

# CRS Report for Congress

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## Russia and the War in Iraq

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### Summary

Now that the U.S.-led coalition has overthrown Saddam Hussein's regime in Iraq, the question of Russia's position on the conflict again focuses on political and economic issues, including Russia's role in the UN. President Putin still appears to be trying to balance three competing interests: protecting Russian economic interests in Iraq; restraining U.S. global dominance; and maintaining friendly relations with the United States. This report will be updated periodically.

Decision making in Russia on key national security matters is widely believed to be firmly in the hands of President Vladimir Putin. Putin's position on Iraq has been described by many in Russia and the West as an attempt to balance three competing interests: a) Russia's (mostly economic) interests in Iraq; b) Moscow's desire to promote a "multi-polar world" and restrain what it perceives as U.S. tendencies toward global domination, unilateralism, and too-quick recourse to military force, and; c) Putin's wish to remain on good terms with the Bush Administration in furtherance of Putin's own domestic and national security agenda.

### Russian Interests in Iraq

Most discussions of Russian interests in Iraq focus on economic factors. Moscow, however, has cultivated friendly relations with Baghdad since the 1960s as part of its general strategy toward the region in connection with the Arab-Israeli conflict and the broader Cold War. The U.S.S.R. was Saddam's main arms supplier during Iraq's 1980-1988 war with Iran. Russia still perceives itself as having strategic interests and an historic role in that region and does not want to be seen as betraying a long-time friend.

Nevertheless, many analysts assume that economic factors have driven Russian policy toward Iraq. Baghdad owed Moscow \$7-\$8 billion for Soviet-era arms sales during the Iran-Iraq War. Adjusted for inflation, this debt may total \$10-12 billion today. It is widely believed that one of the reasons why Russia regularly took Iraq's side in UN debates in the 1990s over lifting sanctions was to facilitate debt repayment, especially as Russia was very short of hard currency. Russian oil companies have contracts that could be worth as much as \$30 billion over 20 years to develop Iraqi oil fields. In addition,

Russian firms have contracts worth billions to help modernize Iraq's economic infrastructure. In August 2002, Iraq announced that Russian firms would receive contracts worth \$40 billion over 5 years to modernize Iraq's oil, electrical, chemical, agricultural, and transport sectors.<sup>1</sup>

Another Russian interest is the price of oil. The Russian economy is extraordinarily dependent on oil and gas exports. In 2000, Russia's oil exports earned \$25.3 billion. The total Russian Federal budget in 2000 was \$48 billion. The price of oil peaked near \$40 per barrel (\$/bbl) in early March 2003. Russia profits greatly from high oil prices, the biggest single factor behind Russian economic growth today. But Russian leaders fear that a post-Saddam Iraq (with the second largest proven oil reserves in the world) might maximize its oil output, dramatically driving down the price of oil. Some analysts estimated that a \$6/bbl fall in the price of oil could cut Russia's projected economic growth in 2003 in half. A sharper price drop, below \$18/bbl, would severely impact Russian government revenues, jeopardizing Moscow's ability to pay salaries and pensions and to fund its already meager social expenditures. With a Duma (lower legislative chamber) election in December 2003 and Putin expected to seek reelection in March 2004, such a development is dreaded in the Kremlin.<sup>2</sup>

## Counterbalancing U.S. "Hyper-Power"

Many observers believe that Russian policy is also motivated by a desire to restrain U.S. global domination and rein in perceived U.S. tendencies toward unilateralism and excessive reliance on military force. The idea of a multi-polar world not totally dominated by a single "hyper-power," in which Russia would be a major international player, still has strong appeal in Russia. Although Putin has adopted a generally cooperative stance toward the United States, he does not want to be perceived at home as an American "vassal" nor to give the Bush Administration a blank check where Russian interests are concerned. Thus, Russia may have had an interest in principle in opposing "unilateral" U.S. military action in Iraq. Putin does not seek to project Russia into the forefront of an anti-American coalition. He seeks, in cooperation with traditional U.S. allies France and Germany as well as with Russian partners such as China, to put some limits on U.S. power, especially its recourse to "unilateral" military force.

