

Russia's neighbourhood policy

- from a Russian perspective -
(Central Asia, Caspian states and EU)

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I. Introduction

Russia's large geographical size and remoteness from attacking powers; its strong control over resources and society exercised by its centralized state and its low level of dependence on the world economy, make Russia an autonomous player in world politics despite its relative backwardness¹. Russia's political class perceives its country as a global power and the major regional power - and consequently as the main guarantor of security - in its immediate neighbourhood.

Russia is undoubtedly a European state if only geography as well as European civilization, its culture, tradition and religion are taken as the defining criteria. What places Russia beyond Europe's bounds is its politics.

Russia's foreign and security policy is best described as pragmatic, geopolitically focused, realist rather than value-based, and striving towards a multipolar world by seeking to undermine the West's influence in international affairs².

Russia's overriding foreign policy goals are to establish Russia as one of the most important global powers, and to create a multipolar international order. However, Russia's understanding of multilateralism in international affairs is rather a form of multipolarity characterized by a collective decision-making procedure amongst a handful of great powers, or at best a selective and instrumental use and understanding of multilateralism. This means that Russia supports multilateralism as long as it affirms its great power status and deals with issues and interests of leading states

The Russian worldview is more focused on power than rules. It has not played a major role in global governance (IMF, World Bank, WTO - member since July 2012) although it enjoys the prestige of being a permanent member of the United Nations Security Council.

Russia has been described as suffering from a sort of historical nostalgia for an earlier and less 'moral' moment of international relations - Russia, like China, wants to conduct a 'values-free' foreign policy with the United States and Europe in the manner of eighteenth or nineteenth century cabinet diplomacy where states could do as they please domestically³. For most of its post-Soviet history Moscow has been seeking to project, both domestically and internationally, the image of a resurgent Russia reassuming the mantle and responsibilities of a great regional power. This vision is based on the assumption that Russia can only prevail in a globalised world if it succeeds in preventing further erosion of the 'post-Soviet space'. This status-quo thinking is deeply rooted in the mindsets of Russian political elites, resulting in a rigid zero-sum game approach shaping their attitude towards the neighbourhood⁴.

II. Former Soviet Union Space

Since the end of the 1990s, the cult of the fatherland and the idea of sovereign democracy have established themselves as the matrix of the new social contract proposed by the Kremlin: the patriotic reference creates norms of

¹ "Russia: The Traditional Hegemon in Central Asia", Roy Sultan Khan Bhatti, Perceptions, Autumn 2008, pag. 46;

<http://sam.gov.tr/wp-content/uploads/2012/01/Roj-Sultan.pdf>.

² "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 38, October 2009; Institute for Security & Development Policy;

http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

³ "Policy Briefing: Key aspects of Russia's current foreign and security policy", page 14, European Parliament, Policy Department, October 2012;

<http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>

⁴ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies; <http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

identification and articulates a representation of self as nation beyond all social and ideological divisions⁵.

The Kremlin has worked out a patriotic program centered on the return of symbols of the fatherland and the institutionalization of an official historical memory, the instrumentalization of Orthodoxy as symbolic capital, the development of a militarized patriotism founded on Soviet nostalgia, and the indoctrination of the youth, either through the school system or by its politicization of youth movements like the Nashi or the Young Guard.

The most important sources of power in Russia are control of the administrative resources, mass media, and the power structures, together with control over strategic natural and economic resources⁶. This nature of power is not of a democratic kind. It is based on control and suppression. It is exercised in a non-transparent manner, is not based on accountable institutions, and for an outsider it can seem arbitrary. However, for insiders the rules of the game are, if not clear, at least not unknown. Loyalty to the state and its main actors are presupposed.

The former Soviet Union (FSU) is a central Russian foreign policy concern. After the collapse of the Soviet Union, Moscow deployed heavy economic, military and political resources to transform its former empire into a sphere of influence. Yet despite strenuous efforts to control this space, Russia's influence in the region has been eroding over the last decade.

To counteract this, Russia has been developing a more streamlined strategy to maintain influence in the region⁷. Russia has increasingly relied on power projection rather than full control, owning key economic assets rather than splashing around subsidies, and focusing its integration efforts primarily on a "core" of Belarus, Kazakhstan and Ukraine. Elsewhere, Moscow has contented itself with a light-footprint "lily-pad empire" of pipelines, military bases and key chunks of the economy.

