



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

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Summary

Russia made some uneven progress in democratization during the 1990s, but according to most observers, this limited progress was reversed after Vladimir Putin rose to power in 1999-2000. 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 and established government ownership or control over major media and industries, including the energy sector. The methods used by the Putin government to suppress insurgency in the North Caucasus demonstrated a low regard for the rule of law and scant regard for human rights, according to critics. Dmitry Medvedev, Vladimir Putin's chosen successor and long-time protégé, was elected president in March 2008 and immediately chose Putin as prime minister. President Medvedev 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 were censured by most of the international community but which resulted in few, minor, and only temporary international sanctions against Russia.

Russia's economy began to recover from the Soviet collapse in 1999, led mainly by oil and gas exports, but the sharp decline in oil and gas prices in mid-2008 and other aspects of the global economic downturn put a halt to this growth. The government reported an 8% drop in gross domestic product in 2009. This decline exacerbated existing problems: 15% of the population live below the poverty line; an unreformed healthcare system and unhealthy lifestyles contribute to a population decline; domestic and foreign investment is low; inflation hovers around 12%-14%; and crime, corruption, capital flight, and unemployment remain high. Some economic growth may occur in 2010.

Russia's military has been in turmoil after years of severe force reductions and budget cuts. The armed forces now number about 1.0 million, down from 4.3 million Soviet troops in 1986. Readiness, training, morale, and discipline have suffered. Russia's economic revival in the 2000s allowed it to substantially increase defense spending, and some high-profile activities were resumed, such as Mediterranean and Atlantic naval deployments and strategic bomber patrols. Stepped-up 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 among some in the armed forces appear to have slowed force modernization.

After the Soviet Union's collapse, the United States sought a cooperative relationship with Moscow and supplied \$17 billion in aid for Russia from FY1992-FY2010 to encourage democracy and market reforms and prevent the acquisition of nuclear, radiological, or biochemical materials by terrorist groups or nations for use in weapons of mass destruction (WMD). U.S. aid to reduce the threat posed by WMD proliferation has hovered around \$700-\$900 million per fiscal year, while other foreign aid to Russia has dwindled. Despite rising U.S.-Russia tensions in recent years on issues such as NATO enlargement and proposed U.S. missile defenses in Eastern Europe, the two countries found some common ground on anti-terrorism and non-proliferation issues; Russia's 2008 conflict with Georgia threatened such cooperation. The Obama Administration has been endeavoring to "reset" relations with Russia, which welcomed the Obama Administration's announcement in September 2009 of the cancellation of the planned deployment of missile defenses in Eastern Europe. The Administration has hailed the signing of a new Strategic Arms Reduction Treaty on April 8, 2010, and the approval of new sanctions against Iran by Russia and other members of the U.N. Security Council on June 9, 2010, as signifying the "reset" of bilateral relations.

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Recent Developments

The United States announced the arrest of 11 Russian spies on June 28, 2010, just days after the visit of Russian President Dmitry Medvedev to the United States (one spy was outside the United States and apparently escaped). Some of the spies had been paired as couples by the Russian Foreign Intelligence Service. The spies had lived in several U.S. metropolitan areas for up to 10 years or longer. They were arrested on charges that included money-laundering and not registering as foreign agents. An FBI investigation against the “deep cover” agents reportedly had been ongoing for several years. The timing of the arrests reportedly was determined by suspicions of one of the agents that her cover had been blown. The 10 agents were swapped in Vienna, Austria, on July 9 for four Russian citizens whom Moscow had alleged were U.S. or British spies. Some U.S. observers suggested that the focus of the 10 Russian agents on seemingly public information gathering was a reflection of the paranoia and myopia of Russia’s political leaders.¹

The Russian Foreign Ministry protested the State Department’s coverage of Russia in its *Advancing Democracy and Human Rights* report (released in May 2010) as violating the intent of the U.S.-Russian “reset” of relations to engage in “constructive criticism and recommendations on the basis of mutual respect for each other’s positions.” The State Department reported that Russian authorities “fear that democracy will cause instability,” and place restrictions on some civil society groups and media or even harass them. The State Department also stressed that “political activism [in Russia] remains relatively low,” and that “public demand for government accountability is generally weak, although ... there are some modest, detectable changes for the better.” The Foreign Ministry countered that Russia is open to discussions but not “moral admonitions and guidance as to how we should build real democracy.” The ministry criticized U.S. aid to civil society groups as mentioned in the report as “verging on interference in internal affairs”; disputed a characterization that the Civil Society Working Group of the U.S.-Russia Presidential Commission “monitors” Russian compliance with democracy standards; and raised hopes that the United States would take to heart the findings of an upcoming U.N. review of human rights conditions in the United States.

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

¹ *Financial Times* (London), July 1, 2010.

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.

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-à-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. 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

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 139.4 million (World Factbook, mid-2010 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.

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.² 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

² 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. See also Senator Roger Wicker, "International Due Process Rights," *Congressional Record*, June 21, 2010, p. S5179. President Obama also has raised concerns about Khodorkovski. The White House. Office Of The Press Secretary. *Transcript of President Obama's Interview with Novaya Gazeta*, July 6, 2009.

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 “**Error! Reference source not found.**”).

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 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.³

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.⁴

³ See CRS Report RS22770, *Russia’s December 2007 Legislative Election: Outcome and Implications*, by Jim Nichol.

⁴ RFE/RL, *Newslines*, February 5, 20, 2008.

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. 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.⁵

The Impasse of Political Pluralism

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 constitutional changes extending the presidential term to six years and State Duma deputies’ terms to five years, 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 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.

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.⁶

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.

In May 2009, Medvedev submitted legislative amendments to laws on the Constitutional Court and on a probationary period for judicial appointments that were quickly approved. The changes to the selection of the Chairman and two other officials of the Constitutional Court—to have the

⁵ *The ISCIAP Analyst*, November 12, 2009.

⁶ Michael Allen, “Obama Trip Prompts Token NGO Reform, but Kremlin Incapable of Real Change,” *Democracy Digest*, July 6, 2009.

president effectively select these officials rather than to have the members of the court elect them—were widely viewed as democratically regressive. Alternatively, the proposal to eliminate a probationary period for newly appointed judges was viewed as progressive, since it eliminated an executive branch method of removing non-compliant judges. Zorkin appeared to strongly oppose the change in the court’s election process, although his reasons may have dealt with preserving the prerogatives of the members of the court and with preserving existing procedures. This latter conservative stance may also have been evidenced by an article he wrote in December 2009, which extolled the benefits of authoritarian state order and condemned chaotic democratization and imposed modernization. The article may have constituted open criticism of Medvedev.⁷

Genri Reznik, president of the Moscow Bar Association and member of the Public Chamber, argued in May 2009 that the presidential selection process for judges was a “mockery of justice,” since the process was largely based on political rather than professional criteria, and that “the situation has become much worse in terms of judges’ independence” from political pressure.⁸ 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.

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.⁹ 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 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.¹⁰

On October 11, 2009, mayoral and other local elections took place in most of Russia’s regions. Candidates from the ruling United Russia Party 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.”¹¹

⁷ Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), December 15, 2009, Doc. No. CEP-46009.

⁸ *CEDR*, May 6, 2009, Doc. No. CEP-4003.

⁹ *CEDR*, September 10, 2009, Doc. No. CEP-378001.

¹⁰ *CEDR*, September 14, 2009, Doc. No. CEP-23005.

¹¹ 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.

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 10 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.”¹²

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 to reject 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.

In June 2010, the Working Group on Nonprofit Organization Law (mentioned above) reportedly discussed further possible amendments to the NGO law, including the easing of restrictions on foreign NGO activities in Russia. One Russian analyst suggested that the discussion of possible amendments was timed to take place just before President Medvedev’s visit to the United States, where civil society might be a topic of summitry. He also suggested that government restrictions on foreign NGOs seem less necessary now than earlier, since Russia appears less vulnerable to an “orange revolution.” Also in June 2010, the Presidential Council to Promote the Development of Civil Society Institutions and Human Rights sent a legal analysis to President Medvedev in opposition to a bill that criminalizes disobeying an employee of the Federal Security Service (FSB) or hindering him in the performance of official duties. The bill also permitted the FSB to issue warnings to individuals or groups whose actions it felt might jeopardize national security, even if the actions are not crimes. The Council warned that “this kind of return to the worst and unlawful practices of a totalitarian state - with the aim of sowing fear and distrust in people - cannot be perceived by society as anything other than legitimizing the suppression of civil liberties and dissent.”¹³

Assessing the balance of Medvedev’s political changes, Freedom House, a non-governmental organization, has concluded that they mark the deepening of Russian political authoritarianism over the past year. Political stability is increasingly ensured through repression, including assassinations of media and civil society personnel. Elections too are increasingly controlled by the authorities, so that more and more Russian citizens decline to vote. The judiciary remains subject to political pressure, and media faces ongoing restrictions on coverage. Neither Putin nor

¹² *CEDR*, December 1, 2009, Doc. No. CEP-49009.

¹³ *CEDR*, June 22, 2010, Doc. No CEP-4005; June 24, 2010, Doc. No. CEP-950171.

