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Energy Security and Russia's Foreign Policy

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Abstract

Russia which was in the peripheral of international system in the first half of the 1990s is once again regaining its importance as a key player in the global political structure. One major factor which contributed to the growing stature of Russia as an emerging power is the strategic use of hydrocarbon resources by the policy making elite to achieve country's geo-political as well as geo-economic objectives. The demeanours of Russian foreign policy towards some of the European states in recent years who are its major energy customers demonstrate this trend. One needs to underline here the fact that Russia is using its energy resources as a means not only to bargain with external powers only (like the European Union, its major customer) but also to employ the same to buy-off loyalty from some of its neighbouring Commonwealth Independent States (CIS). Numbers of them are transit countries like Ukraine and Georgia and also other Caspian states where Moscow acquires energy at a cheaper price often using its status as a 'regional hegemon'. The process of 'bargaining', 'negotiation' as well as 'coercive' measure which the Russian foreign policy is employing to achieve its goal as energy power can be critically studied from the available mainstream theoretical discourses on International Relations as well as the International Political economy. Some of them are Stephen Waltz's notion of 'asymmetric bargaining', Peter Liberman's 'relative economic gain model', Robert Keohane and David G. Victor's 'regime complex theory' as well as Daniel Drezner's concept of "paradox of economic coercion" so also the Heckscher-Ohlin-Samuelson model. These theoretical discourses provide an effective tool to analyse the framework of Russia's energy foreign policy in the present context.

Keywords: Energy Security, Energy hegemon, oil swap, resources securitisation process, assertive foreign policy, Energy vulnerability, geo-economics;

Introduction

Russia's stand-off with Ukraine, protracted divergence with the European Union, simmering discontent with China as well as occasional bullying of its own Caspian neighbours, demonstrate the fact that most of the conflicts can be traced back to the pricing and supplying of oil and gas. One may recall here the fact that since the late 1990s Russia is asserting itself not only at the domestic economic front but also at the global politics by using its energy wealth. At the same time Moscow is trying to reap the energy harvest to settle scores with some of the neighbours as highlighted above. (Goldthau 2008:61-63; Romanova 2008:223) Apart from regional neighbours because of the growing deficit of the same around the world Russia is emerging as a major supplier of the energy to across the world, thus increasing its leverage in global politics. (Shearman and Sussex 2009: 258-261)

At the academic framework of analysis, one may underline here the fact that the study involving correlating energy security with Russian foreign policy is not a new one. Numerous such scholarly works came up in the post-Soviet phase looking at critically the issue involving Russian state and its energy foreign policy making processes. ((Mc Faul 1997; Tsygankov 1997; Hill 2004; Shearman and Sussex 2009; Goldthau 2008; Rutland 2009; Romanova 2008; Tsygankov, 2006; Newnham, 2011) Though these above-cited works delve at the issues of energy security and foreign policy of Russia, there are certain deficiency what the present author has observed. Firstly, these studies lack a theoretical framework of analysis which is of course important if one wants to look at the themes under discussion from a holistic perspective, though Hill and Tsygankov analyse energy issues confronting Russia in a 'soft-power framework'.(Hill 2004; Tsygankov, 2006) Secondly to get a correct perspective about Russian energy diplomacy one has to look at the nuances from a historical perspective i.e, how during the Soviet days the energy sector used to play a role in shaping the Soviet Union's external relations which might have a strong bearing on the present day Russian external policy. Finally, some of these above-mentioned literatures focussed basically on Russian energy diplomacy in the context of European Union and to some extent Asia-Pacific region and completely neglected the emerging economies like India with whom Russia has a relations rooted in history though not in the form of energy trade. Indian economy is growing at a faster rate for which it need huge amount of energy. In this context one has to look at how far Russia will meet former's energy need. Keeping these theoretical as well as empirical lacunas in mind the present paper tries to conform to the following hypotheses. These are:

- Domestic political consolidation in Russia is taking place in recent years due to the energy revenue which the state is receiving.
- Growing crisis of energy across the globe is providing an opportunity to Russia to reassert itself in the international arena as a major supplier of the strategic resources.
- Russia's strategic political leverage in the international arena is growing because of the energy clout it is enjoying vis-a-vis its adversaries.