From 2000, Russia's foreign policy has become increasingly assertive. Since 2001/2002 a very consistent policy had been pursued. Initially, it was concerned with only Russian territory, but over the last five years it has moved outside that territory. Its aim has been to monopolize energy resources, transport routes for energy, and, as much as possible, of supply⁸.

The FSU is the only place where Russia is ready for a military intervention and a direct confrontation with the West. Yet the intensity of Moscow's assertiveness in these areas differs, as do the challenges Moscow faces⁹. The FSU can be roughly divided into three components areas: the Western CIS, consisting of Ukraine, Belarus and Moldova; the South Caucasus; and Central Asia. Among these, Moscow's most acute concerns are in the South Caucasus, where governments are more determined to escape Moscow's domination.

The 'Decree On Measures to Implement the Russian Federation Foreign Policy', published by Russian President Vladimir Putin

⁵ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 67, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

⁶ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 68, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

⁷ "Dealing with a Post-BRIC Russia", Ben Judah, Jana Kobzova and Nicu Popescu, November 2011, pag. 23; European Council on Foreign Relations; http://ecfr.eu/page/-/ECFR44_POST-BRIC_RUSSIA.pdf.

⁸ "Russia's economic relations with Europe including energy security", Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 5, European Conscience and Communism, Russia's Economic Relations with Europe; Centre for Research into Post-Communist Economies; <http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

⁹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 44, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

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on 7 May 2012, highlights the key role given to the Commonwealth of Independent States (CIS). The establishment of a free trade zone (on 18 October 2011) and the creation of the Eurasian Economic Union (to be completed by 1 January 2015) are given priority.

Stipulated already by the The Military Doctrine of the Russian Federation through 2020 (February 2010) a key instrument for maintaining stability and security in the CIS is the Collective Security Treaty Organisation (CSTO, a Russian-led military alliance that includes Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Putin's first declarations as President was to describe the CIS countries as 'key to Russian foreign policy'. The statements dovetail with Putin's concept of a multipolar world, in which Russia occupies a pole with an extended sphere of influence in the 'near abroad', with an 'economic region from Lisbon to Vladivostok'.

According to Putin, the Eurasian Union is far from 'any sort of resurrection of the Soviet Union'. Rather, it would represent a 'powerful supra-national union' of sovereign states that is capable of becoming a pillar in today's world¹⁰.

In 2011 Putin launched ambitious plans for a Eurasian Union building on the 2009 customs union with Belarus and Kazakhstan, which is intended to be transformed later into a 'single economic space.' By 2015, Putin aims to create a 'Eurasian Schengen': a zone of free movement of capital and labour within the three countries, to be followed by a currency union. Putin has made no secret of his desire to reassert Russian influence over its neighbours with the aim of keeping others (EU,

US, China) out of the area and at the same time increasing Russian security¹¹.

III. Russia's Energy sector

Russia's leverage in consolidating itself as a regional great power, which is an explicit goal, is its energy and economic resources in combination with a common language and history (i.e. the cultural factor). Russia is a resource based economy using economic and energy power as leverage in international politics.

The National Security Strategy of the Russian Federation up to 2020, adopted on May 12, 2009, outlines Russian determination to maintain control over its natural resources. Opposed to the liberalisation of the energy market, the country prefers to maintain the status quo in its current energy policy. Russia's resources potential is described as an instrument of political and economic power for reinforcing the country's position on the world stage¹².

Russia is an energy superpower. It has massive resources, including 12 percent of the world's oil reserves and 10 percent of the world's current production¹³. When taking hydrocarbons together, to include oil and gas, Russia is indeed the energy superpower with the largest scope of production.

Russia's main foreign policy tool is economic and energy power, hence the need for state control and influence on the

¹⁰ "Policy Briefing: Key aspects of Russia's current foreign and security policy", page 25, European Parliament, Policy Department, October 2012; <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>.

¹¹ "Study: The political and social development in Russia as a consequence of its new role on the global stage", page 15, European Parliament, Policy Department, May, 2012; <http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

¹² "Policy Briefing: Key aspects of Russia's current foreign and security policy", page 7, European Parliament, Policy Department, October 2012; <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=76552>.

