

# **Russia and U.S. Policy Toward Iraq Conflict of Interests and Limits of Dissent**

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### **Russia's Interests in and Policy toward Iraq**

Throughout much of the 1990s, the United States could not rely on the support of any ally except the United Kingdom (UK) for its unilateralist military strikes against Iraq. In view of the track record and semi-isolation of Baghdad's regime, few governments, however, were willing or ready to object openly to repeated U.S. air strikes. Of these governments, Russia has been the most persistent and active critic of U.S. unilateralism toward Iraq.

The main imperatives behind Russia's policy on Iraq have been and remain clearly economic and geoeconomic. With the end of the Cold War, Russia lost its political influence and economic clout in the Arab world. Against this background, Russia's rapidly growing economic and trade relations with Iraq have become all the more important: the value of Russia's contracts with Iraq exceeded the total value of Russia's contracts with all other Arab states. Trade volume between the two countries reached \$4 billion in 2001 and could grow up to ten times that amount if sanctions are lifted. Operations with Iraqi oil—traded for two-thirds of the average global prices—are particularly profitable. Overall, in the early 2000s, Russian oil companies such as Lukoil, Tatneft, Slavneft, and Zarubezhneft controlled about one-third of Iraq's multibillion-dollar oil export market. In 2001, Russia received the largest share of Iraq's contracts (worth up to \$1.3 billion) under the United Nations Oil-for-Food program that allows Iraq to sell oil to buy supplies to help Iraqi civilians. It is worth noting here that the United States is one of the main importers of Iraqi oil, with Russian firms serving as intermediaries for Mobil, Exxon, and Valero Energy (according to some assessments, the United States consumed 40 percent of the oil exported under the UN Oil-for-Food program; since 1998, Iraq has been the fifth largest crude oil importer to the United States). As Lukoil president Vagit Alekperov noted, the implementation of projects in Iraq would allow his company to increase its annual oil production by 30 million tons, most of which is to be exported to growing Asian markets. In addition, Russia has a \$3.5-billion, 23-year deal with Iraq to rehabilitate Iraqi oilfields, including the West Qurna field—one of the world's largest oil deposits. Also, Iraq announced that it was inclined to favor Russia over France and other contenders for awarding development rights to Majnoon and Nahr Umar. Apart from the oil sector, Russian companies are reconstructing Soviet-built electric power stations and plants destroyed by the bombings and are building new ones. Currently, more than 260 Russian companies work in Iraq—about 20 percent of all foreign firms in that country.

Finally, the Russian government still hopes to recover around \$7 billion in loans made to Iraq in the 1980s.

It was primarily these solid economic interests in Iraq that dictated Russia's consistent dissention with the U.S. strategy on Iraq and made Moscow reluctant to review its long-time opposition to any new sanctions, let alone any new U.S. military action. Although far from internally coherent, throughout the 1990s, U.S. strategy was implicitly or explicitly aimed at either isolating or ousting Saddam Hussein. If either scenario were realized it would have put in serious doubt the prospects of lucrative oil projects with Iraq and repayment of Iraq's multibillion-dollar debt to Russia.

With serious doubts that military intervention is the way to address the situation in and around Iraq, Russia as well as much of the rest of the world, does not see any link between Baghdad and Al Qaeda or a straightforward connection between Iraq's alleged potential to build weapons of mass destruction and direct charges of sponsoring international terrorism. Iraq is not one of the so-called failed states that serve as natural breeding grounds for terrorism. Unlike U.S. allies Pakistan and Saudi Arabia, Iraq never had diplomatic relations with the Taliban regime in Afghanistan, which was linked to Al Qaeda. In contrast to the United States, Baghdad has not been known to maintain unofficial contacts with the Taliban. In fact, the Iraqi secular regime considered bin Laden's Al Qaeda a political and security threat. Saddam's regime has long adopted a clear policy based on the persecution of Islamist groups, eliminated most of their leaders, and destroyed their outside links. In fact, the only terror the Iraqi regime can be accused of is terror against Islamist terrorists and extremists on its own territory.

