, including uranium reprocessing, was revealed, Russia took steps to head off this development. Moscow withheld delivery of nuclear fuel for the Bushehr reactor, pending agreement with Tehran about return of spent fuel to Russia for reprocessing. Russia joined the United States and the "EU-3" group (Great Britain, France, and Germany) in approving a series of limited U.N. Security Council sanctions related to Iran's nuclear infrastructure, including asset freezes and trade bans targeting certain Iranian entities and individuals.<sup>54</sup> Moscow temporarily withdrew most of its technicians and scientists from the unfinished Bushehr reactor in 2007. However, Russia soon resumed construction and shipment of nuclear fuel to Bushehr. Fuel delivery was completed in January 2008. In September 2009, Russia's Atomenergoprom state firm announced that final reactor testing work was underway and that Bushehr was on schedule for initial operational capability in late 2009.

In a joint statement issued at their meeting on April 1, 2009, Presidents Obama and Medvedev "urged Iran to ... address the international community's concerns" about its civilian nuclear energy program. They stressed that Iran had pledged as a signatory of the Treaty on the Non-Proliferation of Nuclear Weapons to retain its status as a state that does not possess nuclear weapons, and called on Iran to fully cooperate with the International Atomic Energy Agency. At a subsequent speech in the Czech Republic on April 5, President Obama stated that "as long as the threat from Iran persists, we will go forward with a missile defense system that is cost-effective and proven. If the Iranian [nuclear weapons] threat is eliminated, we will have a stronger basis for security, and the driving force for missile defense construction in Europe will be removed."<sup>55</sup>

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<sup>54</sup> See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

<sup>55</sup> The White House. Remarks By President Barack Obama, Hradcany Square, Prague, Czech Republic, April 5, 2009.

At the U.S.-Russia summit, nuclear and missile proliferation by Iran was the dominant topic, according to Michael McFaul, the Senior Director for Russian and Eurasian Affairs on the National Security Council. President Obama warned that “in the Middle East, there is deep concern about Iran’s pursuit of nuclear weapons capability not simply because of one country wanting nuclear weapons, but the fact that ... we would then see a nuclear arms race in perhaps the most volatile part of the world.” Another concern, he stated, was “the possibility that those nuclear weapons could fall into the hands of non-state actors.” He also stressed that Iran’s ballistic missile program could also pose a threat to the broader region. President Medvedev did not mention Iran by name at the summit press conference, but he did admit that some countries “have aspirations to have nuclear weapons and declare so openly or, which is worse, [build them] clandestinely.... These are areas where we should concentrate our efforts together with our American partners. It is quite obvious that the situation in the Middle East [and] on the Korean Peninsula will affect the ... globe.”

On September 21, 2009, Iran informed the IAEA that it had been building a second uranium enrichment plant near the city of Qom. Many observers raised fears that the disclosure was further evidence that Iran intended to build nuclear weapons. On September 23, President Obama reported that a meeting he held with President Medvedev on the sidelines of a U.N. General Assembly session dealt mostly with Iran. President Medvedev stated that the international “task is to create ... a system of incentives that would allow Iran to continue its fissile nuclear program, but at the same time prevent it from obtaining nuclear weapons.”<sup>56</sup> In a meeting with concerned nations on October 1, 2009 (the so-called P-5 plus one, consisting of the United States, United Kingdom, France, Russia, China, and Germany), Iran agreed to a late October IAEA inspection of the Qom enrichment site and initially appeared positive toward a plan to export most of its low-enriched uranium to Russia or France to be further enriched to fuel the Tehran Research Reactor. After inspecting the enrichment plant near Qom, the IAEA concluded that it was in the advanced stage of completion and that Iran’s efforts to hide it for years heightened IAEA concerns that other nuclear facilities were being hidden. Russia reportedly mediated with Iran to urge it to accept the research reactor fuel deal.

On November 15, 2009, after meeting with President Obama in Singapore, President Medvedev stated that “we are prepared to work further to ensure that Iran’s nuclear program is only for peaceful purposes. In case we fail, the other options remain on the table.” The next day, Russia announced that it was further delaying the start-up of the Bushehr reactor, perhaps indicating some Russian pressure on Iran to accept the research reactor fuel deal.<sup>57</sup> On November 18, Iran rejected the research reactor fuel deal. On November 27, Russia joined other representatives of the IAEA in censuring Iran for concealing the enrichment plant near Qom. Nonetheless, Russia and China continue to resist new U.N. Security Council sanctions on Iran. In late January 2010, Iran was still refusing to accept the terms of the uranium swap arrangement.

## **Bilateral Relations and Afghanistan**

In a meeting with Afghan President Hamid Karzai in August 2008, Russian President Medvedev called for “opening a new page in relations” between the two countries, “because, unfortunately,

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<sup>56</sup> The White House. Office of the Press Secretary. *Remarks by President Obama and President Medvedev of Russia after Bilateral Meeting*, September 23, 2009.

