

# US-Russia relations

## Reaching the point of no return?

### SUMMARY

In August 2018, Russia's embassy in Washington claimed that US-Russia relations were moving towards irreversible breakdown. Long-standing bilateral tensions have been aggravated in recent years by Russia's aggression against Ukraine, sanctions, and accusations of Russian meddling in the 2016 US presidential elections.

Initially, Donald Trump's electoral victory raised hopes in Russia that tensions could ease. But while Trump often appears to share Russian wishes to move from confrontation to a more transactional relationship, a rift has opened up between him and the rest of the US political establishment, which insists that the differences between the two countries are too fundamental to be easily set aside. Growing hostility towards Russia has led to harsher rhetoric and increasingly draconian sanctions.

Alongside these more recent developments, US-Russia relations have been complicated for many years by fundamental foreign policy differences. The US sees itself as a global leader and champion of liberal values. For its part, Russia resents what it perceives as US hegemony and unwarranted interference in other countries' internal affairs.

Russia is far from being a military equal to the US. Nevertheless, Moscow's nuclear arsenal makes it a potentially formidable adversary. A series of arms-control agreements aims to contain the threat of an arms race or even conflict between the two sides. However, deteriorating relations are making such arrangements look increasingly precarious.

Compared to political and security issues, economic ties play only a minor role in US-Russia relations. Bilateral trade and investment have suffered from tensions and are likely to remain limited, not least due to sanctions.

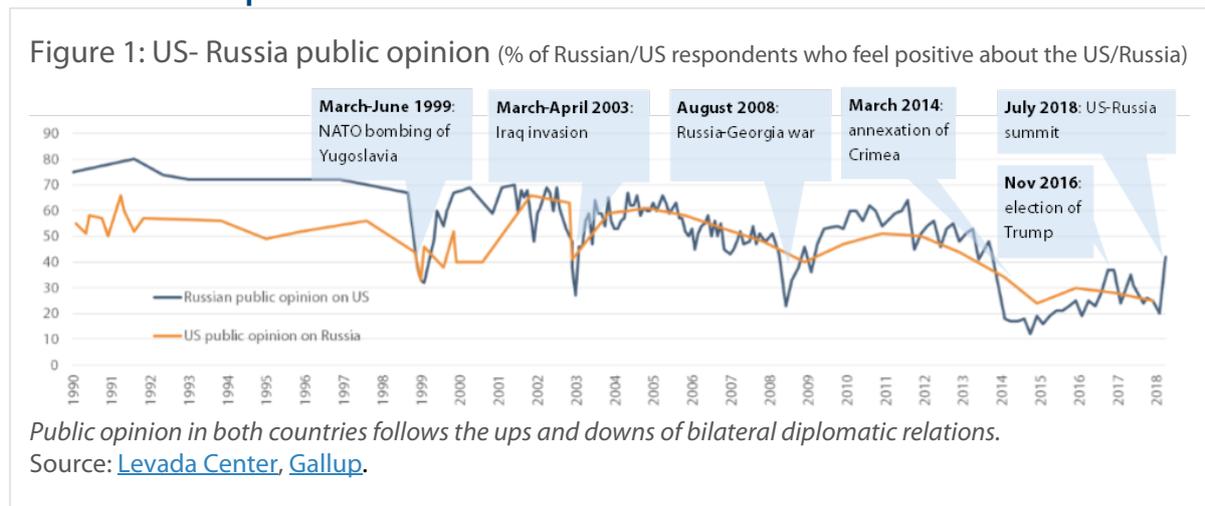


A Russian tank passes the US Embassy in Moscow.

### In this Briefing

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## Timeline of post-Cold War US-Russia relations



**1985-1991** (Soviet Union led by Mikhail Gorbachev): Cold War tensions eased with the signing of several important arms control agreements. At a 1989 summit, Gorbachev and George Bush [declared](#) an end to the Cold War.

**1992-1999** (Presidency of Boris Yeltsin): after the collapse of the Soviet Union, relations remained mostly positive. American [aid](#) helped Russia with market economy reforms; with US support, Russia joined the World Bank and the IMF, and in 1997 it was admitted to the G8; the two countries signed a series of arms-control agreements and also cooperated on the International Space Station. Nevertheless, there were also irritants: US criticisms of Russia's war in Chechnya, NATO enlargement (to the Czech Republic, Hungary and Poland in 1999), NATO's 1999 bombing of Yugoslavia.

**1999-2008** (Vladimir Putin): in 2001, Putin was the first foreign leader to call George Bush after the 9/11 attacks; in 2002 the two leaders agreed to create the NATO-Russia Council in order to facilitate cooperation. However, subsequent developments were less conducive to good relations: the US invasion of Iraq and Russia's criticism of it (2003); further enlargement of NATO (2004); US plans to build a missile shield in Poland (2007).

**2008-2012** (Dmitry Medvedev): hopes that relations would improve under a new Russian president were dashed by the outbreak of war between Russia and Georgia in August 2008. However, soon after the start of his own presidency, in July 2009 Barack Obama announced a '[reset](#)', and in September dropped the planned missile shield. The reset did not last for long, with Putin [blaming](#) US Secretary of State Hillary Clinton for protests in Moscow following allegations of vote-rigging in Russia's 2011 parliamentary election.