Even prior to the most recent escalation of the situation around Iraq, Russia's nonideological, primarily economic interests in Iraq dictated the need to lift or at least further relieve UN sanctions against Baghdad. This, in turn, stimulated Russia's cooperation with the UN on Iraq in general and, since 1998, on getting weapons inspectors back to Iraq, making a strongly multilateral approach to the Iraqi problem an imperative for Moscow. Politically, Russia's persistent opposition to U.S. unilateral military actions against Iraq reflected more general concerns over the negative effect that these actions had on the role and image of the UN in general and of the UN Security Council, in particular. Although fully aware of its own limited leverage at the UN (under no circumstance could Russia push its own initiative through the Security Council if opposed by the United States), Moscow was still determined to use whatever leverage it had by working within the UN framework, even if at the partial expense of its economic interests (by choosing, for example, not to withdraw unilaterally from the UN sanctions regime against Iraq). For Russia, working within the UN framework had its clear advantages: among other things, Moscow could still block unfavorable U.S.-sponsored Security Council decisions on Iraq, particularly in the case of a serious disagreement among the Council's other members. Acting in cooperation with the Secretary General, the Security Council and the UN committee on sanctions, Russia tried to make the best use of Iraq's readiness to resume dialogue with the UN and exerted political pressure on Baghdad to invite UN weapons inspectors back after more than a three-year absence.

## **U.S. Potential Military Campaign against Iraq: Motives and Implications**

What is particularly striking about the possible new U.S. military action against Iraq that has been under discussion since September 11, 2001, and particularly throughout 2002, is that it seems a gamble in which the United States does not have any critical political stakes. Needless to say, with signs of Al Qaeda in more than 60 countries, according to the Pentagon, including the world's first- and second-most-populous Muslim countries, Indonesia and Pakistan (which is a nuclear power), U.S. attempts to demonstrate Baghdad's complicity in Islamic terror and to use that as a rationale to attack Iraq are questionable at best. With the link between Saddam's secular regime and Islamist Al Qaeda remaining difficult to prove, the idea of punishing Iraq for alleged violations of Security Council resolutions and the post-Gulf War ceasefire has gained new prominence in the Bush administration's attempts to find a rationale for the war. At the same time, it seems that the administration is not particularly interested in finding a solid international legal or political justification for its actions.

Not surprisingly, Washington has never faced such a cool reaction from its European partners as it has on its current policy on Iraq. Although the United States seems to be at the peak of its global influence, much of the post-September 11 urgency to react for the sake of reacting dispersed by mid-2002, at least in the eyes of the rest of the world, and it is increasingly hard for Washington to find allies both around and inside Iraq to facilitate military access to the region and particularly to fight a ground war. Although the United States is understandably encouraged by the rapid disintegration of the Taliban regime in Afghanistan, it must realize (and it is likely that U.S. military leaders and planners do realize) that Iraq is not Afghanistan, and the Iraqi Kurds are not equivalent to Afghanistan's Northern Alliance in terms of their ability to conduct a major ground offensive, even if assisted from abroad. Also, another war in an already volatile region suffering from the intensification of the Israeli-Palestinian conflict would further contribute to regional instability and further stress the anti-Islamic direction of U.S. foreign policy.

A combination of these constraints still might make a potential U.S. operation against Iraq fall short of the massive ground campaign and take the form of a massive air campaign, coupled with a number of limited special and covert operations, some of which have already been launched in the Kurdish area of northern Iraq. Whether such a combination will be sufficient to bring down Saddam Hussein or what the consequences of his ouster might be remains open question for the United States—and for the rest of the world. The lack of a coherent strategic vision in the United States of the potential consequences of large-scale military involvement in Iraq leaves a lot of room for speculations about the causes for this involvement.

The U.S. administration seems to be guided by a combination of economic pressures and domestic political considerations in its desire to topple the Iraqi regime. U.S. economic interests related to Iraq and the wider Persian-Gulf region are widely interpreted as a quest to establish full control over this oil-producing region and a need for cheap oil, particularly pressing at a time when, according to President Bush himself, the U.S. economy is "not doing as good as we want it to do," and economic growth is the weakest it has been in many years. In terms of domestic political struggle and public support, the Bush administration's intent to go to war against Iraq "no matter what" might also be seen as indirect evidence of and compensation for the lack of tangible results in the U.S. anti-terrorist campaign. Despite the military campaign in Afghanistan

and the disintegration of the Taliban regime, the U.S. political and military machine has been slow to find and destroy the chief perpetrators of the horrible, inhumane attacks of September 11. This makes the need for easily identifiable external enemies all the more pressing for the Bush administration, which can afford to ignore both foreign allies and domestic opponents as well as the regional context and potential consequences of invading Iraq.

That can explain why, in part, in the absence of its own human intelligence network within Iraq and with the lack of credible information about the internal situation in that country, the Bush administration is so careless with its regime-change rhetoric. It is disregarding a number of previous failed attempts to foment uprising or encourage a coup in Iraq while playing with various political scenarios for a post-Saddam arrangement, from one built on the so-called generals' opposition to restoration of the monarchy. Although there are no doubts about the U.S. military's capacity to raze Iraq to the ground, the Iraqi factor cannot be ignored completely and, in fact, can seriously complicate U.S. efforts to destroy the backbone of the regime. If the United States attempts to change the regime militarily, hundreds of thousands of people—those that became closely tied to Saddam's authoritarian rule over the course of the more than 32 years he has been in power in Iraq as well as those in a state of patriotic frenzy as a result of persistent humiliation of their country by the United States—would be cornered and would have no alternative but to resist to the end.