¹³ "The Transatlantic Partnership and Relations with Russia", Frances G. Burwell and Svante E. Cornell, page 59, 2012; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2012_burwell-cornell_transatlantic-partnership.pdf.

economic development and the energy policy. In 2004, the economic reform climate shifted away from liberal market orientation to increased state intervention and ownership in the economy. With increasing frequency, the Kremlin intervened in the energy market with the aim to seize control over the extraction and export of energy.

The state-controlled monopolist Gazprom controlled 85 per cent of Russia's gas output at the height of the energy boom in 2008. Russian energy majors are, however, also in control of production in neighboring countries¹⁴. A considerable part of Kazakhstan's and Turkmenistan's gas is transited through Russia before reaching consumers in Europe. Gazprom has also made inroads in other countries, e.g. by seeking transit rights for Azerbaijani gas and by forming joint partnerships with other energy companies in extracting gas in Northern Africa. Gazprom also has an increasing stake in Europe's energy retail sector by investments in some of the larger European energy companies. The Kremlin also controls the oil sector, albeit to a lesser extent: approximately 50 per cent of output of crude oil comes from Kremlin-controlled companies.

Russia could not leverage its energy power as much as it wanted to as long as large energy resources were in private hands and mostly run in a commercially rational way. By controlling the assets, the government also gained greater power in controlling energy prices in other countries. With greater control of energy firms, the Kremlin could also leverage its energy power to a greater degree towards Former Soviet Union countries (FSU) that

were re-orienting themselves away from Russia and toward the west¹⁵.

IV. Central Asia

Central Asia is a unique landlocked region sitting precisely in the middle between the big four of EurAsia – Russia to its North, China to the East, India to the South and the EU to the West. While the region has a clear geographical and cultural-historical identity, it is subject to divergent economic fortunes, with huge advances in the oil/gas-based wealth of Kazakhstan and Turkmenistan, against impoverishment in the two mountain states, Kyrgyzstan and Tajikistan, with Uzbekistan in an intermediate position. Politically all five states are consolidated authoritarian regimes, although there are limited civil liberties in Kazakhstan, Kyrgyzstan and Tajikistan¹⁶.

The region has a modest population size of only 61 million people, so regional economic integration between these states does not have much potential if it is not part of a wider economic openness. As part of the Soviet Union, the five countries were tightly woven into a single system, especially in energy and transport. These interdependencies have proven difficult to unravel, and have produced serious imbalances.

The Central Asian states have never displayed a great eagerness for collaboration. All the attempts at regional alliances, principally economic ones, have stumbled on national sensitivities, on the competition between leaders, and on struggles for influence, in particular between Kazakhstan and Uzbekistan.

¹⁴ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 18, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

¹⁵ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 19, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

¹⁶ "Into EurAsia, Monitoring the EU's Central Asia Strategy", Report of the EUCAM Project, February 2010, page 8; Michael Emerson & Jos Boonstra (rapporteurs), Nafisa Hasanova, Marlène Laruelle, Sebastien Peyrouse; <http://www.ceps.be/book/eurasia-%E2%80%93-monitoring-eu%E2%80%99s-central-asia-strategy>

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Russia is not a power like the others in Central Asia, as it is the region's former coloniser¹⁷. This legacy has its positive and negative aspects: positive insofar as the long period of Russo-Central Asian cohabitation bequeathed elements of a common language, culture, history and feelings of common belonging; but negative insofar as it involves the political sensitivities and cultural misinterpretations of the coloniser-colonised relationship. Russian-Central Asian relations are therefore complex, with both actors having highly emotional perceptions of relations to the other.

Since 2000, the Russian influence on Central Asian policy-making has become more direct. Russia has once again become the primary political reference for Central Asian regimes. Moscow sees itself as the traditional patron of the region, and Central Asia as the zone of its 'privileged interests'.

For Russia, Central Asian states are important as they form its southern flank and can transmit security threats and challenges, such as radical Islamism, drug trafficking and illegal migration¹⁸. Considering that the borders between Russia and Kazakhstan and between Kazakhstan and the rest of Central Asia are porous, the region cannot play the role of a buffer.

For Moscow, the security of the southern borders of Central Asia is seen as a question of domestic security: the 7000 kilometers of Russo-Kazakhstani border, in the heart of the steppes, are nearly impossible to secure.