**2012-present** (Vladimir Putin): especially since 2014, the relationship has deteriorated, to the point where there has even been talk of a '[new Cold War](#)':

**December 2012:** the US adopted the Magnitsky Act, imposing sanctions on Russian officials accused of responsibility for the death of whistle-blower [Sergey Magnitsky](#). Russia retaliated with its own sanctions against US officials and the Dima Yakovlev law, which among other things bans US citizens from adopting Russian children.

**June 2013:** Russia granted asylum to [Edward Snowden](#), on the run from US authorities after exposing a vast surveillance programme by the NSA.

**March 2014:** Russia annexed Crimea and sent troops and weapons in support of pro-Russia separatists fighting in eastern Ukraine. In response, the US and EU imposed sanctions.

**September 2015:** Russia began a military intervention in Syria in support of ally Bashar al-Assad, drawing US condemnation, particularly during the autumn 2016 bombing of Aleppo.

**November 2016:** Donald Trump elected US president, raising hopes of improved relations.

**August 2017:** new US legislation marks the start of a new series of sanctions against Russia.

**December 2016/March 2018:** expulsion of [35 Russian diplomats](#) over Russian interference in the US presidential election, and of a [further 60](#) after the attempted poisoning of ex-Russian spy Sergey Skripal in the UK; tit-for-tat expulsions of US diplomats from Russia; closures of Russian [consulates](#) in Seattle and San Francisco, and the US consulate in St. Petersburg.

**July 2018:** first bilateral [summit](#) between Donald Trump and Vladimir Putin, in Helsinki.

## US-Russia relations under President Donald Trump

### Trump raises Russian hopes of a more constructive relationship

During the 2016 US presidential election campaign, Donald Trump was [ambiguous](#) in his comments on Ukraine, raising the possibility that he might lift US sanctions against Russia and recognise its annexation of Crimea. Trump was complimentary about Putin, [describing](#) him as far more of a leader than then President Barack Obama. Putin returned the compliment, [praising](#) Trump as 'bright and talented'. All this raised hopes on the Russian side that as president, Trump might be willing to set aside differences over Ukraine and move towards a more transactional relationship, with possible cooperation on areas of shared interest, such as ending civil war in Syria. News of the election results met with enthusiastic [applause](#) in Russia's State Duma (lower house of parliament), while Vladimir Putin welcomed the prospects of better relations.

### Russia's role in the 2016 US election

There is strong evidence (see boxed text) that Russia sought to sway the election in Trump's favour. Messages from e-mail accounts belonging to leading Democrat politicians, hacked by operators with probable links to Russian security agencies, were leaked with a view to discrediting Hillary Clinton. Meanwhile, a shadowy St Petersburg organisation known as the '[Internet Research Agency](#)', also probably linked to the Kremlin, conducted an extensive influence campaign on social media, including through provocative posts on divisive subjects such as migration and race relations, apparently in an attempt to polarise the electoral debate and favour Donald Trump as the candidate with the most outspoken views on such issues. At the same time, there were [extensive contacts](#) between Kremlin representatives, including then Russian ambassador Sergey Kislyak, and the Trump campaign team.

Shortly after the election, documents compiled by a former MI6 agent and published in January 2017 [alleged](#) that the Kremlin used compromising material against Trump to force him into collaboration. However, the veracity of these documents has yet to be confirmed.

#### Investigation of Russian electoral meddling

Trump has repeatedly [dismissed](#) investigations into Russian meddling in the 2016 US presidential election as a 'witch hunt'. However, that view is not widely shared in Washington. A January 2017 [report](#) by US intelligence agencies expresses confidence that Vladimir Putin ordered an influence campaign to favour Donald Trump. Two Congressional committees reached similar conclusions. In February 2018, an investigation led by Special Counsel Robert Mueller filed [charges](#) against 13 Russian nationals and three companies including the 'Internet Research Agency' in connection with an online propaganda campaign, and again in [July 2018](#) against 12 Russian intelligence officers involved in hacking Democrat e-mail accounts. Furthermore, several members of the Trump campaign have been charged with conspiracy and making false statements about their contacts with Russia, although there are no formal claims that they knowingly colluded with the Russian state.

In a separate investigation by the US Justice Department, in July 2018 Maria Butina, who claims to represent a Russian pro-guns group, was charged with acting as a Russian agent. Butina is believed to have used her cover as lobbyist to make contacts in the Republican Party, one of the [likely aims](#) being to influence the 2016 presidential election.

There are suspicions that Russia is continuing to interfere in US political life. In August 2018, Microsoft [found](#) that Russian hackers had attempted to infiltrate two US conservative think-tanks, in a possible attempt to influence the November 2018 US mid-term congressional elections.