Medvedev have ruled out running in a presidential election scheduled for 2012, so the current authoritarian system may continue for some time, Freedom House warns.¹⁴

Human Rights Problems

According to the State Department's *Country Reports on Human Rights Practices for 2009*, there were numerous Russian government human rights problems and abuses during the year. Law enforcement personnel reportedly sometimes used torture to coerce confessions from suspects. Judges and defense attorneys remained subject to pressure from the executive, military, and security forces, particularly in politically sensitive cases, according to a Council of Europe report. In some cases, Russia's Office of the Human Rights Ombudsman assisted persons whom it considered to have been treated improperly by the courts, and judges occasionally rejected confessions obtained without a lawyer present. In December, two Constitutional Court judges resigned in protest over what they considered violations of judicial independence. The government increasingly restricted freedom of speech, particularly with regard to sensitive issues such as the conflict in Chechnya, human rights, corruption, coverage of opposition candidates in local elections, and economic problems. The government used direct ownership or other means to control or influence all six national television stations and a majority of regional media. Beating and intimidation of journalists remained a problem. Eight journalists were killed during the year. The libel law was increasingly applied against some NGOs and individuals, and officials continued to accuse NGOs that received foreign funding of disloyalty. Local authorities increasingly restricted freedom of assembly, and police sometimes used force to disrupt peaceful protests. Some regional and local authorities prosecuted members of the political opposition and restricted the freedom of worship of some religious groups. The government's poor human rights record in the North Caucasus worsened. In Chechnya, Ingushetia, and Dagestan, the number of extrajudicial killings and disappearances increased markedly, as did the number of insurgent attacks against police. Several human rights activists were killed by unknown persons.¹⁵

On January 22, 2010, President Dmitry 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.

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

¹⁴ Robert Orttung, "Russia," *Nations In Transit 2010*, Freedom House, June 29, 2010.

¹⁵ U.S. Department of State. *Country Reports on Human Rights Practices for 2009*, March 11, 2010.

boycott the meetings until Russia changed its head of the group.¹⁶ The second meeting of the Working Group took place in Vladimir, Russia, in May 2010, where the participation of civil society groups in monitoring prison conditions and integrating refugees and immigrants into society was discussed.

In June 2010, the Duma passed on first reading (introduced) amendments to the Law on the FSB that permitted the FSB to issue a warning to a person or group “on the impermissibility of actions that would comprise grounds and create conditions for the commission of crimes.” Another amendment would introduce a fine by the FSB for “disobeying the legal instruction or directive of an FSB official.” Prime Minister Putin admitted that he authored the bill. Human Rights Ombudsman Vladimir Lukin denounced the bill before its first reading, stating that it “violates the integrity and unity of the Russian Federation’s legal system,” and could transform the FSB into “a monster of the Beria type.”¹⁷ The bill elicited widespread public criticism, so that it was slightly altered in its second reading on July 9, 2010 (considered the main vote, with a third reading being the final vote). However, it still retained language permitting the FSB to issue warnings. Fines for disobeying the FSB are to be issued by courts. Critics raised concerns that major rationales for the language included further restricting the ability of individuals or groups to hold demonstrations and of media to operate freely.¹⁸ Another bill, passed by the Duma on first reading on July 9, 2010, would forbid individuals, groups, and political parties with misdemeanor convictions from organizing rallies. Critics viewed the bill as further restricting public demonstrations, particularly by disfavored groups.¹⁹

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.²⁰ 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.

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.

¹⁶ “Interview: McFaul on U.S., Russian Stereotypes and His Controversial Co-Chair, *RFE/RL*, January 28, 2010.

¹⁷ *CEDR*, June 14, 2010, Doc. No. CEP-546001.

¹⁸ *CEDR*, July 7, 2010, Doc. No. CEP-8004; July 7, 2010, Doc. No. CEP-8022.

¹⁹ Alexey Eremenko, “Duma Cracks Down on Freedom of Assembly,” *Moscow Times*, July 12, 2010.

²⁰ For background information, see CRS Report RL32272, *Bringing Peace to Chechnya? Assessments and Implications*, by Jim Nichol.

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 2009.²¹ Among prominent recent incidents, Dagestani Internal Affairs Minister Adilgerey Magomedtagirov was killed in June 2009, and the president of Ingushetia, Maj. Gen. Yunus-bek Yevkurov, was severely wounded by a bomb blast later that month. 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 Dzhabrailov, 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.²²

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."²³ In mid-February 2010, Umarov stated that "Russians do not understand that the war today is coming to their streets, the war is coming to their homes, the war is coming to their cities.... The zone of combat actions will be expanded, God willing, to include the whole of Russian territory." He stated that a majlis al-shura—composed of rebel leaders from Chechnya, Dagestan, Ingushetia, Kabardino-Balkaria, and Karachay-Cherkessia—had been formed to coordinate future operations, and proclaimed that "the final goal is establishing shariah law in the Caucasus, the independence of the Caucasus, [and] independent Islam in the Caucasus."²⁴

On March 29, 2010, suicide bombings in Moscow's subway killed 39 people and wounded dozens. Prime Minister Vladimir Putin condemned the attack and pledged that law enforcement

²¹ 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.

²² 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.

²³ *Reuters*, December 2, 2009.

²⁴ *CEDR*, February 16, 2010, Doc. No. CEP-950085.

personnel would “track down the organizers of the crime [and] scrape them from sewer bottoms and bring them into God’s light of day.” Another suicide bombing in Russia’s North Caucasus region of Dagestan two days later claimed 12 lives. Putin suggested that the bombings in Moscow and Dagestan were linked and that both were “crimes against Russia.” President Dmitry Medvedev vowed to “eliminate the terrorists” responsible for the bombings, to strengthen security forces in the North Caucasus, and to continue to carry out “pinpoint strikes” there to destroy terrorists “and their shelters.” He also stressed that “resolving social and economic problems is in many respects the key to bringing about change in the situation [in the North Caucasus republics]. Apart from the security side of things, we also need to work on this, work with the people, work with communities and offer them better conditions for life.”²⁵ Umarov took responsibility for the Moscow bombings and stated that they were revenge for an attack by Russian security forces on the village of Arshty in Chechnya on February 11. President Obama condemned the “outrageous” bombings in Moscow and classed them with other “violent extremism and heinous terrorist attacks that demonstrate ... disregard for human life.”²⁶ Many observers suggested that the bombings were further evidence that Moscow’s ongoing security operations in the North Caucasus—which have resulted in many human rights abuses—as well as its efforts to boost the regional economy have not yet ameliorated instability there.

At May 2010 meeting of the Council for Civil Society Institutions and Human Rights, President Medvedev argued that there needed to be a youth policy for the North Caucasus, including to ameliorate the 20% unemployment in the region, which heavily impacted youth. He also requested his presidential staff to study the issues of dwindling schooling and healthcare in the region. He dismissed calls to investigate past extrajudicial killings and urged focusing on the future. He also objected to discussants distinguishing between a region and Russia, stating that “Dagestan is part of Russia,” and rejected use of the term “guerillas” instead of “terrorists.” He called for forging a new “Russian identity” in the region that would reduce inter-ethnic conflict, and implored North Caucasian ethnic groups to stop being extra “touchy” and “sensitive” about the actions of governors he appoints.²⁷

On June 23, 2010, Secretary of State Clinton designated Caucasus Emirates leader Doku Umarov as a terrorist under Presidential Executive Order 13224, which targets terrorists and those providing support to terrorists or acts of terrorism, to help stem the flow of financial and other assistance to Umarov. In the Congress, H.Res. 1315 (Hastings), introduced on April 29, 2010, had called on the Secretary of State to designate the Caucasus Emirate as a foreign terrorist organization.

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 1.0 million at present—the Russian military remains formidable in some

²⁵ Open Source Center. *Central Eurasia: Daily Report* (hereafter *CEDR*), March 30, 2010, Doc. No. CEP-950185; April 1, 2010, Doc. No. CEP-950200; The Kremlin. President of Russia. *Opening Remarks at Meeting with Security Council Members*, March 31, 2010; *Voice of America*, April 1, 2010.

²⁶ The White House. Office of the Press Secretary. *Statement by the President on the Bombings on the Moscow Metro*, March 29, 2010.

²⁷ The Kremlin. *Speech at Meeting of Council for Civil Society Institutions and Human Rights*, May 20, 2010; *ITAR-TASS*, May 20, 2010.

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).²⁸ 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, Moldova, and Azerbaijan (and until recently, Ukraine) 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 most of the 2000s, and even continued to increase slightly after the global financial crisis of 2008 impacted Russia’s economy. The 2010 defense budget was \$39.6 billion, up slightly from \$38.9 billion in 2009 and \$33.7 billion in 2008.²⁹ 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 multi-national 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. Problems of force composition, training, command and control, equipment, and doctrine were highlighted during the August 2008 Russia-Georgia conflict. According to the British International Institute for Strategic Studies, the poorly executed Russian invasion of Georgia “increased doubt that the military could be seen as a reliable instrument to support Russian foreign- and security policy objectives, and also reinforced the perception that the armed forces could not in the future guarantee reliable conventional defense capabilities.”³⁰

Partly in response, a reform plan entitled “The Future Outlook of the Russian Federation Armed Forces and Priorities for its Creation for the period of 2009–2020” was launched in October 2008 that called for accelerating planned cuts in the officer corps, so that the 355,000-strong officer corps would be reduced to 150,000 within three years. Also, the plan called for abolishing the non-commissioned officers’ ranks of warrant officer and midshipman in the Russian Army and Navy. The bulk of these 140,000 NCOs would retire and 78,000 professional sergeants would be

²⁸ Members include Armenia, Azerbaijan, Belarus, Moldova, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Ukraine, and Uzbekistan. Georgia withdrew following the August 2008 Russia-Georgia conflict.

²⁹ “Russia,” *The Military Balance*, International Institute for Strategic Studies, February 3, 2010, p. 219.

³⁰ *The Military Balance*, p. 211.

trained. Among other changes, the number of personnel at the Defense Ministry and General Staff would be cut and the number of higher military schools would be reduced. Also, the four-tier command system of military districts, armies, divisions, and regiments would be altered to a three-tier system of military districts, tactical commands, and brigades. The total size of the armed forces would be reduced from 1.2 million to under 1 million.

During 2009, the brigade system for ground forces was set up and other reforms were carried out. Russian Airborne Troops, however, rejected abolishing divisions. On March 5, 2010, President Medvedev claimed that the armed forces re-organization had been completed and that personnel had been successfully reduced to 1 million. He stated that improving the combat readiness of combined-arms forces in their new organizational and staffing structure would be the focus in 2010, as well as the development of a 10-year plan for weapons modernization.