## Cooperation with the United States

Against Russia's economic interests in Iraq and its interest in restraining American global domination, is the strategic decision Putin made in 2001 to reorient Russian foreign and defense policy toward broad cooperation with the United States. Putin sees Russia's economic reconstruction and revitalization proceeding from its integration in the global economic system dominated by the advanced industrial democracies – something that cannot be accomplished in an atmosphere of political/military confrontation or antagonism with the United States. Putin therefore shifted Russian national security

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<sup>1</sup> Ariel Cohen, *Russia and the Axis of Evil: Money, Ambition, and U.S. Interests*, prepared statement at House International Relations Committee hearing, February 26, 2003.

<sup>2</sup> Mark Brzezinski and Lee Wolosky, "Russia has Reason to Worry," *International Herald Tribune*, January 17, 2003, p. 8.

policy toward integration with the West and cooperation with the United States.<sup>3</sup> Most observers believe this remains the basis of Putin's national security policy.

By February 2003, Russian experts concluded that war in Iraq was virtually inevitable and Russia began evacuating its citizens. Although Russia opposed U.S. military action, it hoped to prevent this disagreement from damaging broader bilateral relations. On March 12, Deputy Foreign Minister Georgi Mamedov said that if war erupts, Russia "will cooperate with the United States for an early resolution" of the conflict. "We will strive to minimize negative effects and bring the situation back to political and diplomatic arenas."<sup>4</sup>

## Russia's Balancing Act

As the Bush Administration began to make clear in 2002 its determination to overthrow the regime of Iraqi President Saddam Hussein, Moscow reassessed its Iraq policy. By mid-2002, some Russian officials and scholars hinted that Moscow might not object too strongly to U.S. military action against Iraq, provided that Washington did not act unilaterally and that Russian economic interests in Iraq were respected.<sup>5</sup> These discussions were reported in the Russian and U.S. press and undoubtedly were detected in Baghdad. Iraq's announcement (August 16, 2002) of the \$40 billion agreement for Russian firms to modernize Iraq's infrastructure may have been an attempt to ensure Russian political support. However, in December 2002, Iraqi authorities cancelled a \$3.7 billion contract with Lukoil, Russia's largest oil company to develop the huge West Qurna oil field. Many analysts viewed this as retaliation against Lukoil, whose CEO, Vagit Alekperov, reportedly held discussions with U.S. Energy Secretary Spencer Abraham and Iraqi opposition leaders about Lukoil's future role in a post-Saddam Iraq.<sup>6</sup>

Moscow can also be seen trying to balance its interest in preserving a major role for itself in a multi-polar world in cooperation with France, Germany, and China, on one hand, against its desire to avoid conflict with the United States on an issue Washington views as vital, on the other. This was demonstrated in the negotiations leading up to the UN Security Council's (UNSC) approval of Resolution 1441 (November 8, 2002), in which France took the lead in pressing the United States for concessions while Russia played a more moderate role.

Many observers believed that the conclusion of Putin's balancing act would be a deal with Washington whereby Russia would agree not to use its UNSC veto in return for U.S. guarantees of Russian economic interests in Iraq. A Russian parliamentary leader close to Putin suggested such a deal in October 2002.<sup>7</sup> In February 2003, Boris Nemtsov,

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<sup>3</sup> CRS Report RL31543, *Russia's National Security Policy After Sept. 11*. See p. 2-15.

<sup>4</sup> "Russia Suggests it May Not Veto New U.N. Resolution on Iraq" Kyodo, March 12, 2003.

<sup>5</sup> Discussions with Russian officials and scholars, 2002.

<sup>6</sup> *Financial Times*, February 11, 2003, p. 4; RFE/RL *Newsline*, "Promises for Rhetoric: The Virtual Relationship of Russia and Iraq," December 18, 2002.