The extent of U.S. interest in ensuring a stable post-Saddam settlement in Iraq should not be overestimated, however, and is heavily dependent on which factors behind the military campaign prevail. If we assume that the U.S. primary concern is oil, the United States might limit itself to ensuring control over two major oil-producing regions in Iraq, in the northern Mosul district (populated by Kurds) and in the south and southwest (Basra, etc.), while transferring responsibilities and expenses for postwar reconstruction to others—the European Union (EU), Japan—in a manner that has almost become routine in recent years.

## **Russia's Reaction**

Russia's reaction to U.S. plans to launch a new massive military campaign against Iraq stems from the general realization of the likelihood that this action will eventually take place and therefore must be taken as a major *force majeure circumstance*.

As U.S. pressure on Iraq mounted throughout 2002, Russia increasingly faced a foreign policy dilemma over whether to oppose openly or to accept silently another U.S. military campaign against Iraq. The primacy of a geoeconomic approach dictated a policy based first and foremost on the need to safeguard Russia's economic interests in Iraq. On the one hand, if U.S. full-scale military intervention against Iraq results in a change of government in Baghdad, the international economic sanctions are likely to be lifted. This should theoretically make it possible for Iraq to pay back its debt to Russia. On the other hand, there is absolutely no guarantee that a post-Saddam regime or U.S.-promoted international administration would ever fulfill its debt obligations to Russia and, more importantly, would keep in force the oil contracts between Iraqi state enterprises and Russia's private sector, signed during Saddam's reign.

Washington has, according to numerous leaks, tried to secure Moscow's tacit support or at least neutrality in a military operation against Iraq by providing unofficial guarantees to Russia that its economic interests would be met in a post-Saddam Iraq. It must be kept in mind, however, that such guarantees:

- ? are not formal or legally binding, which means they could be easily violated, as has happened so often in Russia's relations with the West;
- ? are given by one of Russia's main economic competitors in the region, strongly motivated to favor its own oil companies and other firms in any post-Saddam economic arrangement; and
- ? could easily be downplayed or rejected under various political and economic pretexts by a new pro-Western Iraqi regime.

The United States made several moves to step up its cooperation with Russia in the energy field by launching the U.S.-Russia Energy Dialogue and opening the U.S. market for limited Russian oil deliveries. Regardless of the Iraqi factor, however, Russian oil sales to the United States can be profitable for only three to four months a year, when the price difference between U.S. WTI (Western Texas Intermediate) oil and the Russian Urals is favorable. Russia lacks free oil-production capacities, and oil prospecting in Russia lags far behind the rate of depletion of oil resources, which does not make Russia a perspective long-term supplier of cheap oil to the United States. Moreover, the emerging U.S.-Russia Energy Dialogue, timed to serve as a prelude to U.S. action against Iraq and commonly viewed as compensation for Russia's consent to review its opposition to a U.S. military campaign, can take substance only if the world oil prices remain high. Given the high prime cost of Russian oil, the dialogue is likely to collapse as soon as prices fall. That would most likely be the case after the Iraqi problem is solved American-style: the world oil market will be overwhelmed by Iraqi oil and prices will fall sharply.

That is another reason for Russia to be concerned about the potential long-term effects of a possible war in Iraq. Apart from the loss of economic benefits and contracts in post-Saddam Iraq, Russia is worried about the wider implications of low oil prices for its own stability. Although in the short term U.S. military operations against Iraq will result in an increase in oil prices, its long-term effect will be steady reductions in oil prices. This could have dramatic effects for Russian economic and political stability. In a worst-case scenario, it could even make Russia default in a year when both a large share of its foreign debt has to be repaid and parliamentary elections are to be held.

In conclusion, there are no doubts that Russia's interests will be damaged by U.S. military action in Iraq—whether a full-scale war or a massive air campaign combined with special operations. It is clear to most Russian policymakers and experts that Russia can in no way affect the decisionmaking process in the United States, and Russia's reaction to the U.S. attack against Iraq can only be verbal. Russia can still use all means available in order to press for its preferred option of comprehensive UN inspections as the best solution to the crisis and can try to delay the military campaign for as long as possible. In contrast to many past crises around Iraq and various other critical cases, this time Russia is not alone in resisting U.S. policy. Given France's new assertiveness in opposing U.S. military intervention in Iraq, this time Russia might not even be the lead player in this undertaking.