Contrary to Medvedev's assessment, some reports suggested that many or most of the new brigades were not adequately supplied with weapons and that warrant officers and midshipmen continued to serve. Similarly, Gen. Makarov stated in February 2010 that the transition to professional (contract) soldiers had largely failed—less than 20% of armed forces personnel were contractees—and that conscription would increase. Critics argued that the sums paid to contractees were far below adequate wages, so that the quality and number of contractees had remained low. Critics also alleged that large sums in the 2004-2007 defense budgets for transitioning to contracts had been pilfered.³¹ The armed forces now face a crisis in finding enough young men to conscript for a one-year term of service given a sharp decline in births in past years and unhealthy living conditions. Alternatives include reducing the armed forces below 1 million or increasing the length of service. A program covering the period up until 2015 calls for units and formations to be staffed with conscripts (privates) and professionals or contract servicemen (noncoms). The first training center for noncoms was established in Ryazan. Some elite branches of the military, like Airborne Troops, are planned to be staffed solely with professionals.

Also contrary to Medvedev's assertion that reorganization was complete, in July 2010 Makarov announced that military districts would be abolished and the West, East, South and Central unified commands would be set up by the end of 2010. In July 2010, President Medvedev appointed two new deputy defense ministers with an aim of allaying corruption in defense acquisitions, according to some observers.

Weapons modernization has included the development of the RS-24 strategic nuclear ballistic missile with multiple independently targetable re-entry vehicles (MIRVs), which reportedly may begin to be deployed in 2010 or later. 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 a contract for twelve unmanned aerial vehicles (UAVs) from Israel Aerospace Industries (to be delivered in 2010) and a contract with France's Thales for the licensed production in Russia in 2010 of thermal imaging systems for T-90 tanks.

In 2009-2010, Russia negotiated with France over the purchase of a newly designed French amphibious assault warship, called the *Mistral*. French President Nicolas Sarkozy declared that the ship would be sold without armaments, while Russian General Nikolai Makarov, Chief of the

³¹ *CEDR*, June 24, 2010, Doc. No. CEP-358007.

General Staff, asserted that a sale was contingent on the inclusion of command and navigation systems and weapons.³² Some Members of Congress raised concerns with France over the Mistral negotiations. H.Res. 982 (Ros-Lehtinen), introduced on December 16, 2009, called 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. On July 5, 2010, Russian media reported that Russia and France had agreed that France would provide the complete set of navigational equipment and technical documentation, but that Russia would equip the ships with its own weaponry and helicopters.³³

Force reductions and lagging weapons modernization have increased the Russian government's emphasis on its strategic nuclear forces. A new Russian military doctrine released in February 2010 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, but this issue remains opaque, since details are provided only in a classified follow-on to the doctrine termed "Principles of National Nuclear Deterrence Policy to 2020."³⁴

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. As of April 2010, the Russian side reportedly had not yet designated officials to serve on the commission. In testimony in March 2010, Admiral James Stavridis, the commander of the U.S. European Command, stated that there were U.S.-Russia military-to-military discussions on a number of issues, that exchanges were being explored, and that the two countries were cooperating in anti-piracy efforts off the Horn of Africa.³⁵

³² "Arms Trade," *Moscow Defense Brief*, No. 1, 2010; *Agence France Presse*, March 25, 2010.

³³ "Russia Set to Buy Mistral with Transfer of French Technologies," *RIA-Novosti*, July 5, 2010.

³⁴ *CEDR*, January 5, 2010, Doc. No. CEP-358002; December 15, 2009, Doc. No. CEP-677001; *The ISCI Analyst*, October 29, 2009.

³⁵ 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; U.S. House of Representatives. Committee on Armed Services. *Hearing on the FY 2011 Budget Requests for the U.S. European Command (EUCOM), the U.S. Africa Command (AFRICOM) and the U.S. Joint Forces Command (JFCOM)*, March 10, 2010.

Trade, Economic, and Energy Issues

Russia and the Global Economic Crisis³⁶

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. World oil prices have since increased.

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, 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 showed up in Russia's performance indicators. Although Russia's real GDP *increased* 5.6% in 2008 as a whole, it *declined* 7.9% in 2009. Russia is expected to show GDP growth in 2010.³⁷ 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 July 2, 2010, the price of a barrel of Urals-32 (the Russian benchmark price) oil was \$74.46 and has remained around that price since mid-February 2010. The price is a 45.9% drop from its July 4, 2008, peak of \$137.61 but a 118.9% rise from its January 2, 2009, low point of \$34.02. Oil price volatility challenges 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.³⁸

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

³⁶ Prepared by William H. Cooper, Specialist in International Trade and Finance.

³⁷ Economist Intelligence Unit.

³⁸ Economist Intelligence Unit. *Country Report—Russia*. January 2010.

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 as far along as Russia. The customs union went into effect in January 2010. The three countries decided to pursue accession separately but with common proposed tariff schedules.

On June 24, 2010, during their meeting in Washington, President Obama and President Medvedev pledged to resolve the remaining issues regarding Russia's accession to the WTO by September 30. These issues include the operation of Russian state-owned enterprises, intellectual property rights protection, and licensing of imports containing encryption technology. The United States also pledged to provide technical assistance to Russia to speed up the process of Russia's accession taking into account its customs union with Belarus and Kazakhstan.

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 111th 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 and Agricultural Trade Issues

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, 2010, 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.³⁹

Russia's treatment of imports of U.S. meats—poultry, pork and beef—is one of the most sensitive issues in U.S.-Russian trade relations. In the early post-Soviet years, Russia's agricultural sector, particularly meat production, was not very competitive, and domestic producers were not able to fulfill Russia's expanding demand for meat, especially as the rise of Russian incomes led to a rise in demand for meat in the Russian diet. U.S. producers, especially of poultry, became major sources of meat to the Russian market, and Russia became an important market for U.S. exports of meat. For example, in 2009, Russia was the largest market for U.S. poultry meat exports, accounting for 20% of total U.S. exports of poultry meat, but has also been an important market for U.S. exports of beef and pork.⁴⁰

Russia restricts imports of meats and poultry under tariff-rate quotas (TRQs) largely to support its fledgling domestic producers.⁴¹ At times, Russia has imposed sanitary and phytosanitary requirements (SPS), ostensibly for health and safety reasons, on poultry and meat products that have at times limited U.S. exports further.

On January 1, 2010, the Russian government implemented new regulations on imports of poultry, claiming that the chlorine wash that U.S. poultry producers use in the preparation of chickens violates Russian standards and is unsafe. These regulations effectively halted U.S. exports of poultry to Russia. The United States claimed that the wash is effective and safe and that Russian restrictions are not scientifically based. U.S. and Russian officials conducted discussions to resolve the issue. At their June 24 press conference, President Obama and President Medvedev announced that the dispute over poultry trade had been resolved and that U.S. shipments of poultry to Russia would resume.⁴²

At the end of 2009, Russia imposed restrictions on imports of U.S. pork because of what the Russian government considered to be excessive amounts of antibiotics 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.⁴³ In March 2010 Russia allowed pork imports from some U.S. plants to resume.⁴⁴

³⁹ Office of the United States Trade Representative. *Special 301 Report*. April 30, 2009. p. 16.

⁴⁰ *World Trade Atlas*.

⁴¹ Under TRQs, products are imported up to a set volume at one tariff rate and at a much higher (sometimes prohibitive) rate above that volume.

⁴² For more information on issues pertaining to U.S. exports of meat to Russia, see CRS Report RS22948, *U.S.-Russia Meat and Poultry Trade Issues*, by Renée Johnson.

⁴³ *Inside U.S. Trade*, January 8, 2010.

⁴⁴ *International Trade Reporter*. April 1, 2010.

Russian Energy Policy⁴⁵

The 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 is eighth in the world in oil reserves, with at least 10% of the global total. Firms in these industries are either directly controlled by the Russian government or are subject to heavy Russian government influence. 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 claimed that European dependence on Russian energy and Russia's growing influence in large segments of Europe's energy infrastructure poses a long-term threat to transatlantic relations. 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."⁴⁶

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, Russia and Ukraine reached an agreement, and gas supplies to Europe resumed on January 20. A similar Russian-Ukrainian dispute led to another gas cut off to Europe 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 the Czech Republic. About 10% of Europe's oil supplies are delivered through the pipeline. The crisis was resolved in July 2010. In June 2010, a dispute arose over a Belarusian debt for gas to Gazprom and over Belarusian demands for increased gas transit payments. Gazprom reduced gas supplies to Belarus, which in turn led to a supply reduction to neighboring Lithuania. The standoff was resolved in July 2010. These incidents have provided further evidence of Russia's unreliability as an energy supplier, according to some 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 Russia to Germany via a pipeline under the Baltic Sea, 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 120-130 bcm per year. After delays due to environmental concerns by Sweden, Finland, and Denmark, through whose waters the pipeline would pass, Nord Stream is working on the underwater segments of the pipeline,

⁴⁵ Prepared by Steven Woehrel, Specialist in European Affairs.

⁴⁶ 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>

with hopes that the first supplies from the pipeline will flow in late 2011, with full capacity reached in 2012.

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, with branches to Austria, Italy, and Greece. Serbia and Hungary have also signed on to the project. Russia plans to start construction of South Stream in 2013, and begin deliveries 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 key western European companies to participate in the project. It has also discussed the possibility of changing the route for the pipeline in order to play potential transit countries off against each other.

Russia has long sought a controlling stake in Ukraine's pipeline system. Ukrainian President Viktor Yanukovich, elected in February 2010, has expressed concern about the impact of South Stream on transit volumes through its pipeline system. He has offered Russia partial ownership of the Ukrainian pipeline system in exchange for a share in natural gas fields in Russia and guaranteed transit volumes through Ukraine's pipelines. Ukraine has also proposed a joint venture with Russia and the EU in building a new pipeline through Ukraine that would eliminate the need for South Stream. So far Russia has not accepted these proposals.