## Trump's ambiguity towards Russia

Not least due to revelations of Russian electoral interference, initial hopes that tensions might ease under Donald Trump have been disappointed. However, while relations have not improved, they have certainly become more confused. Most of the ambiguity comes from the US president himself, who [claims](#) that nobody has been tougher on Russia than him. Yet, Trump's contacts with his Russian counterpart have been cordial, and the tone of his statements on Russia have been mostly conciliatory, with calls for a more [constructive](#) relationship and [dialogue](#) on common challenges such as terrorism, international crime and environmental risks.

Trump's reluctance to criticise Russia was particularly striking at his July 2018 bilateral summit with Putin in Helsinki, the third face-to-face meeting between the two leaders (the previous meetings were on the sidelines of the G20 and APEC summits in July and November 2017). At the post-summit press conference, Trump chose to [believe](#) Putin's denials of electoral interference over the above-mentioned conclusions of US intelligence agencies (however, he soon afterwards [backtracked](#) on that position). Further statements made that same week showed a similar contrast between Trump's complaisance towards Russia and verbal attacks on his own country and its allies: he blamed 'many years of US foolishness and stupidity' for poor relations with Moscow, described the EU as a [foe](#) and NATO ally Montenegro as 'aggressive'. At the 12 July NATO summit, Trump [claimed](#) that Germany was 'totally controlled by Russia' and threatened to pull the US out of the alliance.

## Despite Trump's ambiguity, no softening of US policy on Russia

There is a widening gap on Russia between Trump and the rest of the US political establishment. In Congress, Trump's performance at the Helsinki summit drew bipartisan criticism, for example, from the late John McCain, who [denounced](#) it as 'a tragic mistake'. Trump's own administration is also taking an increasingly hard line. Contrasting with his president's prevarication on Crimea, Secretary of State Mike Pompeo has categorically [ruled out](#) recognising Moscow's annexation of the peninsula and [promised](#) 'tough actions against Russia'.

Claims that Trump's presidential bid benefited from Russian help make it politically difficult from him to openly oppose such actions, even if he has at times shown reluctance to approve them – for example, in [signing off](#) new sanctions legislation or [implementing](#) its provisions. Overall, the hard line of the US political mainstream has prevailed over Trump's calls for improved relations; since 2016, Washington has piled on successive sanctions (see below), closed down Russian consulates, expelled Russian diplomats, and approved military action against Russia's Syrian allies in April 2017 and 2018. In April 2018, Trump complained that US-Russia relations were [worse](#) than ever before.

## Fundamental US-Russia foreign policy differences

The ideological conflict between Western capitalism and Soviet communism ended with the Cold War. However, tensions have continued since then, due to [fundamental differences](#) between the way in which Russia and the US see the world and their place in it. Those differences are highlighted in the two documents that set out each country's foreign policy principles: Russia's 2016 [Foreign Policy Concept](#) (FPC) and the 2017 US [National Security Strategy](#) (NSS). Compared to the preceding Obama-era [document](#) (2015), the 2017 NSS reflects the influence of Donald Trump's 'America First' policy: there is more emphasis on defending US interests, and less on America's role as a global leader and champion of liberal values. Despite this change, the declared priorities of US and Russian foreign policy remain diametrically opposed in many respects, some of which are described in the following sections.

## Democracy and human rights

### Contrasting positions on human rights in the US and Russia

The US traditionally sees itself as a global champion of the liberal world order. In Obama's 2015 [National Security Strategy](#), an 'enduring commitment to the advancement of democracy and human rights' was described as the foundation of US foreign policy. The 2017 version prioritises 'championing American values' such as 'liberty, free enterprise, equal justice ..., [and] dignity'.

Russia's [Foreign Policy Concept](#) is much more equivocal on this point, qualifying its commitment to 'human rights and freedoms across the world' by insisting on 'due regard for each State's national context, culture, history and values'. The document also warns against 'attempts to use human rights theories to ... interfere in internal affairs ... with a view to ... overthrowing legitimate governments'.

### The US and human rights in Russia

Differences on human rights and democracy are a recurrent irritant in Russia-US relations, particularly in relation to Russia's own internal affairs. The 2017 US State Department [report](#) on human rights in Russia is highly critical of Russia's 'authoritarian political system' and mentions electoral manipulation, arbitrary arrests, torture, extra-judicial killings and severe restrictions on freedom of expression as some of the main problems.

Until 2012, [US development aid](#) provided financial support for Russian NGOs, such as human rights organisation Memorial, and for electoral monitors Golos. American NGOs, such as the National Endowment for Democracy and the International Republican Institute, were also active in Russia. However, Russia was suspicious at what it saw as US interference in its internal affairs, especially after protests broke out over alleged vote-rigging in the country's 2011 parliamentary election. For an embattled Putin, US Secretary of State Hillary Clinton's [criticisms](#) of the election and then-Ambassador Michael McFaul's [meetings](#) with Russian opposition activists were tantamount to inciting rebellion. A crackdown on US human rights activities followed: in 2012, [expulsion](#) of US development agency USAID and a '[Foreign Agent](#)' law restricting Russian NGOs supported by foreign funding; and in 2015, a law on '[undesirable organisations](#)', under which several American and other international NGOs have been banned from Russia. In 2017, after Russia's RT and Sputnik were registered as foreign agents by the US government, Moscow retaliated with legislation extending 'foreign agent' restrictions to US [media](#), such as Voice of America, operating in Russia.