¹⁷ "Into EurAsia, Monitoring the EU's Central Asia Strategy", Report of the EUCAM Project, February 2010, page 36; Michael Emerson & Jos Boonstra (rapporteurs), Nafisa Hasanova, Marlene Laruelle, Sebastien Peyrouse; <http://www.ceps.be/book/eurasia-%E2%80%93-monitoring-eu%E2%80%99s-central-asia-strategy>

¹⁸ "The Impact of the global economic crisis on Central Asia and its implications for the EU engagement", Nargis Kassenova, page 9, EUCAM Working Paper No. 5, October 2009; <http://www.ceps.be/book/impact-global-economic-crisis-central-asia-and-its-implications-eu-engagement>.

They require that the clandestine flows are better controlled down-stream¹⁹.

The Central Asian states (with the exception of Turkmenistan) are members of the Collective Security Treaty Organisation (CSTO), the Russia-led military-political alliance whose goal is to provide for the security of the region. When the development of a common economic space in the Commonwealth of Independent States did not work, the Eurasian Economic Community (EurAsEC) was created with fewer members. Kazakhstan, Kyrgyzstan and Tajikistan are members; Uzbekistan joined in 2006 but suspended its membership in 2008. The overall goal is to establish a customs union and build an economic base for a political union following the example of the EU.

Russia is still the main Central Asian provider of military equipment, the main partner in training military cadres, still has or has regained a number of military and research facilities and strategic sites in Kazakhstan, Kyrgyzstan and Tajikistan, and has revived cooperation between military-industrial complexes.

Russia's long-term interests in Central Asia are very clear and unambiguous. Russia has two main goals in Central Asia: to control energy resources and to maintain regional security. Moscow's economic interests are largely focused on its oil and gas reserves, yet Central Asia also has other important resources such as electricity, uranium, gold, and precious metals²⁰. Russian companies (chiefly Gazprom and Lukoil) are involved in the development of gas and oil deposits, building oil and gas re-fineries, renovating existing oil and gas pipelines, and constructing new export routes, mainly in Kazakhstan and Uzbekistan.

¹⁹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 49, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

²⁰ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 47, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

The second key aspect of the Russian presence in Central Asia is that of regional security, which has been the primary driving force behind Moscow's continued interest in the region since the early 1990s. The security challenges for Russia in Central Asia are multiple and complex²¹: any destabilization in the weakest (Kyrgyzstan, Tajikistan) or the most dangerous (Uzbekistan) states will have immediate repercussions in Russia, including such things as: Islamist infiltration in the Volga-Ural region and the North Caucasus; a loss of control over the export networks of hydrocarbons or strategic sites in the military-industrial complex. Russia is on the receiving end of transnational threats such as narcotics trafficking, weapons smuggling, transnational crimes and terrorism that come from Central Asia²².

That is why Russia wants to maintain status quo in the Central Asia Republics. Stability means avoiding any spill over effects. Conflicts in Central Asia would create a power vacuum that could develop security challenges for Russia.

On the bilateral level, Moscow is again a first-order strategic and military ally. The Kremlin has made a show of its abiding political support for the Central Asian regimes, a rapprochement facilitated by the common struggle against the so-called 'Islamist threat'²³. In exchange for the Kremlin's backing of their fight against the Islamic Movement of Uzbekistan, Hizbut-Tahrir, the

states of Central Asia have agreed to support Russia in its war in Chechnya. The 'coloured revolutions' in Georgia in 2003, in Ukraine in 2004 and in Kyrgyzstan in 2005 further strengthened this political rapprochement.

Russia's weight in Central Asia does not depend solely upon global geopolitical and financial redistributions - it also relies on domestic factors. As part of a broader historical movement, the current demographic crisis, the depopulation of Siberia and the general 're-centring' of Russia around the European regions of the country signal a historic retreat for Moscow that will inevitably affect its presence in Central Asia. The Russian state also has difficulties in conceiving of the impact that a massive intake of Central Asian workers might have on Russia, and moreover of how the rise of xenophobia and Islamophobia in Russian society might change its relationship with Central Asia²⁴.

For a long time, Russia considered the US its main rival in the region. Over the last few years, however, Russian experts have increasingly shown more concern about the growing influence of China. China is trying not to disturb Russia and show respect for Russia's dominance in the area, seeing it as beneficial for the security of the region²⁵. Both China and Russia share a common interest in preserving the political status quo in Central Asia. Both consider the established regimes to be stabilising elements.