In addition to possible competition from Europe for Central Asian energy supplies, Russia also faces a challenge from other countries. A pipeline from Turkmenistan to China opened in late 2009, delivering 30 bcm of gas per year. Turkmenistan has also expanded its gas pipeline capacity to Iran, which is expected to reach 20 bcm eventually. Other factors could diminish Russia's leverage over Eurasian natural gas supplies. The development of previously difficult-to-develop "unconventional" gas deposits in Europe and elsewhere could diversify supplies and keep prices down. The growth of the spot market for natural gas and the development of liquefied natural gas infrastructure in Europe could also help diversify supplies as well as reduce dependence on Russian-controlled pipelines.

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 the 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. 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.⁴⁷

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 Dmitri 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.”⁴⁸ In February 2007, at the 43rd annual 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.⁴⁹

⁴⁷ 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.

⁴⁸ Dmitri Trenin, “Russia’s Spheres of Interest, not Influence,” *The Washington Quarterly*, October 2009.

⁴⁹ The full text of Vladimir Putin’s speech at the 43rd Munich Conference on Security Policy, February 10, 2007 can be found at <http://www.securityconference.de>.

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 first year or so in office, Russia's relations with the west became increasingly tense. 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 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.

Responding in part to the Obama Administration's efforts to "reset" relations, Russia has appeared somewhat more conciliatory toward the EU and the United States in recent months. An alleged Russian Foreign Ministry document leaked to the media in May 2010 called for the government to adopt a more conciliatory foreign policy toward the West in order to attract foreign investment. Similarly, Russian analyst Igor Yurgens has argued that the Russian leadership no longer is concerned that the West seeks to foment "colored revolutions" in Russia, stating that "there is no danger that someone from the West will want to rock the situation in our country."⁵⁰

NATO-Russia Relations⁵¹

Post-Cold War efforts to develop a NATO-Russia relationship characterized by partnership and cooperation have had mixed results, at best. Russian views toward NATO, particularly since the beginning of the Putin era, have been marked predominantly by suspicion and skepticism regarding NATO's intentions. NATO-Russia ties in the mid- to late-1990s suffered largely due to Russian opposition to NATO plans to enlarge eastward and to NATO and western involvement in the Balkan wars. Since NATO-Russia relations reached a new low in the wake of Russia's 2008 invasion of Georgia, both the United States and NATO have renewed efforts to improve ties with Moscow. Alliance members continue to disagree, however, on the form future relations should take and on their assessment of Russian intentions. Although Russian officials have welcomed NATO and U.S. overtures, they remain critical of many aspects of NATO policy.

The principal institutional mechanism for NATO-Russia relations is the NATO-Russia Council (NRC), established 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, most observers agree that the NRC has fallen far short of its potential due largely to Russian concerns about NATO's long-term intentions. Many in Russia viewed NATO's 1999 and 2004 enlargements to 10 former Soviet satellite states as an affront to Russian power and prestige and Russian leaders continue to oppose the idea of NATO

⁵⁰ Owen Matthews and Anna Nemtsova, "The New Putin Profile," *Newsweek*, June 12, 2010; *CEDR*, June 22, 2010, Doc. No. CEP-4005.

⁵¹ Prepared by Paul Belkin, Analyst in European Affairs.

enlargement to former eastern bloc countries.⁵² The establishment of U.S. and NATO airbases in Central Asia after the September 11, 2001 terrorist attacks on the United States for operations in Afghanistan and a United States decision to establish military facilities, albeit non-permanent, in Bulgaria and Romania after NATO's 2004 enlargement were viewed by some in Moscow as further evidence of an encirclement of Russia by NATO and the United States.

More recently, Russian leaders appear concerned by NATO and U.S. insistence that the alliance will not recognize a Russian sphere of influence along its borders. Specifically, Moscow has criticized NATO member states for their refusal to recognize the Russian-encouraged independence of Abkhazia and South Ossetia and for their reluctance to establish alliance relations with the Russian-led Collective Security Treaty Organization (CSTO members include Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan). In addition, Moscow has been critical of those who have suggested a more formal role for NATO in European energy security issues.

Russian reactions to U.S. and NATO policies it opposes have also caused concern within the alliance and have exposed differences among the allies on how to manage ongoing relations with Russia. These include Russia's 2007 decision to suspend compliance with the Treaty on Conventional Armed Forces in Europe (CFE Treaty), its vocal opposition to proposals to enhance NATO ties with Georgia and Ukraine and of proposed U.S./NATO missile defense installations in Europe, and, most significantly, its August 2008 invasion of Georgia. Finally, Russian proposals for an alternative European security architecture have been viewed by many as an attempt to undermine NATO and increase Russian influence in European affairs.

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 previous commitments to remove its military forces from Georgia and Moldova.

At NATO's April 2008 summit in Bucharest, then-President Putin strongly urged NATO not to offer Membership Action Plans (MAPs) to Georgia and Ukraine. Although NATO, after serious internal debate, decided not to extend MAPs at the summit, Moscow still appeared 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. Some Russian officials even suggested that the decision could make those two countries targets of Russia's nuclear arsenal.

Tensions between Russia and NATO escalated in the wake of Russia's August 2008 invasion of Georgia, after which the two sides suspended formal ties in the NATO-Russia Council. Russia's actions sparked a strong debate within the alliance over how Europe should react to what many considered a new, more aggressive Russian foreign policy intended to re-establish a Russian sphere of influence along its border with Europe. Some allies argued that NATO's inability or unwillingness to prevent Russia from moving to establish a permanent military presence in

⁵² The Czech Republic, Poland, and Hungary joined the alliance in March 1999; Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia joined in March 2004.

Abkhazia and South Ossetia could lead some to question the credibility of the alliance's core principle of collective defense, as enshrined in Article 5 of the North Atlantic Treaty. Although Georgia is not a member of the alliance, they contended that NATO had given the impression that it could concede to Russian demands in its relations with aspiring alliance members. Several Central and Eastern European allies also expressed concern about a perceived lack of NATO contingency planning in response to the possibility of future Russian action against a NATO ally or partner.

Despite ongoing disagreement within the alliance on how to manage relations with Russia, ambassadorial-level meetings of the NATO-Russia Council resumed in April 2009. In subsequent meetings at both the ambassadorial and foreign minister level, Russian and NATO officials have agreed that the NATO-Russia Council represents the best approach for promoting Euro-Atlantic security, agreed to restart military cooperation within the NRC, and pledged to enhance cooperation in training Afghan and Central Asian authorities for counternarcotics operations.

One issue that some NATO allies have been reluctant to discuss in the NRC is a Russian proposal for an alternative European security architecture, first raised by President Medvedev in June 2008. President Medvedev has argued that the United States, through its membership in NATO, continues to exercise disproportionate influence in European affairs and that Russia should have a more formal role in the current European security architecture. While Russian officials claim that a new security architecture would improve trust among Euro-Atlantic governments and reduce the risk of internal European conflicts, many in the United States and Europe view the Russian proposals as attempts to weaken NATO, constrain the OSCE, and stop further encroachment of these organizations on Russia's borders. The United States and most European countries maintain that any dialogue on the future of European security must build upon the existing Euro-Atlantic institutions. However, Russia's proposal has highlighted the need for such discussion and provided some political impetus in the United States and Europe to engage more robustly with Russia and each other to enhance the Euro-Atlantic security architecture to better meet the security challenges of the 21st century.

Since assuming his post in August 2009, NATO Secretary General Anders Fogh Rasmussen has made improved NATO-Russia ties a priority. He has emphasized the two sides' shared interests and called for enhanced cooperation on missile defense and counterterrorism, among other areas.⁵³ Rasmussen's efforts have generally been welcomed in Moscow. Nonetheless, observers point out that while limited progress has been made in some areas, disagreement both within the alliance and between NATO and Russia persists on some core issues. Russia has allowed the establishment of air and land supply routes for the NATO mission in Afghanistan on its territory and has agreed to consider bolstering training for Afghan police forces and to providing financial assistance for reconstruction projects in Afghanistan. Russian helicopters, operated by civilian crews, have also begun providing transport in Afghanistan. On the other hand, little, if any, progress has been made on the issue of Georgia's territorial integrity and NATO membership prospects, the unratified CFE Treaty, a proposed NATO/U.S. missile defense system (discussed in detail later in the report), and Russian calls for more influence within the Euro-Atlantic security architecture.

⁵³ See, for example, "NATO and Russia: A new Beginning," *Speech by NATO Secretary General Anders Fogh Rasmussen at the Carnegie Endowment, Brussels*, September 18, 2009. Available at http://www.nato.int/cps/en/natolive/opinions_57640.htm.

Rasmussen's efforts to enhance NATO-Russia ties appear in line with the Obama Administration's stated intention to pursue a path of constructive engagement with Russia. U.S. officials have emphasized the need to engage Russia in an effort to improve U.S.- and NATO – Russia cooperation in areas ranging from the NATO mission in Afghanistan and counter-terrorism, to arms control and non-proliferation and international efforts to curb Iran's nuclear program.⁵⁴ At the same time, NATO and U.S. officials stress that they will continue to oppose Russian policies that they perceive as conflicting with the core values of the alliance. They say, for example, that NATO will not recognize a Russian sphere of influence outside its borders and will continue to reject Russia's recognition of Georgia's breakaway regions, Abkhazia and South Ossetia. There continues to be concern among some NATO allies that Russia has not changed its fundamental view of NATO as a security threat and that unresolved issues will continue to plague NATO-Russia relations. Observers and officials in some allied nations – notably Poland and Lithuania – have expressed concern that NATO's reengagement with Russia could signal that the alliance is not serious about standing up to Russian behavior it has deemed unacceptable. In this vein, they have urged the United States Administration to consider the interests and views of all NATO allies as it seeks to improve relations with Russia.