<sup>57</sup> *U.S. Fed News*, November 16, 2009.

our countries are coming up against similar threats and problems.” Russia provides some foreign assistance and investment to Afghanistan, although it has rejected sending military forces. Russia hosted a Shanghai Cooperation Organization conference on Afghanistan, counter-terrorism, and counter-narcotics in late March 2009, which was attended by U.S. and NATO observers. The conference communique praised the efforts of the International Security Assistance Force (ISAF) in Afghanistan but offered no substantive assistance. At the July 2009 U.S.-Russia summit, a joint statement on assistance to Afghanistan called for enhancing cooperation within the U.S.-Russia Counter-Terrorism Working Group (established in 2000); further implementing the Russia-NATO Council’s counter-narcotics project; supporting Afghanistan-related activities of the OSCE; increasing training for the Afghan National Army, police, and counter-narcotics personnel; and greatly increasing cooperation to halt illicit financial flows related to heroin trafficking in Afghanistan. The two sides also called for enhancing counter-terrorism cooperation between Afghanistan and Pakistan.

The State Department reported that an agenda-setting meeting of the Counter-Terrorism Working Group took place in Berlin in November 2009. In January 2010, the Director of Russia’s Federal Drugs Control Service, Viktor Ivanov, raised concerns that of the 28 anti-narcotics policemen trained under the Russia-NATO cooperation plan, 26 allegedly had been fired by Afghan officials. The Russian Permanent Representative to NATO, Dmitriy Rogozin, and Moscow Regional Governor Boris Gromov (the former commander of Soviet forces in Afghanistan) called in January 2010 for NATO forces not to “withdraw without victory” in Afghanistan. They argued that Soviet forces had withdrawn in 1989 after ensuring some political stability, and that the international community had not “thanked” the Soviet Union for its efforts to combat the first terrorist threat to Europe. They asserted that the “Russian position” is that NATO should ensure political stability in Afghanistan and claimed that Russia is forming the CSTO’s rapid reaction forces to protect Central Asia as a hedge against NATO’s failure in Afghanistan.<sup>58</sup>

### *Alternative Supply Routes to Afghanistan*

In late 2008, the United States and NATO stepped up efforts to develop supplemental air and land routes into Afghanistan because of growing problems in sending supplies through Pakistan. The incoming Obama Administration also planned increasing the number of troops in Afghanistan, which also spurred the search for alternate supply routes. A “northern supply route” was envisaged for transits through Russia or the South Caucasus to Central Asia and then to Afghanistan. The U.S. Manas airbase in Kyrgyzstan, established in late 2001, was to be a component of this route. In February 2009, however, Kyrgyzstan announced that it intended to close the airbase, but an agreement was reached in late June 2009 to keep it open in exchange for higher U.S. rent and other payments.

As early as the April 2008 NATO summit, Russia’s then-President Putin had offered to permit the shipment of non-lethal NATO goods through Russia to Afghanistan. In late 2008, Russia also permitted Germany to ship weapons and other equipment by land to its troops in Afghanistan. NATO reached agreement with Russia in February 2009 on the land transit of non-lethal supplies to Afghanistan, and all the Central Asian states except neutral Turkmenistan also agreed to permit overland shipments. The first railway shipment from the Baltic states reached Afghanistan—after transiting Russia, Kazakhstan, and Uzbekistan—in late March 2009.

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<sup>58</sup> ITAR-TASS, January 18, 2010; Boris Gromov and Dmitriy Rogozin, “Russian Advice on Afghanistan,” *The International Herald Tribune*, January 12, 2010.

At the U.S.-Russia summit meeting in early July 2009, Foreign Minister Lavrov and Undersecretary of State William Burns signed an agreement allowing up to 4,500 annual air flights of troops and lethal supplies through Russia to Afghanistan. Lauded by McFaul as “historic,” the agreement complements the NATO-Russia arrangement reached in early 2009 on land transit. The Administration reports that air transit through Russia would save the United States government up to \$133 million annually in fuel, maintenance and other transportation costs, and that this agreement would be free of any air navigation charges.

Reportedly, the first flight by the United States using this route took place in early October 2009, and another took place in November 2009. Allegedly, Russia has not been cooperative in facilitating such flights, and the United States and NATO have preferred to use land and air transit through the Caspian region to reach Afghanistan.