For China, it is vital for its great source of energy, minerals and also a critical partner for stabilizing and developing the Xinjiang province with Uighur population with Turkic language and Islamic faith. The Central Asian states proved to be highly sensitive to Beijing's concerns and chose to cooperate in the

²¹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 49, October 2009; Institute for Security & Development Policy;

http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

²² "Russia: The Traditional Hegemon in Central Asia", Roy Sultan Khan Bhatti, page 52, Perceptions, Autumn 2008; <http://sam.gov.tr/wp-content/uploads/2012/01/Roi-Sultan.pdf>.

²³ "Russia in Central Asia: Old History, New Challenges?", Marlène Laruelle, page 5, EUCAM Working Paper No. 3, September 2009; <http://www.ceps.be/book/russia-central-asia-old-history-new-challenges>.

²⁴ "Russia in Central Asia: Old History, New Challenges?", Marlène Laruelle, page 9, EUCAM Working Paper No. 3, September 2009; <http://www.ceps.be/book/russia-central-asia-old-history-new-challenges>.

²⁵ "The Impact of the global economic crisis on Central Asia and its implications for the EU engagement", Nargis Kassenova, page 9, EUCAM Working Paper No. 5, October 2009; <http://www.ceps.be/book/impact-global-economic-crisis-central-asia-and-its-implications-eu-engagement>.

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struggle against the 'three evils' of separatism, extremism and terrorism. That became one of the pillars of the Shanghai Cooperation Organisation (SCO).

However, while the Central Asian states welcome the opportunity to diversify their trade away from Russia, they are also wary of China²⁶. According to a recent poll, an overwhelming majority of Kyrgyz and Kazakhs saw Russia as a friend and China as a threat. In the aftermath of the ouster of President Bakiyev in 2010, people in Bishkek looted Chinese, not Russian, shops. In Kazakhstan and Tajikistan, the news about the possible lease of land to Chinese farmers sparked anti-government protests. Despite such wariness in Central Asia, the lures of economic and political benefits of a partnership with China are irresistible and are increasingly constraining Russian power.

V. South Caucasus and the Caspian Sea Region

The most important new energy resources in Eurasia are located in the Caspian basin in Central Asia. With Russia to the north, Afghanistan on the border (in permanent civil war) and Iran to the South (with bad relations with the West) there are not so many options for exploiting these resources.

An important challenge that complicated oil transportation by sea from the Caspian region was the fact that the prime southern Russian oil export route, the port of Novorossiysk (as well as routes using the Georgian Black Sea ports of Batumi and Supsa, and the Ukrainian port of Odessa), require tanker transits through the Bosphorus Strait. The Bosphorus slices through the center of Istanbul, a city of twelve million

inhabitants that has been designated by UNESCO as a World Heritage Site²⁷ and already a crowded place.

The other option is the a pipeline system. Caspian states had existed previously as a part of a unified Soviet oil and gas industry. The transportation infrastructure reflected this fact, giving Russia a monopoly over the Caspian countries' access to foreign markets. Infrastructure was positioned on a "North-South" axis, directed towards Moscow, the former Soviet centre.

Another channel to transport resources from this area it is via Azerbaijan and Georgia to the Black Sea and the Mediterranean Sea via Turkey. In the 1990s, the U.S.-supported concept of multiple pipelines, that sought to prevent any actor from a monopoly over the export of the Caspian energy resources.

For the West the South Caucasus forms the hub of an evolving geostrategic and geoeconomic system that stretches from Europe to Central Asia and Afghanistan. It provides unique transit corridors for Caspian energy supplies and Central Asian commodities to the Euro-Atlantic community, and now a direct access for allied forces to bases and operational theaters in the Greater Middle East and Central Asia²⁸.

As a strategically central region, the South Caucasus has been a focal point of Russian-US competition throughout the post-Soviet period. In addition, the region has been plagued by a number of major conflicts that have been exacerbated by the US-Russian competition²⁹.

²⁶ "Dealing with a Post-BRIC Russia", Ben Judah, Jana Kobzova and Nicu Popescu, November 2011, page 27; European Council on Foreign Relations; http://ecfr.eu/page/-/ECFR44_POST-BRIC_RUSSIA.pdf.