The European Union and Russia⁵⁵

Attitudes and outlooks on Russia differ widely among the 27 member states of the European Union (EU). The governments of some countries, such as Germany, France, and Italy, are inclined to an approach based on pragmatism and engagement. They believe that the maintenance of extensive ties and constructive dialogue is the most effective way to influence Russia. Supporters of this approach also argue that Russia should be viewed as a strategic partner and observe that Russian cooperation is important on issues such as energy, Iran, climate change, and arms control. Countries such as Poland and the Baltic States, on the other hand, tend to view Russia as a potential threat to themselves and their neighbors. Difficult relations between these countries and Russia are deeply rooted in the historical experiences of the Soviet domination of Eastern Europe.

As a result of such internal differences, the EU has had difficulty developing coherent and robust common policies on Russia, and critics note that the EU lacks a comprehensive strategic approach to its eastern neighbor. The EU was critical of Russia's actions during the August 2008 conflict with Georgia and continues to object to Russia's support of Georgia's breakaway provinces. The EU has also sought to pressure Russia on governance and human rights issues, but some analysts argue that the EU's attempts to influence Russia in such areas have been tempered and ineffective. The Lisbon Treaty, the EU reform treaty that came into effect in December 2009, is designed to give the EU new institutional tools with which to develop stronger and more visible external policies. Nevertheless, the EU Common Foreign and Security Policy (CFSP) remains based on member state consensus—CFSP tends to be weak or non-existent in areas where such a consensus is lacking.

In general, Russia has tended to perceive EU enlargement with less hostility and suspicion than NATO enlargement. Russian officials, however, have expressed displeasure with the EU's Eastern Partnership initiative, which seeks to deepen ties with six countries of the former Soviet Union

⁵⁴ See Remarks by Vice President Biden at the 45th Munich Security Conference, February 7, 2009,

http://www.whitehouse.gov/the_press_office/

RemarksbyVicePresidentBidenat45thMunichConferenceonSecurityPolicy/

⁵⁵ Prepared by Derek E. Mix, Analyst in European Affairs.

(Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine). At the May 2009 EU-Russia summit, President Medvedev expressed a view that the Eastern Partnership was directed against Russia.

Relations between the EU and Russia revolve largely around energy and economics. Russia supplies the EU with more than one-quarter of its total gas and oil supplies, and some EU member states are almost completely reliant on Russian energy. As discussed above (see “Russian Energy Policy”), energy dependence and aggressive Russian energy policies contribute to the tensions felt by some of the countries of central and eastern Europe with regard to Russia. The EU’s energy dependence on Russia is expected to grow substantially over the next 20 years and the apparent Russian inclination to use energy supplies as an instrument of foreign policy has raised concerns about potential vulnerabilities that could arise from this trend. Many officials and analysts agree on the need for the EU to diversify its energy supply, but the EU has struggled to formulate a common strategic energy policy. According to some observers, the willingness of numerous EU member states to conclude bilateral energy deals with Russia has served to undermine the prospects of developing a stronger common policy.

Russia signed the EU Energy Charter treaty, which sets out market principles for energy cooperation, in 1994. Russia never ratified the treaty, however, due to an unwillingness to apply the requirements regarding transparency and foreign investment reciprocity—before terminating provisional application of the treaty altogether in October 2009, Russia had in effect applied only those treaty elements it deemed consistent with standing Russian law. EU and Russian officials have been discussing the conditions under which Russia might agree to return to the treaty framework.⁵⁶

To some extent, however, the EU-Russia energy relationship works two ways: while Russia is a crucial energy supplier for Europe, Europe is also a vital energy market for Russia. In terms of trade and investment, the EU is an even more important partner for Russia, accounting for more than half of Russia’s trade and three-quarters of its foreign direct investment (FDI).⁵⁷ Russia, in turn, is the EU’s third largest trade partner (behind the United States and China); EU-Russia trade totaled some \$235 billion in 2009.⁵⁸

The EU and Russia have been negotiating a new framework agreement to replace the EU-Russia Partnership and Cooperation Agreement (PCA) that came into force in 1997, but which expired at the end of 2007. Progress has been slowed by contention over Russia’s bid for membership in the World Trade Organization (WTO) and by EU objections to the continuing presence of Russian troops in Georgia’s separatist regions. Under the original PCA, the two sides launched efforts to develop a more open and integrated Common Economic Space (CES) and to establish deeper cooperation on issues such as rule of law, human rights, research, education, crisis management, and non-proliferation.⁵⁹ The EU-Russia Summit held on May 31-June 1, 2010, launched a

⁵⁶ Energy Charter Secretariat website, , <http://www.encharter.org/>.

⁵⁷ European Commission, DG Trade, http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/russia/index_en.htm.

⁵⁸ Global Trade Atlas database, *EU27 External Trade: All Commodity Chapters*.

⁵⁹ European Commission, DG External Relations, http://ec.europa.eu/external_relations/russia/common_spaces/index_en.htm.

“Partnership for Modernization” in which the EU has pledged to help develop and diversify the Russian economy.⁶⁰

Russia and the Soviet Successor States⁶¹

Russia’s July 2008 Foreign Policy Concept and the May 2009 National Security Strategy hail cooperation within the CIS as “a priority foreign policy direction.” The latter document proclaims that the Collective Security Treaty Organization (CSTO; composed of CIS members Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan) is “the main interstate instrument” to combat regional military threats.⁶² The February 2010 Military Doctrine states that the priorities of military-political cooperation are Belarus (formally part of a union with Russia), the CSTO, and the CIS. Despite Russia’s emphasis on interests in the CIS, 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.⁶³ An airbase at Kant, Kyrgyzstan, was designated in 2002 to provide support for Central Asian rapid reaction forces, but 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. The worth of the CSTO has been a matter of debate among its members and others, since it has not been efficacious in protecting borders or halting internal disorder. The CSTO’s worth appeared to be placed in added question in June 2010 when Russia and other members balked at Kyrgyzstan’s request for troops to quell inter-ethnic conflict in southern Kyrgyzstan.

Although Belarus is one of Russia’s closest allies, tensions have arisen between the two countries in recent years, as Russia has tried to reduce the costs of its subsidies to Belarus’s economy and Belarusian President Aleksandr Lukashenko has refused to do Moscow’s bidding on some issues. In early June 2009, Russia banned imports of dairy products from Belarus—Russia is the main

⁶⁰ Council of the European Union, *Joint Statement on the Partnership for Modernisation*, June 1, 2010, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/114747.pdf.

⁶¹ Prepared by Jim Nichol, Specialist in Russian and Eurasian Affairs, and Steven Woehrel, Specialist in European Affairs.

⁶² The Kremlin. President of Russia. *The Foreign Policy Concept of the Russian Federation*, July 12, 2008; Russian Federation Security Council. *Russian Federation National Security Strategy Until 2020*, May 12, 2009; The Kremlin. President of Russia. *The Military Doctrine of the Russian Federation*, February 5, 2010.

⁶³ The Collective Security Treaty was signed in 1992 and renewed in 1999.

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 2009 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.⁶⁴ In early January 2010, Russia temporarily slowed down some oil deliveries to Belarus to pressure it to agree to increased export duties. In April 2010, Lukashenko granted asylum to ousted Kyrgyz leader Kurmanbek Bakiyev, drawing Moscow's ire. In June 2010, another dispute arose over a Belarusian debt for gas to Gazprom and over Belarusian demands for increased gas transit payments. Gazprom reduced gas supplies to Belarus and Belarus threatened to cut off gas supplies to western Europe. The crisis was resolved in July 2010. A July 2010 Russian television program cast Lukashenko in a highly unflattering light, provoking speculation in Russia and Belarus that Russian leaders may be warning Lukashenko that they could seek to undermine his leadership if he continues to annoy them.

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. The United States 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. The election of a pro-Romanian, pro-European integration government in Moldova after July 2009 parliamentary elections has not led to a significant deterioration in Russian-Moldovan relations. However, Moldova's Acting President Mihai Ghimpu issued a decree setting aside June 28 as a day to commemorate the Soviet occupation of Moldova in 1940. The move provoked sharp criticism from Moscow, as well as from some of Ghimpu's government coalition partners who are eager to maintain good ties with Russia.⁶⁵

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.⁶⁶ In the wake of the "reset" in U.S.-Russia relations in 2009-

⁶⁴ See also CRS Report RL32534, *Belarus: Background and U.S. Policy Concerns*, by Steven Woehrel.

⁶⁵ See also CRS Report RS21981, *Moldova: Background and U.S. Policy*, by Steven Woehrel.

⁶⁶ 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.

2010, there appears to again be some cooperation from Russia regarding a U.S. and NATO military presence in Central Asia to support operations in Afghanistan.

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.

During the presidency of Viktor Yushchenko from 2005 until February 2010, Russia's relations with Ukraine were often tense due to differences over such issues as the supply of Russian energy through Ukrainian pipelines (leading to shut-offs of natural gas to Europe in 2006 and 2009), Russia's conflict with Georgia in 2008, the status of the Russian Black Sea Fleet in Ukraine's Crimea region, and Yushchenko's advocacy of NATO membership for Ukraine. The victory of the pro-Russian Viktor Yanukovich in Ukrainian presidential elections in February 2010 has led to a rapid improvement in Russian-Ukrainian relations. Yanukovich has dropped Yushchenko's NATO membership aspirations, saying that the country will remain outside all military blocs. Russia and Ukraine have agreed to extend the stay of the Russian Black Sea Fleet in Crimea until 2042, from the original withdrawal date of 2017. In exchange, Russia will provide Ukraine with discounted prices for natural gas supplies for 10 years, a benefit that the two sides estimated as worth \$40 billion. Yanukovich has offered Russia part-ownership of Ukraine's gas pipeline system in exchange for guaranteed gas volumes for Ukrainian gas pipelines and access to Russian gas and oil deposits. Russian firms, with Russian government support, have also reportedly stepped up efforts to buy key industrial assets in Ukraine since Yanukovich has come to power.