### Promoting human rights or undermining stability in third countries?

Russia is highly critical of US support for '[colour revolutions](#)', such as the Orange and Rose Revolutions (Georgia, 2003; Ukraine, 2004), or again, Ukraine's 2013-2014 Euromaidan uprising, in which pro-Western protestors toppled Russia-friendly governments. In 2015, Vladimir Putin [denounced](#) the role of the US and its allies in 'exporting revolution' during the Arab Spring, which he argued had brought violence and poverty to the Middle East. Russia's opposition to interference in internal affairs in the name of human rights is reflected in its behaviour in the UN Security Council, where it has repeatedly used its influence to either block or tone down US-backed resolutions and statements on human rights abuses in countries such as [Syria](#), [Myanmar](#) and [Nicaragua](#).

However, there is strong evidence that Russia does precisely what it accuses the US of whenever it feels its own interests are at risk – for example, in Ukraine (support for separatist rebellions), in the Western Balkans (where Russian intelligence officers are suspected of involvement in an attempted coup d'état in [Montenegro](#)) and of course, in the US itself, during the 2016 presidential election.

### US defence of Russian human rights and democracy under Trump

As on most other issues to do with Russia, Trump's position on human rights differs from that of the US political mainstream. Given concerns about the state of Russian democracy, Obama was reluctant to [endorse](#) Putin's electoral victory in 2012; similar concerns were reiterated after Putin

was re-elected in March 2018. However, ignoring the advice of his own staff, Trump called Putin to [congratulate](#) him on what Senator John McCain described as 'winning sham elections'. Meanwhile, in December 2016 the US Congress pushed for tougher action against Russian human rights abuses by supplementing the 2012 Magnitsky Act with a [Global Magnitsky Act](#). The new legislation covers general human rights abuses and corruption, in Russia and other countries; in December 2017, it was used to sanction [Artyom Chaika](#), son of Russia's prosecutor-general.

## Russia's role in the post-Soviet space

### Russia versus the US in eastern Europe

In 2008, President Dmitry Medvedev [staked](#) Russia's claim to 'regions where it has its privileged interests'. The Foreign Policy Concept endorses this approach, emphasising the obligations of ex-Soviet countries belonging to the Commonwealth of Independent States 'to fully implement their obligations within integration structures that include Russia'. Such integration structures include the [Eurasian Economic Union](#) and the [Collective Security Treaty Organization](#) military alliance.

Russia resents Georgia and Ukraine's rapprochement with the West, [seeing](#) 'geopolitical expansion' of NATO and the EU as part of an effort to contain Russia, and an encroachment on its sphere of influence. In July 2018, Medvedev [warned](#) that admitting Georgia to NATO could spark a 'terrible conflict'. Although both countries' NATO accession processes are officially still [on track](#), such threats are likely to [deter](#) the alliance from offering them full membership.

For its part, the US is highly [critical](#) of Russia's threatening behaviour towards neighbouring countries and its efforts to build a sphere of influence along its borders. In 2008, the US condemned Russian aggression in Georgia, but did not take stronger action. However, after Russia annexed Crimea from Ukraine in 2014 and provided military support for separatists in the east of the country, it imposed hard-hitting sanctions (see below).

### Trump's ambiguous position on Ukraine

Ukraine is yet another issue that separates Donald Trump from the rest of the US establishment. Trump has shown ambivalence towards Ukraine-related sanctions against Russia, and, [reportedly](#), looked into getting them lifted soon after the beginning of his term in office. In the run-up to his July 2018 summit with Putin, he [refused](#) to rule out recognising Russia's annexation of Crimea; during the post-summit press conference, he conspicuously failed to challenge Putin's assertion that the Ukrainian crisis was an internal matter caused by Kyiv's failure to implement the [Minsk agreements](#).

US sanctions against Russia have mostly been adopted by executive order, meaning that they can be imposed and lifted by the president without the involvement of Congress. Due to concerns that Trump might lift sanctions against Russia, in 2017 Republicans and Democrats in Congress adopted the Countering America's Adversaries Through Sanctions Act ([CAATSA](#)), which stipulates that Ukraine-related sanctions against Russia can only be lifted with Congress approval. The Act also introduces additional sanctions (see below). Meanwhile, in December 2017 the Trump administration [announced](#) a plan to supply Ukraine with lethal weapons – an idea that had been considered under Barack Obama but was never implemented.

## A unipolar or a multipolar world?

### The US: upholder of the international order or a hegemon?

American foreign policy emphasises the country's role as global leader. According to the 2015 [version](#) of the US National Security Strategy, 'American leadership is essential to a rules-based international order'. Under Trump, whose 'America First' policy has created expectations of a more inward-looking foreign policy, that role has become [less explicit](#). Nevertheless, the 2017 National

Security Strategy still describes the US as 'the world's lone superpower' and includes 'preserving peace through strength' as one of its four pillars.