Theoretical Postulates

Energy security is going to play an important role in defining the arcs of global security in the 21st century. Some of the major events of the 20th century like the German invasion of Baku during the First World War, Japan's assault of the Pearl Harbour during the Second World War, the Suez crisis in 1956, the global oil crisis of 1973, protracted Iran-Iraq war, the Iraqi aggression of Kuwait in 1991 and Soviet Union's collapse towards the end of the last century are some of the instances of how energy has shaped the nature of global politics in the past century. (Yergin, 1991:12-14; Patrick 2011:176) Besides the above mentioned instances, it also plays a crucial role in shaping the foreign economic as well as war strategies of a country. Walter Long, the British Secretary of State for the Colonies, during his course of presentation made to the House of Commons way back in October 1917, stated, 'You may have men, munitions, and money, but if you do not have oil, which is today the greatest motive power that you use, all your other advantages would be of comparatively little value.' (Yergin, 1991:12-14) In fact Young's view is quite closely related to a similar statement made by the French Prime Minister, Georges Clemenceau, during the First World War. Clemenceau stated that 'One drop of oil is worth one drop of blood of our soldier'. (Morgenthau 2007:133) More recently in 2009 Hillary Clinton, Secretary of State of America, during her interaction with the Senate pointed out that 'Energy vulnerability constrains our foreign policy options around the world, limiting effectiveness in some cases and forcing our hands in others.'(Patrick 2011:176)

The significance of energy in shaping the dynamics of world politics has not lost its importance even in the recent years. On the other hand this mad rush to get more and more energy is not just confined to the states of European continent or North America, even some Asian countries like China, Japan and India having a high rate of economic growth also joined the bandwagon to get the same. (Manning 2000:76)

The rush for energy across the frontiers resulted in foreign policy is emerging as a key component and becoming an important means to acquire the same. Due to the growing

complexities involved in the inter-state relations as well as changing asymmetric character of the international relations, the nature of energy foreign policy making has also underwent a sharp change in the recent years. During this process, policy makers are subjected to influence from different factors ranging from domestic to international actors. (Hudson and Vore, 1995:222; Frynas 1998: 459-460)

The fact that needs to be highlighted here is that it is not mere the energy deficit countries who adopt a complex foreign policy to acquire the resources, often the energy surplus countries face difficulties with regards to ensuring energy security, viz., fixing price of energy, geopolitical compulsions involving in supplying the same to the external countries, etc. At a broader level the interaction between nature of international political economy and the response of domestic institutional elements in shaping the external energy policy of a country has also generates problems. (Kissinger 1966:523;Deese 1979-80:142-143; Stein 2006:196-197; Milner and Keohane 1996:21; Putman 1988:432) Helen V. Milner and Robert Keohane, in their analysis of linking domestic politico-economic processes with international relations highlighted three levels at which these elements interact at each others ranging from 'price blocking' to 'freezing economic decision making' as well as 'framing new policy response' with regards to allowing external Multi National Corporations(MNC) to penetrate into the domestic markets.(Milner and Keohane 1996 :21; Frynas 1998: 459-458) It has to be mentioned that foreign policy is not a straight-jacket formula. On the other hand more recently Robert O. Keohane and David G. Victor in an interesting paper titled, 'The Regime Complex for Climate Change' have articulated two core components that foreign policy making processes should keep within itself while negotiating term with others, these are: ' flexibility across issue' and the second one is 'adaptability over times'.¹ (Keohane and Victor 2010 :16-18) While in the case of former state should adopt flexible policies while dealing with different states on the other hand in the latter's case norms and rules for bargaining and negotiation vis-a-vis opponent should be adopted in such a manner which will adjust itself over a period of time. These two elements as articulated by Keohane and Victor will make energy foreign policy of a country more resilient and bargaining to be effective in addressing crucial issues. (Ibid)

Thus the task of foreign policy makers lie in developing a policy framework to achieve these policy objectives mentioned above. Sometime nations caught in a 'complex web of Interdependence' which resulted in what neo-realists like Kenneth Waltz calls as, 'Asymmetric Interdependence'.² The same has also happened when there was a quandary during the 1972 oil crisis. Western countries despite not fully dependant on Arab oil faced an adverse situation which they thought might ruin their economy. Thus the foreign policy making processes of any

country is always try to keep these domestic factors in mind while framing strategies vis-à-vis an external neighbour. (Waltz 1979:154-155; Maugeri 2006:106-109) Apart from, 'Asymmetric Interdependence', nations often resorts to a new form of bargaining tactics, known as 'paradox of economic coercion' model developed by Daniel Drezner. Under this framework the export countries try to shape their foreign policy in such a manner which will accrue greater profit to them vis-à-vis the receiving countries. This type of strategy Drezner thinks will generate susceptibility for both the sending and receiving countries. Often it may contribute to chaos in the regional and international political-economic scenario. (Krutsev 2010:160; Drezner 1998:710-12) When the price of oil increased from \$13 to \$33 per barrel of oil during the 1973 crisis, it generated a lot of pandemonium both at the regional and international political levels. In fact this type of crisis closely related to the phenomenon of 'paradox of economic coercion' as discussed above by Drezner. The price increase took place under a condition when the exporting countries thought because of energy it will give them an added advantage to bargain with the receiving countries. (Stanislaw and Yergin 1993:83; Drezner 1998:710-12)