<sup>7</sup> Discussion Mikhail Margelov, Chairman of the Foreign Affairs Committee of the upper (continued...)

former Deputy Premier and now leader of a liberal political party, wrote that, “If the Americans and British can reassure Moscow that a future Iraqi regime will not be prejudicial to Russian economic interests, they will be better placed to secure its acquiescence.”<sup>8</sup> Putin sent his chief of staff, Aleksandr Voloshin, to Washington (February 24-25, 2003), where he met with the President, Secretary of State, and National Security Advisor. The Russian press reported his trip as, “an attempt to seal concrete economic deals in return for Russia's support or abstention on the Security Council.” U.S. sources made a similar assessment.<sup>9</sup>

## The U.S. Response

Based on U.S. and Russian press reports and discussions with U.S. and Russian officials, it appears that the U.S. response is as follows: Russia’s economic interests in Iraq will receive due consideration. However, a) Iraq owes money to many countries. Its debt to Russia ought not be put in a special category in preference to all others. b) U.S. oil companies, among others, have been shut out of Iraq for years. Why should Russian firms be guaranteed a special privileged place in post-Saddam Iraq, possibly at the expense of U.S. firms? c) Contrary to persistent Russian belief, the United States does not control the price of oil and cannot guarantee specific price levels.

U.S. officials reportedly suggested an informal “gentleman’s agreement” to respect Russian economic interests in Iraq.<sup>10</sup> Russia wanted concrete, unequivocal guarantees. As one Russian think tank director put it, “There were talks with the U.S. about Russian economic interests in Iraq, but they did not succeed. There were [American] expressions of sympathy but no guarantees.”<sup>11</sup>

On February 28, 2003, the U.S. State Department designated three Chechen groups with alleged links to Al Qaeda as terrorist organizations. On March 6, the Senate unanimously approved the Strategic Offensive Reductions Treaty, and on March 10, Sen Lugar introduced a bill (S. 580) to exempt Russia from the provisions of the Jackson-Vanik amendment. None of these moves are directly related to Iraq, except perhaps in their timing.<sup>12</sup>

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<sup>7</sup> (...continued)

chamber of the Russian Parliament, October 2002.

<sup>8</sup> Boris Nemtsov and Vladimir Kara-Murza, “Russia Plays its Economic Card Over Iraq,” *Financial Times*, February 25, 2003.

<sup>9</sup> *Vremya Novostei*, [Moscow], February 28, 2003, cited in RFE/RL, *Security and Foreign Policy in Russia and the Postcommunist Region*, March 4, 2003. RFE/RL *Newsline*, February 24, 2003.

<sup>10</sup> Michael Dobbs and Susan Glasser, “Russian Oil Fears Play in Iraq Policy,” *Washington Post*, November 22, 2002.

<sup>11</sup> Valeri Fyodorov, director of Political Friends, an independent Russian think-tank, cited in *National Post* [Canada], February 11, 2003.

<sup>12</sup> “Putin Still Hedging on Whether to use Russia's Veto in U.N. Vote on War with Iraq,” AP, March 4, 2003.

The Bush Administration also brandished sticks as well as carrots. U.S. Ambassador to Russia Alexander Vershbow reportedly told Russian reporters on March 12 that a Russian veto of the U.S.-backed Security Council resolution on Iraq would damage bilateral relations. Vershbow mentioned cooperation on security, energy, antiterrorism, antimissile defenses, and the space program as areas that could be adversely affected by a Russian veto of the resolution.<sup>13</sup>

## Russia and the War in Iraq

In February 2003, Russian opposition to U.S. military action against Iraq hardened. February 9-12, Putin traveled to Berlin and Paris and joined French President Chirac and German Chancellor Schroeder in a joint declaration stating that there was still an alternative to war and that Russia, France, and Germany were determined to work together to complete disarmament in Iraq peacefully.<sup>14</sup>

On March 2, Putin rejected regime change as a legitimate goal in Iraq. “[T]he international community cannot interfere with the domestic affairs of any country in order to change its regime.... [T]he only legitimate goal the United Nations can pursue in this situation is the disarmament of Iraq.”<sup>15</sup> On March 10, Foreign Minister Ivanov declared that if the U.S.-backed resolution authorizing war was submitted to the UNSC, Russia would vote against it.<sup>16</sup>