²⁷ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 40, Central Asia-Caucasus Institute, Silk Road Studies Program; 2005; <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

²⁸ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 27, Central Asia-Caucasus Institute, Silk Road Studies Program; 2005; <http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

²⁹ "The Transatlantic Partnership and Relations with Russia", Frances G. Burwell and Svante E. Cornell, page 93, 2012; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2012_burwell-cornell_transatlantic-partnership.pdf.

Russian politicians in the Yeltsin era vehemently denounced the notion of a direct east-west pipeline independent of their control as an unwarranted curtailment of their natural rights in the South Caucasus. They have repeatedly made it very clear that they seek to oppose the western orientation of Azerbaijan and Georgia. The Russian government pushed for the entirety of Azerbaijani and Kazakh oil production to be sent to markets via Russian networks.

Moscow would like to see Georgia and Azerbaijan cutting their military and security cooperation with the West and to build a North-South transportation corridor connecting Iran and Russia via the South Caucasus, at the expense of an East-West corridor³⁰.

Georgia in particular has formed a target of Russian pressure. Russia responds 'adequately' to every move Georgia makes towards integration into western structures. Russia has been accused of creating problems on this route from the Caspian basin via Azerbaijan and Georgia to the Mediterranean. Since September 1999, the new Russian prime minister initiated a consistent policy of undermining Georgian independence, provoking different movements in the enclaves of Abkhazia and South Ossetia, and it resulted in the Russian-Georgian war in August 2008³¹. The reason was the geographical or, more properly, the geopolitical position of Georgia. Of the three states of the South Caucasus, Georgia's

location is especially strategically vital since it is the only state with sea access and thus is key to control of the entire landlocked region of the Caucasus and Central Asia.

The most important project on the East-West corridor is the Baku-Tbilisi-Ceyhan pipeline, formally commissioned in May 2005 in Baku. The Russian government perceived the BTC pipeline to be 'against' Russian interests and opposed the project. The Russian opposition to BTC was taken so seriously by the Turkish government that, in order to reduce bilateral tensions, it agreed to the massive Blue Stream gas pipeline to transport 16 bcm annually of Russian gas under the Black Sea to Turkey³².

VI. European Union

Russia's foreign policy officials openly question the EU's values agenda and draw a distinction between Moscow's view of the international order - strong sovereign states cooperating within a multipolar world system - with what they present as the failed 'postmodernism' of the European project. The focus is thus on Russia as a sovereign great power and on its exclusion from the 'European project', if not from broader European civilisation³³.

Russia resents the current European security architecture, dominated by the EU and NATO. In 2008, 'Foreign Policy Concept', the first major security document, was the first document to explicitly propose changing the existing European security architecture by creating a regional collective security and cooperation system, also rejecting a further expansion of NATO.

³⁰ "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 27, Central Asia-Caucasus Institute, Silk Road Studies Program; 2005;

<http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

³¹ "Russia's economic relations with Europe including energy security", Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 6, European Conscience and Communism, Russia's Economic Relations with Europe; Centre for Research into Post-Communist Economies;

<http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

³² "The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West", Edited by S. Frederick Starr & Svante E. Cornell, page 115, Central Asia-Caucasus Institute, Silk Road Studies Program; 2005;

<http://www.silkroadstudies.org/new/inside/publications/BTC.pdf>.

³³ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 6, European Parliament, Policy Department, March 2011;

<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

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Russia's political elite perceives that the foreign policy influence of the EU is waning in the international arena. This is the result of the problems related to a common foreign and security policy and that the core member states, especially France and Germany, are moving away from a common foreign and security policy to seek their own bilateral solutions.

A leaked Russian Ministry of Foreign Affairs (MFA) document which appeared in 2010 emphasised the importance of using friendly countries, especially the French-German 'tandem' within the EU, to achieve progress in major security issues. Popular in the Russian press is the idea of a French-German-Russian 'troika' pulling Europe along in place of a Commission incapable of acting according to strategic vision³⁴.

In the past decade a kind of competition was seen to emerge between Moscow and Brussels putting forward different offers to the states in the region³⁵. In the 2000s tensions evolved first and foremost around security issues, related to NATO enlargement. Today the disagreement seems to be competing trade integration schemes, namely the Customs Union (CU) and the Single Economic Space (SES) promoted by Moscow, on the one hand, and the Association Agreements and Deep and Comprehensive Free Trade Agreements offered by the EU, on the other.