Economic compulsions not only affect the nature of external bilateral relations but also had a deeper impact on the domestic political stability. Sometime to alleviate economic crisis and to ensure deeper political stability the elite pursue a pro-active foreign policy vis-à-vis regional and external state actors. This has been done to ensure both regime stability as well as increase the silhouette of the state internationally. (Kissinger 1966:523-524; Rothgeb 1995:38-39) Under a complex political processes, both pressure and interest groups (which include business firms as well as lobbying groups) in their own way are shaping the decision making processes. (Katzenstein 1977:603)

Along with resources bargaining, economic compulsions not only affect country's domestic policy per se but it has a long-term effect on country's security as well. This is due to the fact that states seek to maximise 'relative economic gain' vis-a-vis its adversaries. The 'relative economic gain' model which a state has accrued vis-a-vis its adversaries can be converted into a 'strategic bargain'. This in turn generates mutual fear which propelled states into protracted conflict in the longer run as the state that got maximum advantage try to put an adverse effect on the competitive states. Thus the 'relative economic gain' model in the short-term has got a long-term implication for resources securitisation process. (Snidal 1991:703; Waltz 1979:105; Liberman 1996 :155)

Some of the theoretical postulates discussed above like linkaging domestic economic development with country's external economic policy, the process of 'asymmetric interdependence' and the 'Paradox of economic coercion' as well as 'relative economic gain'

model so also the ‘regime complex theory’ discussed above can be applicable to both the Soviet and post-Soviet Russia’s foreign energy policy .

Energy and Soviet Diplomacy

The Soviet strategic planners in the post-1921 phase paid utmost importance to the development of strategic sectors of the economy -- energy—through the ‘New Economic Policy’ and ‘Great Leap Forward’. Because of the emphasis on energy sector, the crude oil production increased from 11.7 million tons in the First Five Year Plan to 242.9 million tons in the fifth year plan. The country produced 604 million tons of oil in 1980. (Considine and Kerr 2002:31-32)

Energy played a crucial role in augmenting the Soviet economy as well as keeping the countries of Eastern Europe under its sphere of influence by supplying them the much needed cheap oil and gas. The energy relations of the Soviet Union with the East European states in fact can be modelled on the pattern of Liberman’s ‘relative economic gain model’ discussed above. (Liberman 1996 :155 ; Druzha Pipeline; Gawad 1986:153) As interest of both the parties are matched with each other in securitising their interest. For the then Soviet Union it was aimed at keeping these East European states in good humour thus maintaining a strategic balance in Europe and for the latter it was focused on ‘resources securitisation’. Since 1960 Soviet Union through the 5,327, km Druzva (Friendship) Pipeline tried to supply energy to the Eastern European countries like Czechoslovakia, East German, Poland and Hungary and also its Cold War foe-- the West European country. The export of oil and gas to the West European states at a market price increased after the 1972 oil crisis. As per a study by 1984, oil contributed 60% of the Soviet Union’s annual income and most of them exported to the Western countries. (Druzha Pipeline; Gawad 1986:153; The Impeding Soviet Oil Crisis 1977: 8 ; Pleines 2006 :15) The Soviet export of energy to the West European states closely resembles to the Heckscher-Ohlin-Samuelson model of international trade.³

Soviet Union also pursued a policy of oil swap in West Asia particularly with the countries like Saudi Arabia and Iran by taking their oil and in return giving them much needed arms. The Soviet Union used to sell these imported oils to the West European countries in the aftermath of the increase in the prices of oil by OPEC countries. (Gawad 1986,:154-155) The large-scale supply of gas to the West European countries on the other hand can be modelled on the pattern of Waltzian model of ‘asymmetric interdependence’. (Lewis 1982; Waltz 1979:153-154)

