

Russia's Foreign Policy Objectives and Opportunities

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Mr. Chairman, I am grateful for the opportunity to contribute to the work of your committee as the United States faces the opportunity of cooperation with Russia to defend against international terrorism. President Putin's decision to join the West in this task does not negate the reality of Russia's Asian presence, and we need to understand the bases of Russia's Asia policy in order to cope effectively with our partners and challenges in the region.

Bases of Russian Foreign Policy under Putin

Putin came to office with three broad objectives: to strengthen and control the Russian state and politics, to create economic growth and restructure the Russian economy, and to establish Russia as a power and player in international affairs. The three are obviously interlinked: state power is necessary to pass and implement economic reforms, economic growth (arising at first from higher oil prices and the effects of default and devaluation in August 1998) creates budget resources that make political success possible. And to play a role in international politics more worthy of Russia's vision of itself than as its position in the 1990s as an irresponsible and unreliable storehouse of weapons of mass destruction (WMD), Russia had to get its domestic political economic house in order first.

Therefore, it is important to understand the domestic political and economic coalition behind President Putin because it is linked closely to Putin's foreign policy, particularly in ways that distinguish it from Yeltsin's foreign policies. First, Putin is dealing with a different set of economic incentives and opportunities. The economy grew by 8.3% in 2000, and projections are 5.5% for 2001. In the initial period, growth was due almost entirely to the effects of devaluation of the ruble (and thus the effects of import substitution as Russian goods became more competitive) and increase in international oil and gas prices.

Oil and gas remain vital to Russian economic growth: it is estimated that every \$1 change in the price of a barrel of crude oil is worth \$1.2 billion to the Russian economy (with a projected nominal GDP of \$300 billion for 2001), with about one-third of the amount going to the government budget in taxes and duties. However, while import substitution effects were important in the early period of growth after 1999, there are signs that the Russian economy has moved past this short-term boost and may now show growth because of more stable factors. Industrial production last year was 11.9%, and in 2001 a growing percentage (over 61%) of Russian enterprises are reported to be profitable. Real wages and real incomes continue to grow in 2001 (at 16.7% and 5.4% respectively), which contributes to continued strong domestic consumption.

Russia has a very long way to go to sustainable growth, most significantly the need to invest some \$2.5 trillion over the next 20-25 years to replace aging Soviet infrastructure and make up for the absence of investment in the 1990s, but some of the elements of sustained growth are in

place and having an effect on Russian economic performance. Recently, there are signs that Russian businesses themselves are beginning to re-invest in the Russian economy, a crucial test for long-term growth.

Consequently, it is easy to see why foreign markets for Russia's oil and natural gas are so important. Without healthy and growing energy sales on international markets, the government has no breathing space to maintain fiscal responsibility (the Russian government budget surplus was 2.5% of GDP in 2000, and is projected to be 3.1% in 2001), which in turn has been crucial to macroeconomic stability. Rising real wages and consumption help to sustain political support for the government, as it has begun to move to tackle problems like the tax system, energy restructuring, banking reform, and a new land code -- all of which create costs for different groups and interests in Russian society.

The manufacturing sectors of the Russian economy that are internationally competitive are military arms, nuclear power plants, and space technology. The domestic market for all three is very limited, which is one reason why foreign markets are important. The first two sectors in particular pull Russian foreign policy toward countries like China, Iran, India, Syria, and Iraq, which have an interest in the goods, ability to pay, and difficulties on Western markets. Russian arms sales in 2000 were about \$4 billion, while the entire Russian defense budget was just under \$8 billion.

An \$8 billion official defense budget (real spending is probably higher once one includes defense related spending not listed in the official budget) may sound respectable for a country with a nominal GDP of \$300 billion, but virtually none of Russian defense spending is for procurement, which means that Russian foreign arms sales are keeping its defense enterprises open and operating. This is significant not only in economic terms, but also politically, because much of Russia's defense plants are located in single-factory towns as a consequence of Soviet industrial practices, and the populations of those towns are entirely dependent on the military economy for survival. Large Soviet-era defense companies, such as Uralmash in Sverdlovsk have a direct stake in arms sales to China, such as a \$150 million subcontract tied to Rosoboronexport's (Russia's state arms trading company) contract to sell a submarine to China.