For its part, Russia has long been critical of what it sees as efforts by the US and its allies to impose Western leadership on the rest of the world, bypassing multilateral organisations such as the United Nations, which is described in Moscow's Foreign Policy Concept as 'the key organization in charge of regulating international relations'. Russia denounced US-led interventions in Iraq and Libya (although it abstained from the UN Security Council vote on the latter). Moscow's resentment of US dominance of international relations continues under Donald Trump, for example, with Russian Foreign Minister Sergey Lavrov [criticising](#) US plans to scrap the Iran nuclear deal in 2018. For Lavrov, US foreign policy ignores the reality of the 'multipolar world', a concept introduced to Russian foreign policy in 2008 by then President Dmitry Medvedev.

American foreign policy [documents](#) describe Russia above all as an aggressor that 'seeks to restore its great power status' in a world 'antithetical to US values and interests'. However, for [Moscow](#), the aim of American policy is not to maintain the international order, but to preserve US dominance by containing Russia and other 'alternative centres of power'.

## Russia is becoming increasingly assertive worldwide

In 2014, then-President Barack Obama [dismissed](#) Russia as no more than a regional power, arguing that aggression in Ukraine was a sign of weakness rather than strength. However, since then, Russia has become considerably more assertive on the international stage, its influence spreading far beyond its ex-Soviet neighbourhood. Starting in 2015, Russian airstrikes in Syria demonstrated for the first time since the collapse of the Soviet Union the country's capacity to project military force beyond its neighbourhood. The US was deeply critical of Russia's intervention, both because of the human costs (for example, the thousands of civilian lives lost in the autumn 2016 bombing of Aleppo) and because it ensured the survival of Bashar al-Assad – who the US had [insisted](#) should step down. In April 2018, the US [announced](#) that it would impose sanctions on Russia for its alleged complicity in Syria's chemical weapons programme, but in the end none were decided on.

Russia's military successes in Syria have brought it several benefits; it has held on to its strategically important military bases in the country (the only ones outside the ex-Soviet Union), as well as its main ally in the region; its vision has prevailed over that of the US, now [sidelined](#) from discussions on the future of Syria. Perhaps most crucially, Moscow has now established itself as a player of at least [equal importance](#) to the US, in a region traditionally dominated by the latter. Russia is now a key partner not only for Syria and Iran, but also for several US allies, including Turkey (which has [decided](#) to buy a Russian air defence system incompatible with those used by its NATO allies), Saudi Arabia (which has also [considered](#) buying Russian weapons, and needs Russian cooperation to keep global oil prices under control) and [Israel](#) (which counts on Russia to curb Iran's presence in Syria).

Meanwhile, Russia is stepping up political, economic and military cooperation with countries across the globe – everywhere from the Far East, where [free trade agreements](#) are being negotiated with southeast Asian countries, to Africa, where Moscow is building [nuclear power plants](#) and providing [military aid](#), to even the US's own [backyard](#) in Latin America. Russia has long been Venezuela and Nicaragua's main weapons supplier, and it now also [controls](#) some of Venezuela's oil reserves in exchange for financially supporting the country's embattled government. Acknowledging Russia's growing assertiveness, the 2017 National Security Strategy describes Russia, alongside China, as the United States' main competitor, and a threat to American interests worldwide.

## Fewer areas of US-Russia cooperation on international affairs

Despite their differences, the US and Russia have often engaged constructively on certain areas where their interests do not collide – for example, on negotiating the 2015 agreement to end Iran's nuclear programme, or as members of the [Quartet](#) on the Israeli-Palestinian peace process. However, under Donald Trump's presidency, the number of such areas has diminished, as the US has pulled out of the Iran nuclear deal and shifted away from a two-state approach to Israel. Even

on North Korea there are tensions, with the US [accusing](#) Russia in August 2018 of violating UN sanctions by hiring North Korean workers and [facilitating](#) illegal transactions with Pyongyang.

## US sanctions and Russian counter-sanctions

### US sanctions against Russia

On top of ideological difference, US sanctions targeting around [500](#) Russian individuals and organisations are a major impediment to better relations. Ukraine-related sanctions adopted in 2014 by the US and the EU are [estimated](#) to cost Russia between 0.5 % and 1.5 % of its GDP per year, and additional sanctions, adopted by the US unilaterally since then, are likely to aggravate these effects. US sanctions programmes include the following:

- under the 2012 Magnitsky Act and the 2016 Global Magnitsky Act, sanctions target Russian nationals accused of human rights abuses or corruption;
- [sanctions](#) adopted in December 2016 under Barack Obama target Russia's Federal Security Service (FSB) and other organisations and individuals involved in hacking activities during the 2016 US presidential election;
- in August 2018, after determining that Russia had violated an international ban on the use of chemical and biological weapons by attempting to poison former spy Sergey Skripal, the US [restricted](#) exports to Russian state-controlled companies of goods with national security implications. Computers, integrated circuits, engines and equipment used by the Russian energy and aviation sectors are among the items affected. Loans and grants to Russia by US government-backed institutions are also banned. Further and probably more draconian [measures](#) are likely to follow if Russia has not demonstrated by November 2018 that it is no longer using such weapons. Such measures could ban most bilateral trade and bar Russian state-owned airline Aeroflot from US airspace, though the impact will be diluted by numerous [exemptions](#).