Energy sector played a critical role in augmenting the Soviet economy through its earning of hard currency. However in the latter part of 1970s the decline in the production of oil and gas has had a devastating impact on the Soviet economy in general. The CIA report titled 'The Impeding Soviet Oil Crisis' published in March 1977 gives a detailed explanation of the impact of fall in oil production and its impact upon the Soviet economy.⁴

The CIA's report was also substantiated by the Egor Gaider, the then acting Prime Minister of Russia. Gaider gives a detailed explanation about the role of oil in the collapse of the Soviet Union. He traces the 'dateline' of the Soviet collapse to 13 September 1985 when Sheikh Ahmed Zaki Yamani, the Minister of Oil of Saudi Arabia, declared that his government will alter the prices of oil. The fall in the prices of oil from \$30 in November 1985 to \$12 in March 1986 resulted in massive economic crunch in the country. This situation had a catastrophic impact on the world oil market also. (Gaider 2007:5; Gaider, a, 2007:124-126; Reynolds and Kolodziej, 2006:273-274) As a result of the fall of oil prices the Soviet economy started losing 20 billion dollars per year which in turn had an adverse effect on the financial health of the country. As Gaider stated: 'it needed urgently \$ 100 billion to meet the crisis and this forced the then Soviet Union to heavily dependent on the Western donors.' (Gaider 2007:5-7)The former Prime Minister is of the opinion that the 'economic crisis acted as the incubator for the demise of the Soviet Union.'(Ibid)

Transitional Political-Economy and External Energy Policy

In the post-Soviet space, Russia being the sole successor of the then Soviet Union faced multi-faceted problems ranging from tribulations in the social structure to setting the tone for the country's external policy. Economy also could not able to escape from the transitional problems which the Russian Federation inherited from the past. The economic sliding began when the value of rouble fell from 60 roubles to one dollar to 600 roubles to one dollar in 1993. In 1991 the year Soviet Union disintegrated, the GDP growth rate slides to an low of -14.5% and in 1994 it improved a little with -12.7 till it was stabilised with a positive rate of growth in 1997 with 1.4%.These above noted figures demonstrate the experience the Russian economy underwent after the 1991. (Islam 1993:58; Ickes 1997:1-6; Letiche 2007:3)

The Russian policy makers realised that Russia can regain its lost place in the international community only through sustained democratic reform of the political system and adopting a market-oriented economic reform. They also needed financial assistance from external financial institutions. (Kozyrev 1992:9; Blacker 1998:171) Keeping these objectives in

mind Moscow followed the policy prescriptions given by the Western financial institutions to revamp its different branches of the economy, energy, being the core. However the lack of investment in the energy sector both by the state due to a high inflationary economy and also by external investors because of lack of confidence in the Russian market to a great extent jeopardised reform. Due to lack of adequate investment in the energy sector it could not able to apply modern means of technology for exploration of oil and gas. (McFaul 1997:17; Hill 2004:11-12) These two factors in fact stymied the production of oil and gas in the country. It is under a bleak state of affairs Viktor Chernomyrdin assumed the leadership of the tattered gas company Gazprom. Incidentally, Chernomyrdin had the previous experience of managing the energy giant during the Soviet period. After assuming the mantle of Gazprom, he tried to consolidate the gas giant and brought number of smaller hydrocarbon units under its control in a hierarchical arrangement. (Ibid)

The reform initiated by Chernomyrdin and his team had a positive impact on the revitalisation of the hydrocarbon sector. The growing demand for the hydrocarbon resources abroad and the successful implementation of the bailout programme launched by I.M.F and the World Bank resulted in the stabilisation of the economy. The efficiency showed by the energy sector of the economy provided shot in the arm for the reassertion of the Russian foreign policy. (McFaul 1997:17; Hill 2004:11-12; Ickes 1997s:1).

The recovery of the country's economy towards the mid-90s of the last century coupled with the domestic political stability resulted in the growing stature of Russia in the international polity. The Russian foreign policy makers also pursued a policy in the external front which was less inimical to the Western country's interests. The same was also aimed at as Andrei Kozyrev, the first Foreign Minister of Russia, stated to employ 'foreign policy [as] a tool for advancing Russia's reform'. (Mc Faul 1997:6-9; Tsygankov 1997 :250)

After a brief lull, in the global energy market, the demand for energy increased across the world. This provided an opportunity to the Russian energy sectors to cap on the demand for oil and gas abroad as a means to assert its bargaining strategy (even some time through coercive means) in the foreign policy matter. (Hill 2004;Newnham, 2011:134-135; Shearman and Sussex 2009:258-261). The reassertion of the energy sector of Russia in the domestic economy of the country can be evident from the fact that oil and gas companies constituted top 10 industrial houses of the country. The leading one in this regard was Gazprom, followed by the United Energy System, LUKoil, etc. This branch of the economy has also contributed enormously to the national exchequer (Lane 2001:103) Table-II below demonstrates such relationship.