In particular, foreign sales of military aircraft are keeping Russia's defense capacity alive while the battle over domestic military and defense industry reform begins. Arms sales are directly connected to Putin's plans for restructuring the Russian defense industry, and account for over 50% of Russia's armament exports. The government announced this month that three important aviation companies will be merged to create a powerful aircraft manufacturer, the new Sukhoi Aviation Holding Company, which among its other important foreign ties will have contracts with China for production of Su-27 and Su-30 fighters. The crucial domestic government dimension is that this company is to be one of the cornerstones of Russia's defense re-organization and modernization, and will also be tasked with modernization programs for the Russian Air Force's Su-27 and Su-30s. Because of resource stringency, the company is receiving the bulk of its resources from its contracts to produce for China.

Therefore, it is crucial to understand Russia's arms sales not only in terms of diplomatic relationships and regional great power politics, in which they undoubtedly play a role, but in terms of domestic economic and political priorities. Russia's budget surpluses cannot be used to fund every need in the resource-starved country, so foreign arms sales make it possible to keep Russia's defense industries alive to support reform and modernization, which the leadership claims is next on the political agenda.

Another sector of the Russian economy with a stake in Russian foreign policy is the consumer sector that has been important for growth over the past two years. Because of the import substitution effects, the sector has done well, but as these effects diminish, the sector will need substantial investment and advanced management skills to continue to succeed. This is one of

the sectors of the economy where business interests have pushed for improvement in Russia's foreign investment climate. In 2000, Russia attracted only \$4.4 billion, or one-half of 1% of the global total. These industries, their interest European business contacts, and their support for corporate governance and banking reform necessary to attract foreign direct investment are a fascinating foil to the interests of Russia's aging but persistent defense industries.

However, while the consumer sector has been a strong base for the development of stronger Russian-European ties under Putin, it does not play a similar role in diversifying Russia's economic links in Asia and in balancing the importance of old Soviet economic sectors such as the defense industry. Partly, this is due to the nature of Russia's far east economy, which was not well-developed in light industry. Partly, it is due to the general decline of Russia's far east, which was developed in Soviet times as much for political reasons (to support the defense production and research sectors) and which faces built in obstacles to adjusting to market conditions. In large measure, it is due to the policies of Russia's far eastern regional leaders (most notoriously former Primorskiy krai governor Nazdratenko) who have not worked to make their regions hospitable investment and business climates, as have some of Russia's notable European governors, such as Mikhail Prusak of Velikiy Novgorod.

Therefore, to understand Russia's overall and regional foreign policies, one must understand how the Putin leadership owes its success to significant economic interests, as well as to supporters of political centralization and control in his leadership circles. It is the only way to understand the diversification of Russian foreign policy under Putin and its very pragmatic orientation, as is clear in the record of Russian foreign policy over the past two years. It is also the only way to understand how Putin's Russia has been active in developing foreign relations not only in Europe, but throughout Eurasia and Asia. Relationships with different countries and different regions fit in with different types of Russian economic interests and policies. The question for U.S. policy now is whether Putin's decision to support the U.S. in the fight against terrorism alters the balance of economic and geopolitical incentives and opportunities in a way that will change Russia's relations with the important countries in the region.

Russia's Objectives and its Relations in the Far East

Putin's Russia has three main foreign policy objectives: establishing itself as a power in world politics, securing the territorial integrity and stability of its vast Eurasian landmass, and participating in international trade and finance. In the best of all worlds for Russia, the three are mutually reinforcing, but they are important to keep distinct, because they also can come into conflict, especially in Russia's east Asia policies.