Soon after the U.S.-led coalition began military operations in Iraq, Putin called the attack “a big mistake,” “unjustified,” and insisted that military action be ended quickly. Russian media, like that in many other European countries, took a generally negative attitude toward coalition military action, emphasizing innocent civilian casualties and coalition mistakes and problems. In Russia, however, the Kremlin exercises very strong influence over the media, especially TV. Russian public opinion overwhelmingly opposed what most Russians saw as U.S. aggression. There were large anti-war rallies in major cities and spontaneous manifestations of anti-Americanism.

“There is something slightly alarming in Russia's new, more hard-line stance toward the United States over Iraq,” observed the *Moscow Times* editorial page on February 27. “President Vladimir Putin changed the tone ... when he warned of the dangers of U.S. and British warmongering and called on the military to be ready to defend Russia's interests. Then ... Russia, which had been straddling both sides, jumped firmly into the French and German camp.”

Moscow's shift suggests two questions: why the more hard-line stance toward U.S. policy on Iraq; and has Putin irrevocably “jumped into the French and German camp”?

There are probably multiple factors behind Putin's more hard-line stance toward the United States. There is Russia's interest in promoting a “multi-polar world” and

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<sup>13</sup> *Izvestia* [Moscow], March 12, 2003.

<sup>14</sup> *Ibid.*, February 27.

<sup>15</sup> Summary of Putin's remarks, *Ibid.*, March 4, 2003.

<sup>16</sup> Reuters, March 4, 2003; RFE/RL, *Newsline*, March 11, 2003.

bolstering the stature and authority of the UN vis-a-vis the United States. Most of Russia's political elites as well as the majority of the national security establishment were hostile to the prospect of a U.S. war in Iraq. Over 90% of Russians also strongly opposed the war.<sup>17</sup> Putin may feel that he cannot appear completely to ignore the opinions of his generals and diplomats, the political establishment, and the voters.

By early April, the demonstration – yet again – of America's unrivaled military capability must have been very disturbing to many Russians, especially in view of Moscow's miserable experiences in Chechnya. Russian military spokesmen regularly claim that the U.S. Government is hiding its true casualty figures, which *must* be much higher than announced. The wide and widening gap between U.S. and Russian military capabilities both embarrasses and frightens many Russians.

Finally – and perhaps most important – it appears that the Bush Administration has not given Moscow the firm assurances it wants guaranteeing Russian economic interests in Iraq.

Now that the battlefield aspect of the Iraq conflict is essentially over, it remains to be seen how strong Russian opposition will be to U.S. policy in Iraq. That may depend on how Putin weighs the benefits of “principled” and domestically popular opposition to the United States against the costs of incurring the enmity of the Bush Administration on an issue that Bush clearly considers to be of supreme importance. The two presidents spoke by telephone on March 18 and reportedly agreed that despite differences on Iraq, bilateral cooperation on other issues would be increased. On March 20, Putin criticized the U.S. attack as a “political blunder” that could jeopardize the international security system. At the same time, other Russian officials emphasized the importance of minimizing the damage in bilateral relations. U.S. Ambassador Vershbow, speaking on Russian TV on March 20, also said that U.S.-Russian tension over Iraq would soon pass. The Russian Duma postponed action on the Strategic Offensive Reductions Treaty, citing the Iraq conflict. Several legislative leaders close to Putin, however, criticized this action as against Russian interests and predicted Russian approval of the treaty soon.<sup>18</sup>

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<sup>17</sup> “Most Russians Oppose War in Iraq, Poll Shows,” *Interfax* [Moscow], March 5, 2003.

<sup>18</sup> RFE/RL, March 19; RIA Novosti [Moscow], March 20, 2003; Agence France Presse, “Russia Pledges to Ratify US Nuclear Treaty Despite Delay in Vote,” March 19, 2003.