### **Arms Control Issues<sup>59</sup>**

In 2001, the former Bush Administration conducted a Nuclear Posture Review and determined that strategic forces could be reduced to between 1,700 and 2,000 “operationally deployed nuclear warheads.” Although President Bush at first planned to make these reductions unilaterally, others in the Administration convinced him to negotiate with Russia on mutual reductions. Then-President Putin also called for a formal arms control agreement.<sup>60</sup> These negotiations bore fruit in May 2002 with the conclusion of the Strategic Offensive Reductions Treaty (also known as the Moscow Treaty). The Treaty reduced deployed strategic nuclear warheads to 1,700-2,200 by 2012, it had no interim timetable; it had no limits on the mix or types of weapons; and there was no requirement for destroying rather than storing warheads. On June 13, 2002, the U.S. withdrew from the Anti-Ballistic Missile (ABM) Treaty, which President Bush had termed a “Cold War relic” that constrained the Administration’s plans for national missile defenses. On the same day, Moscow announced that it would no longer consider itself bound by the provisions of the (unratified) START II Treaty, which had become a dead letter. In June 2002, the commander of Russia’s Strategic Rocket Forces announced that in response to the U.S. withdrawal from the ABM Treaty, Russia would prolong the life of its MIRVed ICBM force, which, he said, could be extended another 10-15 years. On June 1, 2003, then-Presidents Bush and Putin exchanged instruments of ratification allowing the Treaty of Moscow to enter into force.

In 2006, in advance of the impending December 2009 expiration of the 1991 Strategic Arms Reduction Treaty (START), the United States and Russia began to discuss options for the future of their arms control relationship. Many analysts had expressed concern that the two nations would not be able to monitor compliance with the 2002 Moscow Treaty without START, as the newer Treaty lacked any verification provisions. They, and others who saw arms control as a key feature of U.S.-Russian relations, hoped the two sides would agree to either extend or replace START. Others suggested the two sides no longer needed to regulate their competition with arms control agreements, and favored a posture that would allow START to lapse and allow both sides to pursue nuclear force postures that met their own national security needs. When the discussions began in 2006, Russia sought to replace START with a new, formal treaty that would include many of the same definitions, counting rules, and restrictions as START, albeit with lower levels

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<sup>59</sup> Prepared by Amy Woolf, Specialist in Nuclear Weapons Policy.

<sup>60</sup> For details, see CRS Report R40084, *Strategic Arms Control After START: Issues and Options*, by Amy F. Woolf.

of nuclear forces. The Bush Administration rejected this approach and offered, at most, to attach an informal monitoring regime to the 2002 Moscow Treaty. When the Bush Administration ended, the two sides had not agreed on whether or how to advance their arms control relationship.

The Obama Administration pledged to pursue arms control negotiations with Russia and to, specifically, negotiate a new treaty to replace START. In April 2009, Presidents Obama and Medvedev agreed that their nations would pursue stepped-up negotiations toward this end, and that a new treaty would address deployed strategic offensive nuclear forces, leaving discussions on nonstrategic nuclear weapons and warheads in storage to a future agreement, and to reduce their deployed forces to levels below those set by the 2002 Moscow Treaty.

At their summit in July 2009, the Presidents signed a joint understanding that identified the general form that the new treaty would take. They agreed to reduce their forces to between 500 and 1,100 deployed delivery vehicles, with between 1,500 and 1,675 deployed warheads on those vehicles. They noted that the Treaty would also contain provisions for calculating these limits and provisions on “definitions, data exchanges, notifications, eliminations, inspections, and verification provisions.” This joint understanding indicates that the new treaty will contain far more detail than the 2002 Moscow Treaty, but the scope and impact of its limits will not be evident until the two sides establish these many provisions. They were unable to complete work on the new Treaty by the time START expired in early December 2009, but both sides have indicated they are close to an agreement, and they plan to resume negotiations in the second half of January 2010.

## **Cooperative Threat Reduction**

Since 1992, the United States has spent over \$9 billion to help Russia and the other former Soviet states dismantle nuclear weapons and ensure the security of nuclear weapons, weapons-grade nuclear material, other weapons of mass destruction, and related technological know-how. This funding supports the Cooperative Threat Reduction Program (CTR) managed by the Department of Defense, along with nonproliferation programs managed by the Departments of Energy and State. These programs have helped to eliminate nuclear weapons and delivery vehicles in Ukraine, Belarus, and Kazakhstan, and to transport, store, and eliminate weapons in Russia. They have also funded improvements in security at storage areas for both nuclear weapons and nuclear materials. During the Bratislava Summit in 2005, Presidents Bush and Putin agreed to enhance their cooperation and move more quickly in securing weapons and materials. As a result, the Department of Energy has nearly completed its efforts to secure nuclear warheads in storage in Russia and nuclear materials at a number of critical sites. The two sides have also cooperated to construct a chemical weapons destruction facility in Shchuch’ye, which, after overcoming congressional concerns between 2000 and 2002, is nearing completion.