Over the past few years, these three interests have been generally reinforcing in Russia's relations with China, and have been the reason for the development of a Russian-Chinese "strategic partnership" that appeared to have been sealed when the two countries signed the Treaty on Good-Neighborly Relations, Friendship, and Cooperation in July 2001. Russia's weakness and the unhappy condition of Russia's relations with the United States have made stronger relations with China a potential asset in achieving progress on all three dimensions.

In resisting what both countries deemed U.S. unilateralism and hegemony, the relationship with China provided Russia with diplomatic alternatives to accepting the reality of U.S. power and ability to go it alone on a range of important foreign policy issues. Beginning with their joint bitter criticism of the NATO (understood by Russia as essentially U.S.) intervention in Kosovo, the Russia-China alignment against the U.S. as the sole superpower made Russian resistance potentially more effective on the world scene than would have been lone complaining. The bilateral commonality of views gave greater legitimacy to the complaint. In terms of basic politics, the potential for Russian cooperation with Chinese on defense and security issues meant that the U.S. needed to take account of Russia in Eurasia and the Far East to a greater degree than its actual power would warrant.

For the most part, Russia was the weaker partner in this diplomatic leveraging for global presence. As a rising power with a more successful economy supported by a more effective political system, China commanded U.S. attention in Asia regardless of Russia. The one important exception to this imbalanced relationship was on the ABM Treaty and U.S. pursuit of missile defense. As a party to the ABM Treaty (by virtue of its status as the sole continuing Soviet successor state), Russia has a claim on U.S. policies and programs that China does not. Insofar as a limited missile defense would threaten the credibility of China's nuclear retaliatory capability while not eliminating Russia's, China was the weaker partner in joint Russian-Chinese assertions of the importance of preserving the ABM Treaty, dependent on Russia's prerogative to hold the U.S. to account. Furthermore, insofar as China's deterrent and U.S. defense remains linked to calculations about the credibility of each country's positions on Taiwan, the strategic partnership was not entirely one-sided. The July 2001 Russian-Chinese treaty includes four articles pertaining to missile defense, obligating the countries to maintain global strategic balance and stability and to enter consultations when either perceives such an emerging threat.

On the question of the integrity of its Asian territory, Russia has operated from a position of weakness in two respects. First, Russia's claim to predominant influence and interest in Central Asia had been eroding over the 1990s. As China came to view terrorism in the region as a greater threat to its own territory and as it began to pursue relations with the Central Asian countries (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and Tajikistan) to claim the right to address international terrorism in the region, Russia sought to pull China into its own preferred avenues for managing the states in the region and the array of security problems the region presents, including border security and illegal trafficking along with terrorist networks. Russia's achievement was the Shanghai Cooperation Organization (which was initiated as the Shanghai Five in 1996 when it included Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan, expanding to Six with Uzbekistan in June), but it was a dilution of Russian influence in the region relative to the Tashkent Treaty arrangement, in which Russia could claim rights in the region related to collective security without having to share leadership with China.

The second dimension of Russian weakness in the relationship is its demographic crisis in the Far East and the potential pressure coming from China's far more dense and dynamic population in the region. While earlier attention to the issue may have exaggerated the threat (stories of one million Chinese living illegally in the Russian Far East becoming a force for territorial claims in particular), it is certainly the case that Russia's Far East is in trouble. The region continues to suffer from low growth, high unemployment, and depopulation as Russians move to Russia's European parts in search of work and a better life. While Chinese economic migrants have turned out to be traders who do not seek to remain, the potential for Russian hostility to Chinese presence and economic success remains strong. This problem is borne of Russian weakness, especially relative to China's population and commercial vitality in region, and is likely to remain a potential problem for the coherence and viability of the country's Far East regions.

A more balanced element of Russian and Chinese common interests related to the territorial integrity and terrorism issues is the link in the countries' positions on Chechnya and Taiwan as "internal matters" in which the international community has no right to interfere, and in their mutual support for one another's positions on the status of those entities. The 2001 Treaty committed each to support the other's policy in questions linked with defending their territorial integrity.