However, most US sanctions against Russia are [Ukraine-related](#):

- (since March 2014): visa bans and asset freezes against persons and organisations responsible for violating Ukrainian territory and stealing the country's assets;
- (since December 2014): a ban on trade and investment with Crimea;
- (since July 2014): economic sanctions against Russia, including an arms embargo, a ban on loans with a duration of over 30 days to six Russian banks, and a ban on exports of technology and services used by five Russian energy companies to develop deep-water-, Arctic offshore-, shale oil- and gas reserves. The latter restriction has a major impact on the oil sector, given that until 2014, American companies provided [most of the technology](#) needed by Russia to develop new oil reserves. Several Russian oil projects have been cancelled, potentially compromising the country's long-term capacity to maintain production levels in its critically important oil sector.

The above sanctions were coordinated with similar EU measures, although there are some significant differences: EU sanctions are renewable every year (or six months in the case of economic sanctions), whereas US sanctions are open-ended; EU sanctions target the Russian oil sector only, whereas US measures also apply to major gas producers such as Gazprom.

After three years of EU-US coordination, in August 2017 the US switched to a more unilateral approach under the CAATSA. CAATSA tightens existing sanctions, for example, by reducing the maximum duration of loans to Russian banks from 30 to 14 days, and restricting energy cooperation with Russian companies not only on Russian territory but also anywhere in the world. It also envisages additional new sanctions:

- a ban on sales by sanctioned Russian arms manufacturers to third countries. In September 2018, the first sanctions under this measure were imposed on [China](#) after it bought Russian weapons. However, to avoid complicating US relations with India,

another major Russian defence client, in July 2018 the US Congress agreed on a [waiver](#) allowing Delhi to continue its purchases under certain conditions;

- in April 2018, a global [ban](#) on financial dealings with Russian oligarchs and officials with close links to the Kremlin. This measure will potentially make it impossible for companies such as Rusal, Russia's largest aluminium producer, owned by sanctioned businessman Oleg Deripaska, to do business outside Russia. Deripaska has since sold off some of his shares in Rusal in an attempt to get the ban [lifted](#).

CAATSA also includes a possible ban on participation in the development of new Russian energy-export pipelines, such as Gazprom's [Nord Stream 2](#) gas pipeline. The ban is at the discretion of the US president and has not yet been applied, possibly due to its potential to complicate US-EU relations, given the involvement of five European countries in the pipeline; however, in September 2018 US Energy Secretary Rick Perry [warned](#) that it was still an option.

A Senate bill [tabled](#) in July 2018 proposed even tougher sanctions, including a ban on purchasing Russian sovereign debt (a measure envisaged by CAATSA, but not followed through since then) and a freeze on the assets of Russian energy companies in the US. It is not clear yet whether the bill stands a good chance of being adopted. In August 2018, US Treasury officials [confirmed](#) that unless Russia changed its behaviour, further sanctions were likely.

### Russian response to US sanctions

Although Dmitry Medvedev has [warned](#) that further US sanctions could lead to economic war, Russia's options for retaliation are quite limited. In response to Ukraine-related sanctions, in August 2014 Russia banned certain agri-food products from the US. However, Russia had never been a major agricultural market for the US: between 2014 and 2016, US agricultural exports to Russia fell by [US\\$650 million](#), a mere 0.5 % of the country's total agricultural exports (for the EU, the equivalent figures were US\$3.5 billion, or 2.7 %).

In June 2018, Russia adopted further counter-sanctions [legislation](#) envisaging possible additional restrictions on trade with the US. However, given that restrictions on exports of minerals (e.g. titanium) or imports of American medicines could hurt Russian companies and consumers, [no specific steps](#) have yet been taken.

Between March and May 2018, Russia [sold off](#) US\$81 billion of US Treasury bonds, over four-fifths of its holdings, but as this represents just 0.4 % of total US government debt, the impact on the US is minimal; more likely, the transaction was intended to secure Russian assets from possible [confiscation](#).

In August 2018, Russia [announced](#) that it was considering extending the list of US politicians barred from entering Russia.

## Security issues

### Arms control agreements contain tensions, but their future is in doubt

Given Russia's much smaller economy and population, it has no chance of achieving military parity with the US; in 2017 its defence spending was just [one-tenth](#) the size of the Pentagon's budget. On the other hand, though Russia could hardly win a war with the US, let alone NATO, it would still be a formidable adversary. Crucially, nuclear weapons are the one area where the two sides still maintain parity, with a roughly equal number of deployed strategic warheads. Russia has niche capabilities in several key areas: in 2015, US intelligence agencies [identified](#) it as the world's leading source of cyber-threats; in [electronic warfare](#), it has succeeded in jamming the communication systems of American troops deployed in Syria; and, if they live up to their promise, the [new generation of weapons](#) unveiled by Vladimir Putin in March 2018 could be virtually unstoppable by US missile defences. In August of the same year, unusual behaviour by a Russian satellite raised [suspicions](#) that it could be used as a space weapon to destroy other satellites.