Under a liberalised environment even many foreign investors have also tried to invest in the hydrocarbon sectors of the country. In this regard energy firms like the Royal Dutch Shell, Exxon Mobil signed projects in the Sakhalin and France's Total also entered into a deal to develop the Arctic project. (Rutland 2009:184) These firms signed agreements under the provision of Product Sharing Agreement (PSA). The PSA provision also outlined for providing tax exemptions. This Agreement however failed to ratify in the Duma due to weakening position of the government. (Ibid)

Broadly speaking Russia's energy foreign policy after 1998, when the actual energy boom took place, based on two basic theoretical premises, i.e, assertion and use of coercive tactics as well as following a softer diplomacy like appeasing countries to get the deal in its favour. (Hill 2004:11-14; Newnham, 2011:134-135) This period of Russian politics and its interaction with the foreign policy making processes in fact closely related to the pattern of Milner and Keohane's model of foreign policy making processes as discussed above as there was a growing interaction between foreign policy makers and the domestic booming energy sector in shaping country's external policy. One may underline here the fact that though Russia followed policy flexibility in its dealing with the Western countries, as it requires huge cash inflow, on the other hand, Moscow often behaved like a 'Energy hegemon' when it started dealing with the Caspian states. (Milner and Keohane 1996:21;Newnham, 2011:134-135; Shearman and Sussex 2009:258-261).

The Turkmen-Russian bargaining over delivery of gas to Europe is a good example in this regard. Russia barred all gas delivery to Europe from Turkmenistan in the winter 1993 through its pipeline. The impasse was finally over when Turkmenistan agreed to arrive at a joint venture in the Turkmen area of the Caspian Sea. As per the deal the Russian Firm Gazprom got a major stake up to the tune of 46% in Turkmen oil field. This in fact demonstrates loosely the 'paradox of economic coercion' model as advocated by Drzner above. (Drzner 1999:171; Hirschhausen and Engerer 1998:1115-1116)

Russia has also resorted to similar tactics with Kazakhstan. Feeling the heat from the spate of negotiations, Kazakhstan signed with Western energy companies, Moscow, denied the permission to process the Tengiz oil in its refineries. This resulted in the fall in production of oil as Kazakhstan forced to cut its production of oil to 60,000 barrels per day due to lack of processing. Subsequently the American partner Chevron has also reduced its investment in this project. This compelled Kazakhstan to mend fence with Russia. Under the provision of the deal Kazakhstan was forced to sell the oil at a below market rate price to Russia and the Russian firm Gazprom got a major stake in the former's Karachaghnak gas field.(Drzner 1999:162-163; Goldman 2008:7-8,152-153)

Efforts to mend Russia's foreign policy priority towards the CIS states (especially in the direction of energy security) got some positive result when Yeltsin and Nazarbaev signed an agreement in July 1998 on the division of the Caspian seabed. Similarly in July 1997 Russia and Azerbaijan signed a joint agreement to develop the Azerbaijan's hydrocarbon resources. Russia also took an independent position over row between the two Caspian states-- Azerbaijan and Turkmenistan-- thus showing its neutrality.(Granmayeh 2004:26-27; Nygren 2008:19-20, 25, Perovic 2006:89)Some of these above instances demonstrate the fact that Russia despite playing a second fiddle to America in the international arena tried to recoup itself in its own CIS space especially in the field of energy bargaining. This aspect of Russian energy diplomacy got further momentum under a new political leadership of President Putin.(Ibid)

Aggressive Energy Diplomacy and Russia's Geo-Economic Policy

The uncertainty and chaos which hunted Russia in the aftermath of the disintegration of the Soviet Union lessoned to a great extent after the assumption of office by Vladimir Putin. It has been observed that Russia under Putin was able to reassert itself more effectively because of the rise in the prices of oil and gas. (Nyrngen 2008:19-20; White 2006:21-23; Oguz; Drzner 1999:162-163) The spurt in the prices of oil from \$10 per barrel in December 1998 to \$33 per barrel to a significant extent increased the foreign exchange reserves of Russia. As the prices of oil at the international market went up, this to a significant extent filled the foreign exchange coffers of Russia. Using the energy wealth at its possession Russia tried to rejuvenate the country's foreign policy. The foreign energy policy of Russia during this period can be modelled on the pattern of Drzner's 'economic coercion model' as discussed above. (Ibid)