Finally, on Russia's international economic objectives and ambitions, China has been a major component of Russia's global as well as regional strategy. Russia-China trade is up 31.5% in the first 9 months of 2001 over the same period last year at \$7.6 billion. Russia has a substantial surplus in its trade with China, \$5.8 billion in exports against \$1.8 billion in imports. The proportion remains less significant than Russia's trade with Europe, which accounts for over 50% of Russian exports, but with Russia's January-September 2001 trade turnover at \$105.8 billion China accounts for 7% of Russia's trade.

More to the point, the trade is concentrated in the important arms and energy sectors. Earlier, I explained the importance of arms sales to Putin's domestic as well as foreign policy goals, a sector where China's purchases are crucial to the Russian strategy. Yet while much U.S. attention has focused on Russian arms deals with China because of the regional security implications, at least as important are trends in China's focus on Russia as a source of energy as its economy grows and demands increase. China National Petroleum Corporation is exploring oil and gas sources in northern Far East region, including not merely purchases, but equity in Russia's energy companies exploring in the region. After talks with the local Russian company Sakhaneftegaz, CNPC has decided to build a gas pipeline and has expressed interest in an oil pipeline. Russian companies are working on supply options to China as well, including not only from Russia's Far East, but Central Asia and even the Caspian. Gazprom has won a tender to build a transcontinental pipeline to China that will require about \$6-8 billion to complete the 6000 kilometer pipeline.

Another option is for China to participate in the development of oil and gas pipelines from deposits off the Russian island Sakhalin, which is the focus of Russia's current energy expansion in the Far East. Sakhalin may provide east Asian countries with Russian oil as well as natural gas for heating and electricity. The Sakhalin-1 and -2 projects involve different mixes of oil and gas, and involve different consortia of companies. Participating in Sakhalin-1 are SODECO (Japan), Exxon, Indian ONGC Sakhalinmorneftegaz-shelf and RosneftAstra, with overall investments estimated to total \$12 billion. Sakhalin-1 will produce in the first stage primarily oil, with development of three oil and gas fields to begin in 2002. Daily oil production is planned to amount to 250,000 barrels, nearly all of which will be exported to Japan, covering 6% of the country's oil needs. The Sakhalin-2 consortium includes Shell, Mitsui and Mitsubishi, with total estimated investment over a decade estimated at \$10 billion. It is primarily a natural gas project, with plans to sell liquefied natural gas (LNG) to Japan, South Korea, and Taiwan. The consortium plans to build Russia's first LNG plant by 2006. Sakhalin-2 production is currently seasonal because the production rig is ice-bound, and plans to build pipelines would enable year round production.

In addition to selling oil and natural gas, Russia's Far East could become a source of electricity in the region. Russia's Unified Energy Systems (Russia's electricity monopoly headed by Anatoli Chubais) has announced that it intends to construct an energy link between Sakhalin and Japan by 2010-2012. The idea is to generate electricity from the Sakhalin-1 and Sakhalin-2 continental shelf drilling projects and sell the electricity, not merely the natural gas, to Japan. The plan requires an electric power generation plant on Sakhalin and underwater power transmission lines.

These energy market plans create the opportunity for stronger Russian-Japanese economic relations, but they are in the early stages and the relationship remains limited. Russia's trade turnover with Japan in the first nine months of 2001 amounted to only \$2.7 billion, less than half of that with China. However, Japan could well ultimately hold the key to keeping Russia whole: the Far East's economy is in shambles, evidenced most dramatically by the failure of its electricity system last winter (with temperatures falling to 50 degrees below zero, much of Russia's Far East went for days at a time with electricity blackouts). Development of its Asian energy markets would enable Russia not only to reap the gains of trade, but would contribute to an energy infrastructure necessary if Russia's own Far East is to remain viable. Unlike their fear of China's rise and potential designs on Russian territory, many Russian Far East elites welcome the prospect of Japanese investment. The potential complementarities of the economies are very intriguing and extend beyond energy. For example, now that Russia has said that it will sign the Kyoto protocol on global warming (having achieved generous interpretations of Russian emission rights), Japan is a large market for Russian sale of its pollution rights under this treaty.