The focus of U.S. threat reduction and nonproliferation assistance has changed over the years. Initially, many in Congress saw U.S. assistance as an emergency response to impending chaos in the Soviet Union. Even after the sense of immediate crisis passed in 1992 and 1993, many analysts and Members of Congress remained concerned about the potential for diversion or a loss of control of nuclear and other weapons. Now, much of the work on strategic offensive arms reductions has been completed, and the United States has allocated a growing proportion of its funding to projects that focus on securing and eliminating chemical and biological weapons and securing storage sites that house nuclear warheads removed from deployed weapons systems. Further, in recent years, the United States has increased funding for projects that seek to secure

borders and track materials, in an effort to keep weapons of mass destruction away from terrorists. This has directed a growing proportion of the funding to nations other than Russia.

Many analysts in the United States see the U.S. threat reduction and nonproliferation programs in Russia as a model for U.S. nonproliferation and anti-terrorism assistance to nations around the world. Some who support this expansion of U.S. threat reduction assistance argue, however, that the United States should not increase funding for other nations at the expense of funding for programs in Russia because Russia is still home to large stocks of insecure nuclear materials.

### **Russia and Missile Defense<sup>61</sup>**

Successive U.S. governments have supported the development of a missile defense system to protect against long-range ballistic missile threats from adversary states. The Bush Administration argued that North Korea and Iran represented strategic threats and questioned whether they could be deterred by conventional means. In 2007, the Bush Administration proposed deploying a ground-based mid-course defense (GMD) element of the larger Ballistic Missile Defense System in Europe to defend against a possible Iranian missile threat. This “European Capability” (EC) system would have included 10 interceptors in Poland and a radar in the Czech Republic. Both countries signed agreements with the Bush Administration permitting GMD facilities to be stationed on their territory; however, the two countries’ parliaments decided to wait to ratify the accords until after the Obama Administration clarified its intentions on missile defense policy.

In September 2009, the Obama Administration announced it would cancel the Bush-proposed European BMD program. Instead, Defense Secretary gates announced U.S. plans to further develop a regional BMD capability that could be deployed on relatively short notice during crises or as the situation might demand. Gates argued this new capability, based primarily around existing BMD sensors and Patriot, THAAD and Aegis BMD interceptors, is more responsive and adaptable to growing concern over the direction and pace of Iranian short- and medium-range ballistic missile proliferation. The Administration argues this capability will continue to evolve and expand over the next decade to include BMD against intermediate- and long-range Iranian ballistic missiles.

The EC program has significantly affected U.S.-Russia relations. At the February 2007 Wehrkunde security conference in Munich, former President Vladimir Putin strongly criticized the Bush Administration’s proposal, maintaining that it would lead to “an inevitable arms race.” Russia has threatened to abrogate the 1987 Intermediate-Range Nuclear Forces Treaty, and also announced that it had suspended compliance with the Conventional Forces in Europe Treaty. In August 2008, following the signing of the U.S.-Poland agreement, Russia once more vociferously objected to the missile defense plan; a Russian general stated that Poland’s acceptance of the interceptors could make it a target for a nuclear attack.

Some analysts argue that Russia has other motives for raising alarms about the U.S. missile defense system: to foment discord among NATO member states, and to draw attention away from Russia’s suppression of domestic dissent, its aggressive foreign policy actions, and its nuclear technology cooperation with Iran. Observers point out that Russian acceptance of NATO enlargement in 2004 was conditioned on a tacit understanding that NATO or U.S. military

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<sup>61</sup> Prepared by Carl Ek, Specialist in International Relations, and Steve Hildreth, Specialist in Missile Defense.

expansion into the new member states would not occur. The European GMD in this regard is seen as unacceptable to Russia.

On November 5—the day after the 2008 U.S. presidential elections—President Medvedev stated that Russia would deploy short-range Iskander missiles to the Russian exclave of Kaliningrad, which borders Poland and Lithuania, if the EC was built. In late January 2009, however, the Russian media reported that Moscow had “suspended” plans to move short-range missiles to Kaliningrad because the Obama Administration was not “pushing ahead” with the EC deployment. However, there were reports that President Medvedev at the July 2009 G-8 (Group of eight highly industrialized nations) summit may have intimated that the Iskander deployment was still an option.

On February 7, at the 2009 Wehrkunde security conference in Munich, Vice President Biden stated that “we will continue to develop missile defenses to counter a growing Iranian capability.... We will do so in consultation with our NATO allies and Russia.”<sup>62</sup> However, the Obama Administration has indicated that it is prepared to open talks with Tehran if it is willing to shelve its nuclear program and renounce support of terrorism. During a February 10 visit to Prague, Secretary of State Hillary Clinton said that any change in U.S. policy on missile defense would depend on Iran, but that “we are a long, long way from seeing such evidence of any behavior change” in Iran.<sup>63</sup>

In early March 2009, the media reported that President Obama had sent a letter to President Medvedev offering to stop the development of the EC if Russia cooperated to halt Iran’s nuclear weapons and missile programs. President Obama denied such a *quid pro quo*, stating that “what I said in the letter was that, obviously, to the extent that we are lessening Iran’s commitment to nuclear weapons, then that reduces the pressure for, or the need for a missile defense system. In no way does that diminish my commitment to [the security of ] Poland, the Czech Republic and other NATO members.”<sup>64</sup>