The key drivers of the relationship at present are, for Brussels, securing binding Russian commitments on energy, trade and security, particularly through the new EU-Russia agreement to succeed the 1994 Partnership

and Cooperation Agreement (PCA); and for Russia, securing Europe's contribution to the modernisation programme being promoted by former President Dmitrii Medvedev and a simplified visa regime with the prospect of introducing visa-free travel in the near future³⁶.

Russia's growing economic power it is based on its hydro-carbon resources. Economically, due to its dependence on its exports of hydrocarbons, of which a considerable part is engineered for Europe we can say that Russia depends more on the EU than vice-versa. Because of the size of the European economy and because of the location and distance, Russia may seem stuck with Europe³⁷.

Yet Europe's energy dependency on Russia, its fragmented energy market, and the absence of a common foreign policy have made the EU a weak partner for Russia and created an asymmetric bilateral relationship. European states such as France, Germany, and Italy have cultivated bilateral energy relations with Russia at the expense of a common energy strategy towards the continent's dependence on Russian gas, thereby undermining one of the EU's fundamental principles, the multilateral decision-making process.

European gas demand has been growing fast, and currently it is projected to resume its growth after the crisis. Countries like the UK, which currently are not using Russian gas, except very marginally, may well find themselves importing more gas from abroad as North Sea reserves dwindle, and this could quite possibly be from Russia.

³⁴ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 8, European Parliament, Policy Department, March 2011;
<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

³⁵ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies;
<http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

³⁶ "Study: The EU – Russia relations, The shared neighbourhood: an overview", page 6, European Parliament, Policy Department, March 2011;
<http://www.europarl.europa.eu/activities/committees/studies.do?language=EN>.

³⁷ "Russia's economic relations with Europe including energy security", Chairman: Silvana Malle, Discussion Leaders: Andrei Illarionov and Philip Hanson, page 1, European Conscience and Communism, Russia's Economic Relations with Europe; Centre for Research into Post-Comunist Economies;
<http://www.crce.org.uk/publications/colloquium%20webbook/2nd%20Part%20-Russia%27s%20economic%20relations....pdf>.

Also, Russia represents an important emerging market which is of interest to foreign exporters. European countries in particular have interests in Russia to defend, especially in the oil sector and on the Russian stock market.

VII. Future perspectives

Russia's main goal will be to maintain stability domestically while strengthening its position internationally. The debate stemming from the nineteenth-century about whether Russia is a European state with Asian colonies or a specific Eurasian state has now taken on a very concrete form, as a result of the muslim migration³⁸.

Russia's Muslim question is underlined by the rapidly changing demographic shifts in the country. While Slavic Russian population is in rapid decline, the Muslims of Russia are actually projected to increase in numbers. Russia's Muslim population is diversified both in terms of religious belief and practice, and also in how it relates to the federal center in Moscow.

The growing xenophobia results in a rise of Islamophobia, despite that this phenomenon has been historically very rare in Russia. The state's endorsement of Orthodoxy as an element of the national identity exacerbates the critique put forward by Muslims concerning the disrespect of state secularism.

The future of Russian domestic politics will be partly determined by the Kremlin's ability to secure a civic identity to its citizens, which means that the current policy to promote ambiguous nationalist rhetoric will have to be halted. Using the instrument of nationalist

³⁸ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 74, 78, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

mobilization may be a short-term approach to avoid any political challenge, but would in a more long-term perspective form a threat to internal stability³⁹.

In the external domain, Russia's main challenges lie in its neighboring regions, especially the instability of Central Asian countries and the continued efforts on the part of the western CIS countries to break free from Russia's sphere of influence.

Unlike the Customs Union/SES and the CIS free trade agreement, the concept of the Eurasian Union remains vague⁴⁰ and it is essentially limited to further developing, although it seems that political integration is excluded from Moscow's roadmap. The very vision of a Eurasian Union is based on the expectation that the attractiveness of membership of the SES will grow over time. It is hoped that other states, which are not yet part of the project and have limited their engagement to participation in the CIS free trade agreement, will seek accession to the SES. For Russia, which sought to consolidate its influence in the post-Soviet space, the project is of predominantly political rather than economic value.