However, some of Russia's boldest proposals for improving ties with Ukraine appear to have gone further than Kiev can support. Ukraine has rebuffed Russian suggestions that it join the CSTO. It has also so far not accepted Russia's proposal that it join the customs union with Russia, Belarus and other former Soviet countries, which would likely conflict with Ukraine's WTO membership and its aspirations for free trade with and eventual membership in the European Union. Ukraine has rejected Russia's idea to merge Gazprom with Ukraine's state-controlled gas firm Naftohaz, which would amount to a Russian takeover of the Ukrainian company, due to the former's much larger size.

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.⁶⁷ However, tensions soon increased on a number of issues that contributed to ever-growing discord in U.S.-Russian

⁶⁷ 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.

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 “Re-sets” 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.⁶⁸

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.⁶⁹

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 “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.”

⁶⁸ The White House. Office of the Press Secretary, Remarks By President Obama and Russian President Medvedev after Meeting, April 1, 2009.

⁶⁹ Russian Federation Security Council. *Russian Federation National Security Strategy Until 2020*, May 12, 2009.

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 Michael McFaul, the Senior Director for Russian and Eurasian Affairs on the National Security Council, 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. McFaul 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 21st 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.

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.

During her visit, 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. McFaul, 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.

In her January 2010 speech on European security, Secretary of State Clinton stated that Russia had violated a fundamental principle of U.S. and European policy—respect for the sovereignty and territory of all states—by invading Georgia and by claiming that Georgia’s breakaway regions are independent. She more broadly criticized efforts to declare a sphere of influence in Europe, presumably by Russia. Secretary Clinton called for Russia instead to recognize that the

enlargement of NATO and the European Union benefits it as well as the rest of Europe by spreading peace and prosperity. She praised President Medvedev's proposal for broadening European security, but rejected his call for a new European Security Treaty. Instead, she called for existing European institutions—the OSCE and the NATO-Russia Council—to examine how to enhance European security. Such efforts should include revitalizing the Conventional Armed Forces in Europe Treaty, which Russia had stopped implementing in 2008. She hailed U.S.-Russia cooperation on such issues as challenging Iran's nuclear ambitions, stabilizing Afghanistan, confronting North Korea, negotiating a new Strategic Arms Reduction Treaty, and tackling pandemic disease, cyber warfare, and the trafficking of children. The United States also is exploring cooperation with Russia on European missile defense, she averred.⁷⁰

The Obama Administration's National Security Strategy, released in May 2010, asserts that the United States endeavors "to build a stable, substantive, multidimensional relationship with Russia, based on mutual interests. The United States has an interest in a strong, peaceful, and prosperous Russia that respects international norms." The strategy calls for bilateral cooperation with Russia—termed one of the 21st century centers of influence in the world—in bolstering global nonproliferation; in confronting violent extremism, especially in Afghanistan; in forging new trade and investment arrangements; in promoting the rule of law, accountable government, and universal values within Russia; and in cooperating as a partner in Europe and Asia. At the same time, the strategy stresses that the United States "will support the sovereignty and territorial integrity of Russia's neighbors."⁷¹

President Medvedev visited the United States on June 22-24, 2010, to focus on business and technology ties between the two countries. In eleven joint statements, the two presidents pledged further cooperation to achieve stability in Afghanistan, to foster open government, and to strengthen counter-terrorism cooperation, among other issues. In a joint statement on strategic stability, they vowed to continue "the development of a new strategic relationship based on mutual trust, openness, predictability, and cooperation." President Obama also called for accelerating efforts with other members of the World Trade Organization (WTO) to complete the steps necessary for Russian accession to the WTO. He announced that Russia had agreed to purchase 50 Boeing aircraft, worth \$4 billion, and that the two countries had reached an agreement that would permit U.S. poultry products to again be exported to Russia.⁷²

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

⁷⁰ U.S. Department of State. *Remarks on the Future of European Security*, January 29, 2010.

⁷¹ The White House. *National Security Strategy*, May 2010.

⁷² The White House. Office of the Press Secretary. *U.S.-Russia Joint Statements*, June 24, 2010; *Remarks by President Obama and President Medvedev of Russia at Joint Press Conference*, June 24, 2010.

signatory of the Nuclear Non-Proliferation Treaty, and that the light water reactor built by Russia is 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.⁷³ 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. Russian officials have stated that the reactor may become operational in August or September of 2010.

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 the July 2009 U.S.-Russia summit, nuclear and missile proliferation by Iran were the dominant topics, according to McFaul. 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."

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."⁷⁴ In a meeting with concerned nations on October 1, 2009 (now termed the Sextet, 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.

⁷³ See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

⁷⁴ The White House. Office of the Press Secretary. *Remarks by President Obama and President Medvedev of Russia after Bilateral Meeting*, September 23, 2009.

After inspecting the enrichment plant near Qom, the IAEA concluded that it was in an 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.⁷⁵ 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. In February 2010, Iran stated that it would start enriching uranium to 20% to fuel the Tehran Research Reactor.

In early March 2010, President Medvedev stated that Russia might consider cooperating on a U.N. Security Council resolution that imposed "smart sanctions" on Iran that impacted only Iran's nuclear proliferation capabilities and not its population. In announcing the agreement on the new START on March 26, 2010, Secretary Clinton stressed that it demonstrates "to states like Iran and North Korea" that one of the top priorities of the United States and Russia is "to strengthen the global non-proliferation regime and keep nuclear materials out of the wrong hands."⁷⁶ Foreign Minister Lavrov asserted on March 27, 2010, that Russia would only back a new sanctions resolution that affirmed the non-use of force against Iran.⁷⁷ According to some observers, Russia had changed its stance that its cooperation on further U.N. Security Council sanctions on Iran was contingent on the United States ending plans for missile defenses in Eastern Europe.⁷⁸

On June 9, 2010, Russia supported the approval of U.N. Security Council Resolution 1929, which expressed growing international concern with Iran's lack of compliance with ensuring that its nuclear program is peaceful and directed an expanded international arms embargo and added restrictions on commerce dealing with "proliferation-sensitive activities" in Iran. Explaining Russia's vote for the resolution, U.N. ambassador Vitaliy Churkin stated that "it has become inevitable that additional restrictive measures should be adopted to constrain development in those Iranian activities that run counter to the task of strengthening the non-proliferation regime."⁷⁹

According to the French government, President Putin informed French President Nicholas Sarkozy on June 11, 2010, that Russia would freeze plans to supply Iran with S-300 surface-to-air missiles. Russia has appeared to indicate that the sale will remain in abeyance—even if the U.N. Security Council resolution is not viewed as specifically banning them—as long as Iran defies the international community regarding its nuclear program.

After CIA revelations about Iran's possession of highly-enriched uranium, President Medvedev concurred in July 2010 that "Iran is nearing the possession of the potential which in principle

⁷⁵ *U.S. Fed News*, November 16, 2009.

⁷⁶ U.S. Department of State. *Announcement of New START Treaty*, March 26, 2010.

⁷⁷ *BBC Worldwide Monitoring*, March 27, 2010.

⁷⁸ Alexander Gabuyev, "Bushehr Nuclear Power Plant Stopped Moscow and Washington," *Defense and Security*, March 22, 2010.

⁷⁹ United Nations. Security Council. 6335th Meeting, *Meeting Record, S/PV.6335*, June 9, 2010.

could be used for the creation of a nuclear weapon.” He also stated that “we should not forget that Iran’s attitude [toward cooperation with the international community] is not the best one.” Iran’s Foreign Minister Manouchehr Mottaki reacted that these “comments made by Medvedev regarding the Iranian nuclear theme are totally false and we deny them... Russia is our neighbor and we want to maintain good relations but we are critical of some of its positions.”⁸⁰ Russia’s backing for the resolution has contributed to tension in its ties with Iran which both states have attempted at times to smooth over. Russia has in part appeared to try to deflect Iran’s anger by denouncing added sanctions imposed by the United States and the EU in the wake of the approval of the U.N. Security Council resolution.

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, 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, Dmitry 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. In late March 2010, Rogozin suggested that Russia should link its cooperation as a transit state for supply shipments to Afghanistan to a NATO pledge to combat drug trafficking into Russia. Seeking to

⁸⁰ Ministry of Foreign Affairs of the Russian Federation. *Speech by Dmitry Medvedev, President of the Russian Federation, at the Meeting with Russian Ambassadors and Permanent Representatives to International Organizations*, July 13, 2010; *Agence Presse France*, July 13, 2010.

elevate its status, the CSTO repeated a call for NATO to formally cooperate with it in order to stanch drug trafficking from Afghanistan and to defeat the Taliban.⁸¹

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 network” 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.

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 could 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 was slow in facilitating such flights, and the United States and NATO used air transit through the Caspian region to reach Afghanistan. According to Assistant Secretary of State Philip Gordon, these air transit problems were resolved. He stated in mid-2010 that “on average, two U.S. planes a day to fly over Russia carrying troops and supplies in support of the mission in Afghanistan. To date, over 275 flights have carried over 35,000 passengers and valuable cargo. Russia’s rail network has facilitated transit of more than 10,000 containers of supplies.... About 30% of cargo to Afghanistan goes through the Northern Distribution Network (NDN) and 60% of the NDN goes through Russia.”⁸² An Administration factsheet adds that Russia has provided airlift for over 12,000 flights in support of U.S. operations in Afghanistan and Iraq, 30% of the fuel U.S. military troops use in Afghanistan, and over 80 MI-

⁸¹ ITAR-TASS, January 18, 2010; Boris Gromov and Dmitry Rogozin, “Russian Advice on Afghanistan,” *The International Herald Tribune*, January 12, 2010; BBC Worldwide Monitoring, March 31, 2010; “NATO Not Cooperating Sufficiently with Russia – CSTO Head,” *RIA Novosti*, March 27, 2010.

⁸² U.S. Department of State. *U.S.-Russia Relations Under the Obama Administration: Remarks at the German Marshall Fund*, June 16, 2010.