In a joint statement issued at their “get acquainted” meeting on April 1, 2009, Presidents Obama and Medvedev acknowledged that differences remained in their views toward the placement of U.S. missile defenses in Europe, but pledged to examine “new possibilities for mutual international cooperation in the field of missile defense.” Later that month, however, Russian Deputy Foreign Minister Sergey Ryabkov charged that “[U.S.] work in the missile defense has intensified, including in the NATO format.” Shortly thereafter, in a Russian media interview, Ryabkov was asked to comment on U.S.-Russia-NATO cooperation on missile defense through the use of Russian radar installations. He explained that the Russian offer was predicated on the fulfillment of “certain preliminary stages,” including the U.S. cancellation of the EC program, followed by a threat assessment, and then by political and economic measures to eliminate the threat.<sup>65</sup>

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<sup>62</sup> Vice President Joseph Biden’s speech at the 45<sup>th</sup> Munich Security Conference, [http://www.securityconference.de/konferenzen/rede.php?menu\\_2009=&menu\\_konferenzen=&sprache=en&id=238&](http://www.securityconference.de/konferenzen/rede.php?menu_2009=&menu_konferenzen=&sprache=en&id=238&)

<sup>63</sup> “Clinton Says Missile Shield Hinges in Part on Iran,” *Reuters*, February 10, 2009; “Obama Seen Unlikely to Hedge on Missile Defense,” *Associated Press*, February 13, 2009.

<sup>64</sup> The White House. Office of the Press Secretary. Remarks By President Obama and British Prime Minister Gordon Brown After Meeting, March 3, 2009.

<sup>65</sup> “President Obama, Russian President Medvedev Commit To Reduce Nuclear Arms, Reset Relationship,” *US Fed News*, April 11, 2009; “Russia Warns U.S. Stepping Up Shield Plans – Agency,” *Reuters*, April 21, 2009; Russian Ministry of Foreign Affairs. *Interview of Russian Deputy Minister of Foreign Affairs Sergey Ryabkov on Disarmament* (continued...)

In early June 2009, a Russian official indicated that Moscow would not likely be willing to reduce its nuclear weapons arsenal unless the United States were to scrap plans to establish its missile defense site in Poland and the Czech Republic. The Russian government also stated that it might deploy Iskander missiles to Kaliningrad if the United States were to transfer Patriot missile batteries to Poland.<sup>66</sup>

At the July 2009 U.S.-Russia summit, the two presidents declared in a joint statement that their governments “plan to continue the discussion concerning the establishment of cooperation in responding to the challenge of ballistic missile proliferation,” and that both countries would task experts “to work together to analyze the ballistic missile challenges of the 21<sup>st</sup> century and to prepare appropriate recommendations, giving priority to the use of political and diplomatic methods.” One day after the meeting, however, Russian Foreign Minister Sergey Lavrov stated that if the Obama administration decided to pursue missile defense unilaterally, Russia might be reluctant to reduce its nuclear arsenal.<sup>67</sup>

As noted above, in September 2009 the Obama Administration’s announced that it would modify the U.S. approach to missile defense. In Russia, President Dmitry Medvedev called the change “a responsible move,” adding that “we value the responsible approach of the U.S. President to our agreement. I am ready to continue our dialogue.”<sup>68</sup> In addition, Moscow appeared to back away from its earlier signal that it might deploy Iskander missiles to Kaliningrad. In November, the U.S. ambassador to Ukraine quashed rumors that the United States had been discussing with Kiev deployment of missile defense facilities in Ukraine.

Some analysts on both sides of the Atlantic, however, argued that the abandonment of the Bush Administration’s proposal could be viewed by Moscow as a climb-down resulting from Russia’s incessant diplomatic pressure.<sup>69</sup> Further, some critics have faulted the White House for not having gained anything from Moscow in exchange for its walk-back on missile defense. However, Obama Administration supporters maintain that Russia likely would not wish to reveal an obvious *quid pro quo* immediately; Administration backers advise critics to wait and see what actions Russia takes in coming months, particularly with respect to cooperation with the United States on policy toward Iran.

In December 2009, NATO foreign ministers commented favorably on the new U.S. missile defense plan, and reiterated the alliance’s willingness to cooperate with Russia on the issue, stating that they reaffirmed “the Alliance’s readiness to explore the potential for linking United States, NATO and Russian missile defence systems at an appropriate time. The United States’ new approach provides enhanced possibilities to do this.” The Russian media reported that NATO and Russia had formed a working group to study the issue. In a speech shortly thereafter,

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(...continued)

*Issues*, April 23, 2009.