When President Putin visited Japan, he invited the president of Japan's Business Association to visit, which he did in June 2001 with a delegation of 200 Japanese business people who visited several different regions of Russia. Putin met with the group in Moscow and explained the then draft laws designed to create a better business climate. Although the business people were

reported not to be impressed with the state of Russia's economy in the Far East, they had a favorable impression of the legislation and Putin's commitment to achieving a workable business climate.

The problem in the Russian-Japanese relations remains, of course, the dispute over the Kurile Islands (or Northern Territories). In practical terms, any of the pipeline options in Sakhalin would require government approvals and studies, and official policy remains constrained by the lack of a peace treaty ending World War II between Russia and Japan and ceding the four northern islands to Japan. During Putin's leadership there has been some progress on the issue, when Putin said in March that the Soviet Union's 1956 declaration on resolving the dispute was viewed by his government as legally binding on Russia as the Soviet successor state. That declaration provided for returning the two southern islands after conclusion of a peace treaty, to be followed by negotiation on the status of the remaining two. Japanese Prime Minister Koizumi raised the question of opening discussions on that basis in both Genoa and Shanghai this year, but the Japanese position is that the two countries need to discuss return of the two southern islands and a peace treaty in conjunction with a second track discussion on the status of the other two. In October the two leaders agreed to more talks on the island issue.

The potential of two parallel tracks creates the opportunity to meet both countries' requirements, but does not solve the question of how the two tracks would be connected. Japan wants a very close connection, while Russia has shown no sign of going beyond the concession that Putin made in his March declaration.

Therefore, while Japan has not quite been for Russia an alternative to China in meeting its three foreign policy objectives in the region (its status as a world power, territorial integrity, and international trade), the relationship has some advantages in diversifying Russia's relations away from dependence on China. The opportunity has not been realized in large measure as a result of the Kuriles dispute, but also by the past smaller scale of Japanese involvement in economic relations with Russia. However, if the relationship were to develop, it would offer significant benefits, not least the potential for a more balanced Russian economic profile in trade in the region (including fishing and related industries as well as the consumer sector) away from the dominant role of arms in Russian-Chinese trade.

Economic diversification and its potential positive effect on Russia's role and relationships in the regions is highlighted by the potential for Russia's relationship with South Korea. In addition to the opportunities for oil and natural gas exports to South Korea, Putin's government is very interested in the development of the Transiberian Railway as a transportation link from South Korea to Europe that would (Russian officials claim) reduce delivery cargo time from Asia to Europe substantially. To make the idea really work, it would require that the Russian railroad link to an inter-Korean railroad, which of course in turn depends on positive developments in North-South Korean relations. Thus, a thaw between the two Koreas could create an economic bonanza for Russia.

The signs are that the Putin government supports closer Korean relations but has not given up on supporting (within moderate bounds) the current North Korean regime. The Russian press suggests that the government may provide North Korea with electricity this winter, and Putin has warned the U.S. against isolating North Korea because it had become clear that it was not the source of terrorist threat. Although directed at undermining the U.S. case for missile defense, Russia's refusal to abandon support for North Korea is based on regional issues as well, including (as Putin pointed out a few days ago) that North Korea borders on Russia, which has a large Korean diaspora.