With both sides having so much to lose from a potential conflict, [arms control agreements](#) are vital in containing threats arising from new weapons. However, due to mutual suspicions the future of such arrangements is looking precarious:

- the 2010 US-Russia [New Strategic Arms Reduction Treaty](#) (New START) requires the two countries to reduce their stockpiles of strategic nuclear warheads from 2200 under the preceding agreement, to 1550 each, a target that has now been met; it also allows the two countries to inspect each other's nuclear forces. The treaty is due to expire in 2021, with the possibility to extend it for another five years. At the July 2018 Helsinki summit, Vladimir Putin [proposed](#) to negotiate such an extension, but the response of Donald Trump (who [criticised](#) New START in 2017 as a 'bad deal') is not yet known.
- in Helsinki, Putin also [reportedly](#) proposed a ban on weapons in space. However, Donald Trump's enthusiasm for setting up a '[Space Force](#)' as a new branch of the US armed forces makes agreement on this unlikely.
- the 1987 US-Soviet Union [Intermediate-Range Nuclear Forces Treaty](#) (INF) eliminates all intermediate-range (500-5 500 km) ground-launched nuclear and conventional missiles. Since 2014, the US has repeatedly [claimed](#) that Russia has developed a cruise missile that violates the treaty. For its part, Russia, which denies that accusation, argues that US missile defence systems in Europe are non-compliant. In December 2017, the US [announced](#) that it would continue to press for Russian compliance, at the same time as carrying out research into new missiles as a contingency option. Failure to resolve differences over the INF could result in it meeting the same fate as the 1972 [Anti-Ballistic Missile Treaty](#), which the US unilaterally withdrew from in 2002.

Two OSCE agreements also help to build military trust between the two sides: the 1990 [Vienna Document](#), under which the US, Russia and other OSCE member states share military information and allow mutual inspections; and the 1992 [Open Skies Treaty](#), allowing observation flights over one another's territories. Here too, Russia and the US accuse one another of non-compliance. For example, in 2017 NATO [claimed](#) that Russia had failed to give advance warning of its Zapad exercise, a requirement for large-scale military drills under the Vienna Document.

### Military cooperation has come to a halt

Since 2014, US [law](#) prohibits nearly all bilateral military cooperation with Russia. There are no joint drills, and Russian soldiers do not take part in US-provided military [training](#). Only [occasional](#) high-level meetings are held between US and Russian commanders. Arms trade was already non-existent even before being barred by sanctions in 2014. Limited pre-2014 cooperation with NATO (for example, on [helicopter maintenance training](#) for the Afghan armed forces) has also ended.

In Syria, the US and Russia set up a [hotline](#) in 2016 to avoid unintended clashes between their armed forces in the country. The hotline remains active; however, [proposals](#) for joint military operations came to nothing, after it became clear that Russian airstrikes were mostly targeted at anti-Assad rebels, some of them backed by the US, rather than ISIL/Da'esh terrorists. Indeed, Russian and US fighters have found themselves on opposite sides in the conflict. In March 2018, Russian mercenaries working for a Kremlin-linked company were [killed](#) in an American airstrike. In 2017 and again in 2018, US missiles [targeted](#) Syrian government forces allied to Russia in retaliation for the Assad regime's alleged use of chemical weapons, investigation into which has been [blocked](#) by Russia.

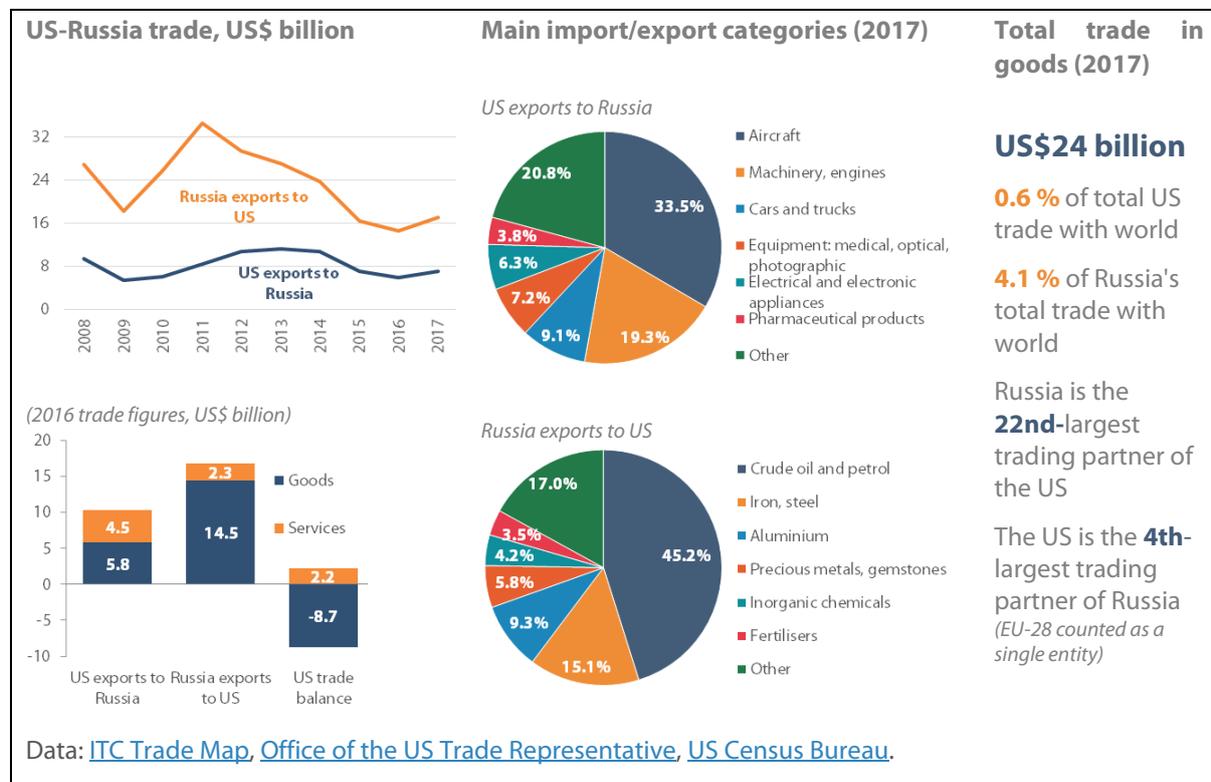
### Cybersecurity, crime, counter-terrorism and space