<sup>66</sup> Russian General Links Arms Cuts To Missile Shield. *Associated Press*. June 5, 2009. Russian Source: Patriot Missiles To “Cloak” Strategic Effort. Interfax: Russia & CIS Military Newswire. May 22, 2009.

<sup>67</sup> Joint Statement By Dmitry A. Medvedev, President of the Russian Federation, and Barack Obama, President of the United States, On Missile Defense Issues. *Targeted News Service*. July 6, 2009. Russia Warns US Over Missile Shield. *AP*. July 7, 2009.

<sup>68</sup> Obama Cancels Bush Plan For European Missile Shield That Had Soured Relations With Russia. *AP Newswire*. September 17, 2009. Medvedev Praises Obama’s Move On Europe Missile Shield. *RIA Novosti*. September 17, 2009.

<sup>69</sup> Russia Could Scrap Baltic Missile Plans Following U.S. Move. *RIA Novosti*. September 18, 2009.

NATO Secretary General Anders Fogh Rasmussen stated that he hoped the alliance and Russia would have a joint system by 2020.<sup>70</sup>

Before long, however, Russia began to criticize the new U.S. plan for missile defense against Iran. In late December Prime Minister Putin tied discussions over missile defense to the re-negotiation of START. He asserted that Moscow would need to beef up its offensive nuclear weapons forces in order to “preserve a strategic balance” with the planned U.S. missile defense system. A State Department spokesperson acknowledged the relationship between offensive and defensive missile capabilities, but maintained that the two countries should discuss missile defense “in a separate venue.” Observers believe that Putin’s intervention is unlikely to affect the disarmament talks. Regarding missile defense, in January 2010 Russian Foreign Minister Lavrov stated that Russia had “told the U.S. and NATO that it is necessary to start everything from scratch – to jointly analyze the origin and types of missile proliferation risks and threats.”<sup>71</sup>

Also in January 2010, the United States and Poland announced that, under the terms of the August 2008 agreement between Warsaw and Washington, a battery of U.S. Patriot missiles—along with a crew of about 100 U.S. service personnel—would be rotated from Germany to Poland in June. The short-range anti-missiles are to be stationed close to Poland’s border with Kaliningrad. Foreign Minister Lavrov claimed that he “doesn’t understand” the apparent need for Poland to defend itself from Russia.<sup>72</sup>

## U.S.-Russia Economic Ties<sup>73</sup>

U.S.-Russian trade and investment flows have increased in the post-Cold War period, reflecting the changed U.S.-Russian relationship. Many experts have suggested that the relationship could expand even further. U.S. imports from Russia have increased substantially, rising from \$0.5 billion in 1992 to a peak of \$26.8 billion in 2008. The large increase in U.S. imports reflects not so much an increase in the volume of trade but the rise in world prices of raw materials, particularly oil, that comprise the bulk of those imports (64% in 2008). U.S. exports have increased from \$2.1 billion in 1992 peaking at \$9.3 billion in 2008. Major U.S. exports to Russia consist of machinery, vehicles, and meat (mostly chicken).<sup>74</sup>

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<sup>70</sup> Final Statement. Meeting of the North Atlantic Council at the level of Foreign Ministers held at NATO Headquarters, Brussels. December 4, 2009. NATO web site: [http://www.nato.int/cps/en/natolive/news\\_59699.htm?mode=pressrelease](http://www.nato.int/cps/en/natolive/news_59699.htm?mode=pressrelease) Russia, NATO Form Working Group On Missile Defence – Rogozin. *RIA Novosti*. December 5, 2009. Russia Not Ready to Set Up Missile Defense Shield Together With U.S. – Lavrov. *Interfax: Russia & CIS General Newswire*. January 22, 2010.

<sup>71</sup> Putin Plays MD Card, Placates Hardliners. *Oxford Analytica*. December 29, 2009. Russia To Continue Offensive Arms To Balance U.S. – Putin. *RIA Novosti*. December 29, 2009. U.S. Missile Shield Holding Up Nuclear Deal – Putin. *Reuters News*. December 29, 2009. U.S. Rejects Russia Shield Concerns. *BBC News*. December 29, 2009.

<sup>72</sup> Polish Missile Base Re-ignites Tension With Russia. *Deutsche Welle*. January 22, 2009.

<sup>73</sup> Prepared by William H. Cooper, Specialist in International Trade and Finance.

<sup>74</sup> CRS calculations based on data from the Department of Commerce, Bureau of the Census. Global Trade Information System.