Yet combined with the incentives facing Russia to encourage North Korea to behave more responsibly in order to negate the U.S. position on North Korea as a threatening rogue state, the commercial incentives from this interesting transportation scheme illustrate how it is possible that

Russia's economic interests and relationships in the Far East could possibly in the future develop in a more integrationist mode consistent with U.S. interests and regional allies than has been true of Russia's relations with China over the past decade. South Korea and Japan are not going to replace China in Russia's policies, because of China's importance to all three objectives, as we have seen. But the positive diversification of Russia's foreign policy under Putin that we have seen in Europe is now a potential - if on a far smaller scale in the near term - for Russian policy in the Far East.

Is there change with Russia's partnership with the U.S. against international terrorism?

Putin's decision that Russia would join and actively support the U.S. fight against international terrorism potentially changes to a very significant degree Russia's constellation of relations in the Far East, if the analysis I have presented above is correct.

On all three main Russian foreign policy objectives -- establishing itself as a power in world politics, securing the territorial integrity and stability of its vast Eurasian landmass, and participating in international trade and finance - China is less important.

Putin's choice has established Russia as a very important ally in the fight against terrorism. Russia has provided vital intelligence on conditions in Afghanistan, the Taliban, and terrorist networks. Russia and the U.S. are in close consultation in intelligence sharing and the volume, quality, and importance of the information and cooperation has been substantial.

Furthermore, while Russia does not have a veto over the choices of sovereign countries in Central Asia, in practical terms the willingness of Tajikistan and Kazakhstan to allow the U.S. to base forces on their territory needed active Russian agreement. Putin has since gone further, and stated this week that Russia is willing to engage actively in search and rescue missions to aid U.S. forces if needed.

Given concerns about the stability of Pakistan and that country's ties to the Taliban, the Central Asian countries became more important for the military operations in Afghanistan over the last few weeks. In addition, with the focus on creating conditions whereby the Northern Alliance could defeat the Taliban on the ground, it became more important for U.S. aircraft and Special Forces to operate from the north.

As the campaign against terrorism moves on from the Afghan theater, Russia will likely continue to play an important supporting role, even if the U.S. does not entirely accept Russia's view of the nature of the terrorist phenomenon in the Caucasus. In addition, if there is a serious post-conflict reconstruction of Afghanistan, Russia's location and support in Central Asia will remain important, as will its status as a permanent member of the UN Security Council.

In short, Russia does not need China to be important to the U.S. Furthermore, two of the implications of Russia's importance and role create problems for China as well.

First, the U.S. and Russia are moving rapidly toward a workable compromise on the ABM Treaty and missile defense testing and research. It is likely that if not at this week's summit then before President Bush's visit to Russia in June 2002 that the two parties to the treaty will interpret it to allow the U.S. to proceed with planned testing and research. While this will preserve the treaty and the framework of strategic stability which rests upon it, as Russia has committed to do in the 2001 treaty with China, it does so by allowing the U.S. to move forward with programs most likely to erode China's deterrent. One of the main diplomatic benefits China was to achieve from its relationship with Russia will be lost, or at the very least degraded.

Furthermore, as Russian military expert Alexander Golt has argued, Russia no longer needs the ABM Treaty to claim a seat at the security table with the U.S. because our partnership against terrorism brings that. For some time Russian experts have recognized that the ABM Treaty is of little practical value to Russian security, and its importance was its leverage with the U.S. to prevent us dismissing Russia. Without that benefit needed, it becomes easy to compromise on the treaty in favor of partnership, cooperation, and more important issues.

Second, Russia has significantly downplayed the argument that the war in Chechnya is a purely internal matter. Indeed, the main thrust of Russian policy is that the war there is a manifestation of international terrorism, akin to the September attacks in New York and Washington. Russia is not taking this position to welcome international involvement, of course, but to gain U.S. support for its policies against the separatists. The important point here is that in emphasizing the international linkage Russia is downplaying the "internal matter" warning, potentially eroding the effectiveness of its solidarity with China on the Taiwan issue. The point is not that Russia will now say that Taiwan is an international matter, but that it will be less likely to expend diplomatic effort helping China to make the case. The Chechnya/Taiwan link is less valuable to Russia, and less useful to China.