17 helicopters to the Afghan National Army, Afghan National Police, and Afghan Drug Interdiction Forces.⁸³

Arms Control Issues⁸⁴

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 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.

After nearly a year of negotiations, the United States and Russia signed the New START Treaty on April 8, 2010. This Treaty limits each side to no more than 800 deployed and nondeployed ICBM and SLBM launchers and deployed and nondeployed heavy bombers equipped to carry nuclear armaments. Within that total, each side can retain no more than 700 deployed ICBMs, deployed SLBMs, and deployed heavy bombers equipped to carry nuclear armaments. The treaty also limits each side to no more than 1,550 deployed warheads. The new Treaty also contains a number of complex and overlapping monitoring provisions that will help each side verify the other's compliance with the treaty. Many analysts believe that this verification regime is particularly important because it mandates transparency and cooperation between the two sides.

The Obama Administration has argued that the New START Treaty will strengthen U.S. security and contribute to the "reset" in relations with Russia. The Administration has also noted that the Treaty contributes to U.S. nuclear nonproliferation goals by indicating that the United States and Russia are both committed to meeting their disarmament obligations under Article VI of the Nuclear Nonproliferation Treaty. Some, however, have questioned whether the United States and Russia need a treaty to maintain stability in their relationship and reduce their nuclear weapons. They note that Russia is already reducing its forces as it retires aging systems. Moreover, some

⁸³ The White House. Office of the Press Secretary. *U.S.-Russia Relations: "Reset" Fact Sheet*, June 24, 2010.

⁸⁴ Prepared by Amy Woolf, Specialist in Nuclear Weapons Policy.

question whether arms control agreements between the United States and Russia will have any affect on the goals and interests of nations seeking their own nuclear weapons.

The Senate Foreign Relations Committee began its hearings on the New START Treaty in late April 2010. It plans to hold up to 14 hearings. The Senate Armed Services Committee and Select Committee on Intelligence will also hold hearings on the treaty. To date, most witnesses have praised the treaty, and, although recognizing that it contains only modest reductions in U.S. and Russian nuclear weapons, have argued that, on balance, it will enhance stability and predictability. Many have also noted that its verification regime will restore the ability of the United States and Russia to monitor each other's strategic forces. Some have, however, questioned whether the treaty may restrain U.S. missile defense programs. The Administration has disputed this, noting that the treaty contains no limits on current or planned missile defense programs and simply acknowledges that robust missile defenses can undermine offensive forces. Others have noted that the Treaty does not address Russia's stockpile of nonstrategic nuclear weapons. Treaty supporters agree with this point but argue that the United States and Russia cannot move on to a treaty that will address these weapons until the parties ratify and implement New START.

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 Defense⁸⁵

Background: Recent U.S. Missile Defense Plans⁸⁶

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 (BMD) 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 canceled the Bush-proposed European BMD program. Instead, Defense Secretary Gates announced U.S. plans to further develop a regional BMD capability that could be surged on relatively short notice during crises or as the situation might demand. Gates argued this new capability, known as the Phased Adaptive Approach (PAA), would be based initially around existing BMD sensors and Patriot, THAAD and Aegis BMD interceptors, and would be more responsive and adaptable to growing concern over the direction and pace of Iranian short- and medium-range ballistic missile proliferation. The Administration plans for the PAA to evolve and expand over the next decade to include BMD against intermediate- and long-range Iranian ballistic missiles. This effort is largely supported by the Congress.

The Russian Response⁸⁷

The EC program significantly affected U.S.-Russia relations. At the February 2007 Wehrkunde security conference in Munich, then-Russian President Vladimir Putin strongly criticized the Bush Administration’s proposal, maintaining that it would lead to “an inevitable arms race.” Russia 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 Bush Administration’s 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 had 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

⁸⁵ For additional information, see CRS Report RL34051, *Long-Range Ballistic Missile Defense in Europe*, by Steven A. Hildreth and Carl Ek.

⁸⁶ Prepared by Steven A. Hildreth, Specialist in Missile Defense.

⁸⁷ Prepared by Carl Ek, Specialist in International Relations.

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

On November 5, 2008—the day after the U.S. presidential election—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 were 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, 2009, at the annual Wehrkunde conference, 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.”⁸⁸ However, the Obama Administration also indicated that it was 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.⁸⁹

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 with international efforts 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.”⁹⁰

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,

⁸⁸ Vice President Joseph Biden’s speech at the 45th Munich Security Conference, http://www.securityconference.de/konferenzen/rede.php?menu_2009=&menu_konferenzen=&sprache=en&id=238&

⁸⁹ “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.

⁹⁰ The White House. Office of the Press Secretary. *Remarks By President Obama and British Prime Minister Gordon Brown After Meeting*, March 3, 2009.

followed by a threat assessment, and then by political and economic measures to eliminate the threat.⁹¹

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. However, the Russian government also stated that it still might deploy Iskander missiles to Kaliningrad if the United States were to transfer Patriot missile batteries to Poland.⁹²

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 21st 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.⁹³

As noted above, in September 2009 the Obama Administration’s announced a new program for a European-based BMD. In Russia, President 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.”⁹⁴ 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 cancelling the Bush Administration’s BMD plan could be viewed by Moscow as a climb-down resulting from Russia’s incessant diplomatic pressure.⁹⁵ Further, some critics faulted the White House for not having gained anything from Moscow in exchange for its apparent walk-back on missile defense. However, Obama Administration supporters maintained that Russia likely would not have wished to reveal an obvious *quid pro quo* immediately; Administration backers advised critics to wait and see what actions Russia would take, particularly with respect to cooperation with the United States on policy toward Iran.

⁹¹ “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 Issues*, April 23, 2009.

⁹² “Russian General Links Arms Cuts To Missile Shield,” *Associated Press*, June 5, 2009; “Russian Source: Patriot Missiles To ‘Cloak’ Strategic Effort,” *Interfax*, May 22, 2009.

⁹³ The White House. Office of the Press Secretary. *Joint Statement By Dmitry A. Medvedev, President of the Russian Federation, and Barack Obama, President of the United States, On Missile Defense Issues*, July 6, 2009; “Russia Warns U.S. Over Missile Shield,” *Associated Press*, July 7, 2009.

⁹⁴ “Obama Cancels Bush Plan For European Missile Shield That Had Soured Relations With Russia,” *Associated Press Newswire*, September 17, 2009; “Medvedev Praises Obama’s Move on Europe Missile Shield,” *RIA Novosti*, September 17, 2009.

⁹⁵ “Russia Could Scrap Baltic Missile Plans Following U.S. Move,” *RIA Novosti*, September 18, 2009.

In October 2009, during a visit to Warsaw by Vice President Biden, Polish President Donald Tusk announced that Poland would participate in the Obama Administration's new BMD program by hosting SM-3 short- to medium-range missiles.⁹⁶

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, NATO Secretary General Anders Fogh Rasmussen said that he hoped the alliance and Russia would have a joint system by 2020.⁹⁷

Before long, however, Russia began to criticize the new U.S. plan for missile defense against Iran, reviving the argument that it would compromise Russia's nuclear forces. 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." The Administration has also said that it "will continue to reject any negotiated restraints on U.S. ballistic missile defenses."⁹⁸ Observers assert that Putin's intervention would not likely 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."⁹⁹

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 short-range, surface-to-air Patriot missiles—along with a crew of about 100 U.S. service personnel—would be rotated from Germany to Poland in June and 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. In response to the planned deployment of the Patriots, a Russian official indicated that Moscow might strengthen its Baltic fleet. In February 2010, a Polish official expressed doubts that the Patriots would be stationed permanently in Poland.¹⁰⁰

⁹⁶ "US/CEE: Biden Touts New Missile Plan In Central Europe," *Oxford Analytica*, October 22, 2009.

⁹⁷ NATO. *Meeting of the North Atlantic Council at the level of Foreign Ministers held at NATO Headquarters, Brussels: Final Statement*, December 4, 2009, at http://www.nato.int/cps/en/natolive/news_59699.htm?mode=pressrelease; "Russia, NATO Form Working Group on Missile Defense – Rogozin," *RIA Novosti*, December 5, 2009; "Russia Not Ready to Set Up Missile Defense Shield Together With U.S. – Lavrov," *Interfax*, January 22, 2010.

⁹⁸ U.S. Department of Defense. *Ballistic Missile Defense Review Report, Pt. IV*, February 2010.

⁹⁹ "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*, December 29, 2009; "U.S. Rejects Russia Shield Concerns," *BBC News*, December 29, 2009.

¹⁰⁰ "CEE/Russia: CEE Attitudes to Russia become More Sober," *Oxford Analytica*, January 21, 2010; "Polish Missile Base Re-ignites Tension with Russia," *Deutsche Welle*, January 22, 2009; "USA May Renege on Patriot Missile Deployment Accord – Polish Daily," *BBC Monitoring European*, February 12, 2010.

On February 4, 2010, the U.S. and Romanian governments announced that Bucharest had agreed to host two U.S. short-to-medium-range interceptor missiles to extend missile defense into southern Europe. The Romanians reportedly hope that the deployment will help cement bilateral ties, as well as protect Romanian territory—the Bush Administration’s plan would only have covered the western part of the country from a possible Iranian missile launch. A State Department spokesperson and Romanian President Traian Basescu both stated that the system was not intended to guard against Russia.

Russian officials, including the chief of Russia’s general staff, countered that the missile defense system was indeed directed at Russia, and that the proposed deployment likely would delay negotiations in arms talks between Russia and the United States. Moscow also expressed vexation over the possibility of U.S. Aegis anti-missile ships patrolling the Black Sea. Nevertheless, commenting on Iran’s stepped-up uranium enrichment activities, the head of Russia’s National Security Council appeared to confirm international concerns about whether Iran’s eventual goals are scientific or military; he stated that international doubts about Iran’s intentions “are fairly well-grounded.”