**Table I. U.S. Merchandise Trade with Russia, 1992-2008**

(in billions of dollars)

Year	U.S. Exports	U.S. Imports	U.S. Trade Balances	Year	U.S. Exports	U.S. Imports	U.S. Trade Balances
1992	2.1	0.5	1.6	2001	2.7	6.3	-3.5
1993	3.0	1.7	1.3	2002	2.4	6.8	-4.4
1994	2.6	3.2	-0.6	2003	2.4	8.6	-6.2
1995	2.8	4.0	-1.2	2004	3.0	11.9	-8.9
1996	3.3	3.6	-0.3	2005	3.9	15.3	-11.3
1997	3.4	4.3	-0.9	2006	4.7	19.8	-15.1
1998	3.6	5.7	-2.1	2007	7.4	19.4	-12.0
1999	2.1	5.9	-3.8	2008	9.3	26.8	-17.5
2000	2.1	7.7	-5.6				

Major U.S. exports: machinery; vehicles; meat; aircraft. Major U.S. imports: mineral fuels; inorganic chemicals aluminum; steel.

**Source:** Compiled by CRS from U.S. Department of Commerce, U.S. Census Bureau data. FT900.

Despite the increase in bilateral trade, the United States and Russia still account for small shares of each others' trade. In 2008, Russia accounted for about 0.7% of U.S. exports and 1.3% of U.S. imports. It was the 17<sup>th</sup> largest source of imports and 28<sup>th</sup> largest export market for the United States. The United States accounted for 3.4% of Russian exports and 5.4% of Russian imports. It was the fifth largest source of imports and 10<sup>th</sup> largest export market for Russia.<sup>75</sup>

According to Russian government data, by the end of 2008, the United States accounted for 3.3% of total accumulated foreign direct and portfolio investments in Russia and was the eighth largest source of foreign investment. However, the first three countries were Cyprus (21.5%), the Netherlands (17.5%), and Luxembourg (13.0%), suggesting that at least 50% of the investments might have been repatriated Russian funds.<sup>76</sup>

Russia and the United States have never been major economic partners, and it unlikely that the significance of bilateral trade will increase much in the near term. However, in some areas, such as agriculture, Russia has become an important market for U.S. exports. Russia is the largest foreign market for U.S. poultry. Furthermore, U.S. exports to Russia of energy exploration equipment and technology, as well as industrial and agricultural equipment, have increased as the dollar has declined in value. Russian demand for these products will likely grow as old equipment and technology need to be replaced and modernized. Russia's significance as a supplier of U.S. imports will also likely remain small given the lack of international competitiveness of Russian production outside of oil, gas, and other natural resources. U.S.-Russian investment relations could grow tighter if Russia's business climate improves; however, U.S. business concerns about the Russian government's seemingly capricious intervention in energy and other sectors could dampen the enthusiasm of all but adventuresome investors.

<sup>75</sup> Global Trade Information Systems, Inc. World Trade Atlas.

<sup>76</sup> *Tendentsii I perspectiva (Trends and Outlook). Russian Economic Report.* April 2006. p. 24..

The greater importance of Russia's economic policies and prospects to the United States lies in their indirect effect on the overall economic and political environment in which the United States and Russia operate. From this perspective, Russia's continuing economic stability and growth can be considered positive for the United States. Because financial markets are interrelated, chaos in even some of the smaller economies can cause uncertainty throughout the rest of the world. Such was the case during Russia's financial meltdown in 1998 and more recently with the 2008-2009 crisis. Promotion of economic stability in Russia has been a basis for U.S. support for Russia's membership in international economic organizations, including the IMF, the World Bank, and the WTO. As a major oil producer and exporter, Russia influences world oil prices that affect U.S. consumers.

Bilateral economic issues appeared to be placed in the background at the July 2009 U.S.-Russia Summit agenda in Moscow, at least for the time-being. Nevertheless, some economic issues received mention during the course of President Obama's visit. For example, a business development and economic relations working group, co-chaired by Minister of Economic Development Elvira Nabiullina and Commerce Secretary Gary Locke, and an agriculture working group, chaired by Agriculture Minister Yelena Skrynnik and Secretary of Agriculture Tom Vilsack, were established as part of the U.S.-Russia Bilateral Presidential Commission announced during the summit. In addition, President Obama stressed at a meeting of U.S. and Russian business leaders that the United States and Russia should increase economic cooperation to allow bilateral trade and investment to increase to their potential.<sup>77</sup>

### **Russian Restrictions on Meat Imports**

Russia has been a very important market for U.S. pork and poultry producers. At the end of 2009, Russia imposed restrictions on imports of U.S. pork because of what the government considered to be excessive amounts of an antibiotic in the meat. Russia wants the United States to establish procedures to certify that the pork meets Russian standards before it is shipped, essentially establishing separate inspection procedures for shipments to Russia. U.S. pork suppliers claim that such special procedures would raise their production costs.<sup>78</sup>

In addition, on January 1, 2010, the Russian government implemented new restrictions on imports of poultry. Russia says that the chlorine wash that U.S. poultry producers use in the preparation of chickens violates Russian standards. The United States claims that the wash is effective and safe.<sup>79</sup> Russia has also called for additional inspections of U.S. beef prior to shipment to Russia as of February 1, 2010.