In addition, China becomes less important for managing Central Asian security, and terrorism in the region. Why bother with the Shanghai Six when the important and effective alignment of states is the U.S., Russia, Uzbekistan, Tajikistan, and Kazakhstan? This does not mean that Russia needs to provoke China, and indeed just this week a joint Russian-Kazakh-Kyrgyz-Tajik team announced reductions in Russian troop and equipment numbers on the Chinese border to comply with limits agreed upon in 1995-1997 agreements on confidence-building measures and arms reductions. Regional security cooperation with China remains in Russia's interests. But the difference is that now Russia does not approach the relationship from the same position of weakness as before 9/11.

In contrast, the economic issues and incentives in Russian policy on China by no means disappear. The same logic that made China an important market for Russian arms holds. We are unlikely to see Russia pull back from that relationship, precisely because it was not driven primarily by strategic or geopolitical concerns arising from poor relations with the U.S., but from the domestic economic stringencies and priorities I have described.

Indeed, we may even see a renewed emphasis on foreign arms markets as a result of Putin's recently announced renewed emphasis on defense reform. Putin said this week that the problem of defense reform involves "both the progress of reform and the armed forces' provision with up-to-date equipment and hardware" meaning that the logic behind supporting defense enterprises vital to the expected modernization is strengthened. (Interfax, 12 November 2001) We should not expect a slackening of the Russian-Chinese arms sales relationship.

Similarly, Russia will remain interested in China as an energy export market, and in potential Chinese investment in its Far East energy resources. In fact, if there is a reduction in global demand due to recession, China could become more important if its own growth and growing demands are not too badly depressed by a global slowdown.

It is important for us to understand this constant element in the Russian-Chinese relationship so that we are not surprised by it, and so we understand it is not inconsistent with Putin's overall objectives and decision to support counterterrorism.

The next stage of the fight against terrorism also creates interesting prospects for change in Russia's Far East relationships. If the international community decides to launch a major reconstruction and development project for Afghanistan, China is unlikely to have a major say in the arrangements, since it has not played a role in the military operations of intelligence

component of the campaign. It will have some say as a permanent member of the UN Security Council, but compared to Russia may have little in the way of assets to bring to the effort.

Japan is more likely to play a more substantial and long-term role in post conflict reconstruction, and its involvement may be a mechanism for closer cooperation with Russia. Japan is already active in Central Asia, in international assistance efforts, and in logistics support for U.S. military operations in the region.

The economic relationship with Russia remains more uncertain, and could take a problematic turn if Japan's economic troubles continue or worsen, reducing its demand for energy and therefore incentives to develop an energy trade and investment relationship with Russia. The lack of incentive of an improving economic and trade relationship with Japan may soften Putin's interest in solving the Kuriles Islands problem by going further in the direction of compromise with Japan's position, especially at a time when Putin already faces domestic questioning of his foreign policy, and in particular faces the likely prospect of NATO enlargement next year. Unless the U.S. were to play a more active role in resolving the dispute as part of a general effort to improve relations among our diverse counterterrorism allies, it is difficult to see where new incentives to resolve this problem come from.

Finally, does the fight against terrorism and Russia's active cooperation have implications for Korea? With improvement in U.S.-Russian relations and potential compromise on the ABM Treaty and missile defense, it becomes less important for Putin to insist that North Korea is a responsible international actor in order to undermine U.S. missile defense claims. If that is the case, then the liabilities of the continuing division of Korea and the instability created by the failures of the north's regime could become worth shedding, from Putin's perspective. That must be balanced against concern of further destabilizing the regime, and the fear of prompting it to irresponsible action, but it does not seem compatible with a newly confident Russia returned to importance on the world stage in its relationship with the U.S. to play hostage to North Korea.

Russia has already reduced its ties to Cuba by deciding to close its base at Lourdes. Is North Korea next as one of the vestiges of the Cold War that 9/11 and its effects prompt Putin's Russia to shed?