However, Dmitry Rogozin, Russia’s ambassador to NATO, stated that “maybe [U.S. BMD] is against Iran, but this system could be aimed against any other country, including against Russia’s strategic nuclear potential.” The ambassador took a rather truculent attitude toward the planned deployment. Writing in Twitter, Rogozin, who reportedly has a reputation for being outspoken, responded to the Romanian announcement by stating “the Americans and their allies want to surround the cave of the Russian bear? ... How many times must they be reminded how dangerous this is!? The bear will come out and kick the ass of these pathetic hunters.”¹⁰¹

Some analysts have argued, however, that the interceptors planned for Romania would not be able to take out a Russian ICBM launched at the United States. A Russian military analyst, writing in *RIA Novosti*, conceded that the Obama-proposed SM-3 interceptors stationed anywhere in Europe would be incapable of downing Russian long-range ballistic missiles. He argued that Moscow’s main objections were that 1) it had not been consulted on the decision, and 2) that the U.S. system might be subject to change. On the first point, a spokesperson for the Romanian Foreign Ministry maintained that Russia had been kept in the loop, stating that “information coming from our American partners indicate that in the time that followed the September 2009 announcement by the U.S. president, the U.S. had detailed consultations with Russia concerning their plans for the anti-missile defense system.” Also, on February 16, U.S. Undersecretary of State for Arms Control and International Security Ellen Tauscher stated that Russia had been told of the planned deployment to Romania. On the latter point, Russia is concerned that the SM-3 interceptors could eventually be upgraded to bring down ICBMs without Russia’s knowledge, as the United States is not required to share information about its missile defense system.¹⁰²

¹⁰¹ “Russia Says Concerned at Romania Hosting U.S. Missiles,” *Reuters News*, February 5, 2010; “Russia: Disconnect Between MD Policy, Iran Persist,” *IHS Global Insight Daily Analysis*, February 5, 2010; “Romania Agrees to Host U.S. Anti-Missile System,” *Oxford Analytica*, February 10, 2010; “Russia Toughens Line on Iran Nuclear Ambitions,” *Agence France Presse*, February 9, 2010; “Twitter Diplomacy: Envoy Says Russia Will ‘Kick Ass’ of U.S.,” *Agence France Presse*, February 10, 2010.

¹⁰² “Romania Says U.S. Informed Russia on Anti-missile Shield Plan,” *BBC Monitoring European*, February 10, 2010; “U.S. Kept Russia Informed About Romania Missiles Plan – U.S. Diplomat,” *Interfax*, February 16, 2010; “U.S. and Romania: A New Alignment?” *RIA Novosti*, February 9, 2010; “Russia Cool to U.S. Plan for Missiles in Romania,” *New York Times*, February 6, 2010.

On February 12, Bulgaria's prime minister announced that he supported participation in the U.S. missile defense system; the U.S. ambassador to Bulgaria confirmed that discussions on such a deployment were in their early stages with Bulgaria—and with other countries. Bulgaria's foreign minister noted that the missile shield would also protect Russia from the threat of Iranian missiles. Russia, however, professed that it had been caught unawares by the announcement; Foreign Minister Lavrov stated that “we have already questioned our U.S. partners in Washington ... as to the meaning of this, and why we have this Bulgarian surprise after the Romanian surprise.” Russian NATO Ambassador Rogozin tweeted that “Bulgarians are our brothers, but politically they are promiscuous.” A few days later, Russia turned aside an apparent offer by Transnistria, a breakaway region of Moldova, to host Russian Iskander missiles.¹⁰³

It has been argued that the new U.S. focus on Southern Europe is likely viewed with less alarm by Russia than the former plan, which included Poland and the Czech Republic. However, a member of the Russian Duma claimed that the possible deployments do not square with the Obama Administration's intention to improve relations with the Russian Federation. Konstantin Kosachyov, chairman of the Duma's International Affairs Committee, stated on February 16 that “the most regrettable thing is that these plans [to deploy missile defense facilities] do not fit the well known ‘reset’ program in Russian-American relations in any way.”¹⁰⁴

Russia sought to tie discussions over missile defense to the renegotiation of START, contrary to the July 2009 agreement reached by Presidents Obama and Medvedev not to link the two. However, the United States refused to accede to the Russian position, and on April 8, 2010, the two governments signed the New START treaty. The agreement acknowledges that there is a relationship between offensive and defensive systems, but does not place any limits on missile defense or on the expanded system that has been proposed by the Obama Administration.¹⁰⁵

On July 3, Secretary of State Clinton and Polish Foreign Minister Radek Sikorski signed an annex to the 2008 U.S.-Poland agreement permitting the deployment of U.S. BMD in Poland. The amendment provided approval for the deployment of SM-3 missiles, rather than silo-based interceptors. After the signing ceremony, Sikorski stated that Russia would be permitted to inspect the facilities. Russian Foreign Minister Ryabkov stated that Moscow did not believe that the potential threat from Iran warranted an anti-missile system such as the Obama Administration was planning to put in place; Foreign Ministry Spokesman Andrei Nesterenko echoed these comments, and also complained of insufficient consultation. However, a Russian parliamentarian stated that “there will be detailed discussions [concerning the proposed SM-3 deployment], but they will not be confrontational.”¹⁰⁶

¹⁰³ “Bulgaria Wants to Participate in US Missile Defense Shield: PM,” *Agence France Presse*, February 12, 2010; “Russia Wants Bulgaria to Explain favor of U.S. Missile Shield,” *Agence France Presse*, February 14, 2010; “Russia's NATO Envoy Quashes Transdnistr Missiles Bid – Report,” *Dow Jones International Press*, February 16, 2010; “U.S. Missile Shield Not Targeting Russia, Bulgaria Says,” *Agence France Presse*, February 17, 2010; “Dmitry Rogozin Accuses Bulgarian Leadership of ‘Political Promiscuity,’” *WPS: Defense and Security*, February 17, 2010.

¹⁰⁴ “U.S. New Missile Defense Plans Do Not Fit Logic of ‘Reset’ Policy – Russian MP,” *Interfax*, February 16, 2010.

¹⁰⁵ CRS Report R41251, *Ballistic Missile Defense and Offensive Arms Reductions: A Review of the Historical Record*, by Steven A. Hildreth and Amy F. Woolf.

¹⁰⁶ “Moscow Says European Missile Defense Unjustified,” *RIA Novosti*, July 6, 2010; “U.S. & NATO Good Intentions at Discrepancy with Deeds – RF ForMin,” *ITAR-TASS World Service*, July 5, 2010; “Moscow to Discuss Missile Defense with Warsaw in Non-confrontational Way,” *Interfax: Russia & CIS Military Newswire*, July 5, 2010.

U.S.-Russia Economic Ties¹⁰⁷

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).¹⁰⁸

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	2009	5.4	18.2	-12.8

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 2009, Russia accounted for about 0.5% of U.S. exports and 1.2% of U.S. imports. It was the 20th-largest source of imports and 32nd largest export market for the United States. The United States accounted for 3.6% of Russian exports and 5.7% of Russian imports. It was the third largest source of imports and ninth largest export market for Russia.¹⁰⁹

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

¹⁰⁷ Prepared by William H. Cooper, Specialist in International Trade and Finance.

¹⁰⁸ CRS calculations based on data from the Department of Commerce, Bureau of the Census. Global Trade Information System.

¹⁰⁹ Global Trade Information Systems, Inc. World Trade Atlas.

Netherlands (17.5%), and Luxembourg (13.0%), suggesting that at least 50% of the investments might have been repatriated Russian funds.¹¹⁰

Russia and the United States have never been major economic partners, and it is 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.

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.

U.S. Assistance to Russia

From FY1992 through FY2011, the U.S. government has budgeted or requested over \$17 billion in assistance to Russia, including for democratization, market reform, and health needs. The bulk of this assistance (nearly 60%) has been expended on CTR (Nunn-Lugar) and other security-related programs aiming to prevent the proliferation of WMD, combat drug-trafficking and transnational crime, foster law enforcement and criminal justice sector reforms, and support reconciliation and recovery efforts in Chechnya and other areas of the North Caucasus. U.S. assistance to Russia as a percentage of all aid to Eurasia has declined over the years, but historically Russia has received about one-half of all U.S. assistance to Eurasia.¹¹¹

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

¹¹⁰ *Tendentsii I perspectiva (Trends and Outlook). Russian Economic Report.* April 2006. p. 24..

¹¹¹ See CRS Report RL32866, *U.S. Assistance to the Former Soviet Union*, by Curt Tarnoff.

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.

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

Fiscal Year/ Program Area	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
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	0.7	2,167.6
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	67.8	1302.18
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	29.64	396.6
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	778.68	9979.81
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	1.4	7.08
Total	328.42	1,454.75	1,915.79	570.26	492.86	545.52	599.04	2,132.47	1,053.41	955.52	1,014.54	912.5	944.67	1,008.06	982.74	1,010.66	2886.22	18,807.43
As % of Eurasia aid	xxxx																	50

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.

Table 3. Assistance to Russia, FY2009-FY2010, and the FY2011 Request
(million dollars)

Fiscal Year/Program Area	FY2009 Actual	FY2010 Estimate	FY2011 Request
Economic Growth	500	500	475
Governing Justly & Democratically	33.871	37.021	35.19
Investing in People	25.408	22.508	21.979
Peace & Security	10.367	11.566	11.056
Total	70.146	71.595	68.7
As Percent of Eurasian Assistance	9	12	11

Source: U.S. Department of State. *Congressional Budget Justification for Foreign Operations, Annex: Regional Perspectives, FY2011*, March 2010.

Notes: Includes the Assistance for Europe, Eurasia, and Central Asia (AEECA) Account, Foreign Military Financing, Global Health and Child Survival funds, International Military Education and Training funds, and the State Department's Non-proliferation, Anti-terrorism, Demining, and Related Programs. Does not include Defense or Energy Department programs.

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