Russia's restrictions on meat imports are becoming a major irritant in U.S.-Russian trade relations.<sup>80</sup> U.S. and Russian agricultural officials met in Moscow the week of January 17- 23, 2010, to discuss the issues; however, no final solution appears to have been reached.

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<sup>77</sup> White House. Remarks by the President at Parallel Business Summit. July 7, 2009.

<sup>78</sup> *Inside U.S. Trade*. January 8, 2010.

<sup>79</sup> *Ibid.*

<sup>80</sup> *Inside U.S. Trade*. January 22, 2010.

## **U.S. Assistance to Russia**

From FY1992 through FY2008, the U.S. government budgeted almost \$17 billion in assistance to Russia, including for democratization, market reform, and humanitarian needs. The bulk of assistance (over one-half) went for CTR (Nunn-Lugar) and other security-related programs. (See **Table 1.**) But Russia's share of assistance fell from about 60% in FY1993-FY1994 to 17% in FY1998 and has been between 15%-22% since then.<sup>81</sup>

Annual foreign operations appropriations bills have contained conditions that Russia is expected to meet in order to receive assistance:

- A restriction on aid to Russia was approved in the FY1998 appropriations and each year thereafter, prohibiting any aid to the government of the Russian Federation (i.e., central government; it does not affect local and regional governments) unless the President certifies that Russia has not implemented a law discriminating against religious minorities. Successive administrations have made such determinations each year.
- Since FY1996, direct assistance to the government of Russia has hinged on its continuing sale of nuclear reactor technology to Iran. As a result, in most years as much as 60% of planned U.S. assistance to the federal Russian government has been cut.
- The FY2001 foreign aid bill prohibited 60% of aid to the central government of Russia if it was not cooperating with international investigations of war crime allegations in Chechnya or providing access to NGOs doing humanitarian work in Chechnya. Possibly as a result of Russian cooperation with the United States in its war on terrorism, the war crime provision was dropped.

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<sup>81</sup> See CRS Report RL32866, *U.S. Assistance to the Former Soviet Union*, by Curt Tarnoff.

**Table 2. U.S. Government Funds Budgeted for Assistance to Russia, FY1992-FY2008**  
(million dollars)

<b>Fiscal Year/ Program Area</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 Prelim.</b>	<b>Total</b>
Economic Growth	84.68	137.21	1,187.92	231.37	72.69	39.35	51.21	74.01	58.65	60.13	60.62	54.47	33.93	9.54	7.71	3.41	0.01	2,166.9
Governing Justly & Democr.	33.93	66.13	242.86	74.15	50.68	38.45	69.58	85.64	68.26	82.06	79.89	79.98	64.31	63.8	78.7	55.96	65.21	1,299.57
Humanit. Asst.	167.89	1,060.4	39.49	48.44	35.34	0.93	6.34	1,167.34	243.1	92.37	23.83	26.1	19.97	1.5	13.23	0.0	0.0	2,946.27
Investing in People	13.1	8.31	79.85	12.67	10.98	10.59	10.55	15.42	15.88	26.1	27.41	24.36	24.02	35.47	28.3	23.95	21.79	388.76
Peace & Security	28.81	182.71	361.69	203.19	323.18	456.29	461.36	790.05	667.52	694.86	822.79	727.59	802.43	897.75	854.8	926.11	752.8	9,953.84
Program Support	0.0	0.0	4.0	0.44	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.24	1.1	6.78
<b>Total</b>	<b>328.42</b>	<b>1,454.75</b>	<b>1,915.79</b>	<b>570.26</b>	<b>492.86</b>	<b>545.52</b>	<b>599.04</b>	<b>2,132.47</b>	<b>1,053.41</b>	<b>955.52</b>	<b>1,014.54</b>	<b>912.5</b>	<b>944.67</b>	<b>1,008.06</b>	<b>982.74</b>	<b>1,010.66</b>	<b>840.91</b>	<b>16,762.12</b>

**Source:** U.S. Department of State, Office of the Coordinator of U.S. Assistance to Europe and Eurasia. Includes Freedom Support Act and other program and agency assistance.

## **Author Contact Information**

Jim Nichol, Coordinator  
Specialist in Russian and Eurasian Affairs  
jnichol@crs.loc.gov, 7-2289

William H. Cooper  
Specialist in International Trade and Finance  
wcooper@crs.loc.gov, 7-7749

Carl Ek  
Specialist in International Relations  
cek@crs.loc.gov, 7-7286

Steven Woehrel  
Specialist in European Affairs  
swoehrel@crs.loc.gov, 7-2291

Amy F. Woolf  
Specialist in Nuclear Weapons Policy  
awoolf@crs.loc.gov, 7-2379

Steven A. Hildreth  
Specialist in Missile Defense  
shildreth@crs.loc.gov, 7-7635

Vincent Morelli  
Section Research Manager  
vmorelli@crs.loc.gov, 7-8051

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