Both Trump and Putin have proposed closer US-Russia cooperation on security issues, but in practice nothing has come of those proposals. Unsurprisingly, given the role played by Russian hackers in US elections, a cybersecurity joint task force [discussed](#) by Putin and Trump in July 2017 met with derision in Washington; a Russian [proposal](#) at Helsinki to allow mutual access to suspects by investigators from each country, initially welcomed by Trump as an 'incredible offer', was quickly dropped. In December 2017, Vladimir Putin thanked the CIA for helping to [foil](#) a terrorist attack in St Petersburg, but there is no evidence of broader counter-terrorism cooperation. On the other hand, cooperation on space projects continues. For example, in September 2018 Russian company Energomash NPO signed a [contract](#) to continue supplying the US with rocket engines.

## Economic ties

US-Russia relations are dominated by political and security issues. Economic ties play a much less important role, and both countries have far more trade and investment with the EU and China than with each other. With its much smaller and relatively backward economy, Russia has little commercial leverage over the US.

Figure 2: US-Russia trade



In goods, the US has a large negative trade balance<sup>1</sup> with Russia, although this is partly offset by a small positive balance in services trade.

Sanctions adopted in 2014 did not target the main categories of goods traded between Russia and the US, and therefore had little impact on trade volumes. The main reasons why US exports fell sharply during that year were Russia's economic downturn and the accompanying devaluation of the rouble, as a result of which Russia was no longer able to afford American products. In the opposite direction, oil is Russia's main export to the US; since 2013, the value of Russian oil exports to the US has declined, due both to lower oil prices and decreased volumes. In 2016, Russia's economy started to grow again and oil prices recovered, helping trade in both directions to pick up slightly, although not to pre-2014 levels. Prospects are not good: new US sanctions adopted in August 2018 restrict further categories of American exports, and even tougher restrictions are expected in November. On top of this, the US and Russia have both raised [tariffs](#) on each other's imports.

Although the volume of trade between the US and Russia is small, many of the goods and services sold by the US to Russia are strategically important and cannot easily be sourced elsewhere – for example, cutting-edge deep-water, and Arctic oilfield services, engines and electronics, all now restricted by sanctions. By contrast, Russian exports are much less strategically important to the US, being mostly commodities for which American purchasers can easily find alternative suppliers.

## Investment

Perhaps due to deteriorating relations between the two countries, direct investment in both directions has slumped after the 2008 global financial crisis. On the US side, willingness to invest in Russia has declined even further since 2014 for a number of reasons: sanctions restricting transactions with the Russian financial sector; the Russian economic downturn; and the uncertainty created by deteriorating bilateral relations. Russian investment in the US has been less affected, suggesting that Russian investors still see America as an attractive market.

Manufacturing, real estate and finance were the three sectors in Russia that attracted the most US [direct investment](#) in 2017; no figures are available on the distribution of Russian investment in the US.

Figure 3: US-Russia direct investment flows (US\$ billion invested during previous 12 months)



Source: [Central Bank of Russia](#).

Table 1: Russia-US direct investment, 2017

Direction of investment	Direct investment flow (2017)	% of investing country's total outward investment	% of destination country's total inward investment
Russia to US	US\$1.7 billion	4.1 %	0.6 %
US to Russia	US\$0.5 billion	0.2 %	1.8 %

Source: [Central Bank of Russia](#), [OECD](#).

## ENDNOTES

<sup>1</sup> Russian trade figures (for example, those reported to [UN Comtrade](#)) paint a different picture, suggesting that there is a small balance in favour of the US. The reason for the discrepancy between Russian and US trade data is not clear.

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