Few signs today point to Russia altering its use of energy as a political tool, which materialized with Putin's ascendancy to power. The Russian energy-strategy under Putin has essentially consisted of three components: reasserting state-control over the energy sector by dismantling private companies; controlling CIS gas production for domestic consumption and/or re-exports to Europe; dominating the European market by crowding out other producers, controlling the downstream delivery, while maximizing all export outlets⁴¹.

³⁹ "Russia in a 10–20 Year Perspective", Anna Jonsson, Fredrik Erixon and Marlène Laruelle, page 8, October 2009; Institute for Security & Development Policy; http://www.isdp.eu/images/stories/isdp-main-pdf/2009_jonsson_russia-in-a-10-20-year-perspective.pdf.

⁴⁰ "Russia's neighbourhood policy", by Andrei Zagorski, 14 February 2012, European Union Institute for Security Studies; <http://www.iss.europa.eu/publications/detail/article/russias-neighbourhood-policy/>.

⁴¹ "Gazprom's Monopoly and Nabucco's Potentials: Strategic Decisions for Europe", Nicklas Norling, page 11, SILK ROAD PAPER, November 2007, Central Asia-Caucasus Institute, Silk Road Studies

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Russia is still an emerging market. It is a populous country and despite its natural resources or perhaps because of them, the size of the economy is smaller than the large European economies, such as France and Germany. Russia experienced a spectacular economic boom in the 2000s. Increasing oil and gas prices enabled Russia to follow an export-led economic growth model, with increasing revenues coming through the balance of trade. But international oil price shocks have highlighted the inherent weaknesses of the Russian economy.

The Russian government did not expect to be hurt by the market crash in 2008. Russia's GDP shrank by 8.9 percent in 2009. The Russian Central Bank spent a third of its reserves of \$600 billion in a costly attempt to prevent the fall of the ruble.

The Russian economy remains exposed to international slowdown and unstable energy and commodity prices. A fall in oil prices by \$10 brings about a one percentage fall in budget revenues. A new approach to economic development and growth is unfolding, where the scope for private undertaking appears to be broadening and economic diversification away from energy is considered to be necessary⁴². The role of the state in these developments, however, remains paramount and changes so far have followed a top-down approach.

Russia is highly exposed to fluctuations in the global economy and particularly vulnerable to the developments in one single commodity. One flaw of the energy industry is its structure, which is dominated by

government-backed monopolies and characterised by discrimination against private businesses, small domestic operators and international players⁴³.

Another serious problem is the deeply dysfunctional way in which the energy industry is governed. The absence of public scrutiny allows for uncontrolled redistribution of rents among the actors involved in the networks around the political leadership. Also a lot of its production infrastructure is Soviet-era; it is capital-intensive and aging. So the question regarding Russia's role as an energy power is not about the present; the real question is what is going to happen to Russia's energy sector in the future.

A debate on the Russian model of development has recently been instigated⁴⁴. This debate has created the conditions for a number of reforms that should help to modernise and diversify the Russian economy; whilst at the same time stimulating an innovation drive. Notably, however, neither the manifesto ('Russia Forward'), nor successive Presidential public speeches, point clearly to the need to improve or upgrade existing institutions. The theory underlying the modernisation drive is that economic growth must come before democracy or, to put it another way, that democracy inevitably follows economic growth.

Program;

<http://www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0711Nabucco.pdf>.

⁴² "Two Decades of Post-Communist Change in Europe and the CIS: What Has Been Achieved? What Is Still To Be Done?", CRCE Colloquium – September 2011, page 3, The Russian Economy since Communism: The Long View; Chairman: Duncan Allan, Discussion Leaders: Silvana Malle & Philip Hanson; Centre for Research into Post-Comunist Economies; <http://www.crce.org.uk/publications/colloquium2011/part1.pdf>.

⁴³ "Russian elections and the energy sector – no changes ahead", November 14, 2011, Mikhail Krutikhin European Union, Institute for Security Studies;

<http://www.iss.europa.eu/publications/detail/article/russian-elections-and-the-energy-sector-no-changes-ahead/>.

⁴⁴ "Two Decades of Post-Communist Change in Europe and the CIS: What Has Been Achieved? What Is Still To Be Done?" CRCE Colloquium – September 2011, page 2, The Russian Economy since Communism: The Long View; Chairman: Duncan Allan, Discussion Leaders: Silvana Malle & Philip Hanson; Centre for Research into Post-Comunist Economies; <http://www.crce.org.uk/publications/colloquium2011/part1.pdf>.