In the aftermath of the 1998 financial crisis Russia's economy took a U turn and moved away from the crisis period. As per a speech given by the then Economic Advisor to President Putin in the Russian Economic Forum in London, 2005, in between 1998- mid-2005 there has been an overall increased to the tune of 52% and the economy grew at an average 7.2%.The growth of the economy can also be marked from the fact that in between 1998- mid-2005 the rate of investment has grown to the tune of 79% and the growth rate was 10.9%. By 2004 the rate of investment stood at \$11 billion. By the end of 2007 the level of unemployment dropped to 5. 7% and country earned a foreign exchange revenue to the tune of \$430 billion. (Ziegler 2008:138; Illarionov, 2005; Rutland, 2008:205-207)

Table-I
Mining of Basic Kind of Natural Minerals in 1992-2009

	1992	1995	2000	2005	2007	2008	2009
Coal Million tons	337	263	258	299	314	329	301
Fuel Peat (Conditional humidity) Million tons	7.8	4.4	2.1	1.6	13	0.8	0.9
Oil including condensate million tons	399	307	324	470	491	488	494
Natural Gas billion cubic meters	641	595	384	641	653	664	583

Source:(Rosstat) Russia in Figure-2011,

http://www.gks.ru/bgd/regl/b11_12/IssWWW.exe/Stg/d01/14-11.htm accessed 16

December 2011

Table-II**Export of Basic Commodities from the Russian Federation**

Export – total million US \$	1995	2000	2005	2006	2007	2008	2009	2010
Crude oil million tons	116	145	253	248	258	243	247	247
Petroleum products million tons	46.5	62.7	97.1	104	112	118	124	132
Natural gas billion cubic meters	180	194	207	203	192	195	168	174
Mineral Products as % of Total Export	51.8	49.1	46.0	47.1	44.1	48.2	52.2	50.5

Source:(Rosstat) Russia in Figure-2011 available at ,
http://www.gks.ru/bgd/regl/b11_12/IssWWW.exe/Stg/d02/26-08.htm(, accessed on 16
December 2011)

The high economic growth combined with greater demand for energy propelled Russia to formulate a new assertive foreign policy which was enunciated in the month of June 2000. The Foreign Policy Concept emphasised upon the significance of energy as an instrument to the establishment of a ‘great power’ status for Russia. (The Foreign Policy Concept of the Russian Federation 2000: Lo 2003:51-56) Putin and his new administration has also advocated the rational use of energy resources not only for earning foreign exchange but also for promoting Russia’s national interest by using it as a bargaining chip. (Olcott, 2004:16-17) He stated that:

‘The stable development of the Russian economy in the coming years needs to be based on the planned growth of its component part , including in first place, the potential of its mineral resources... which will serve as a guarantee of the country’s economic security’.⁵

To make the energy sector more competitive Putin, created a vertical sector in this branch of the economy. This can be controlled at the apex which will give boost to the country's economy and could double its GDP growth rate after 10 years. (Blazer,2005:214,26-217; Rosner 2006:25-26)The contribution of this sector of the economy to the national exchequer can be evident from the figures mentioned in both the table- I and table -II mentioned above.

Prominent Russian policy makers in the Putin administration have also supported this move. For instance Anatoly Chubais ,the then Head of the Russian United Energy System argued that Russia should pursue a policy of establishing a ' liberal empire' within its own sphere of influence like in the CIS spaces. In this regard he favoured a 'pro-active' foreign policy with a proclivity towards promoting Russia's geo-economic interest. Putin administration's objective to promote Russian geo-economic interest got a favourable support from the Russian energy branches as they have a major stakes in the CIS market more particularly in the Caspian states. (Alison 2004:280-282)

Keeping both the geo-political and geo-economic interests in mind Russia under Putin also tried to create a OPEC type oil and gas conglomeration known as ' Eurasian Gas Alliance' consisting of Russia, Kazakhstan, Turkmenistan and Uzbekistan in January 2002. This informal alliance was aimed at achieving the strategic objective of creating a regional energy grid system in which Russia will play a pivotal role in both exploration and transportation of the same to the outside world.(Alison 2004:280-282;Stulberg 2007:130-131)

Putin's policy of using natural resources of the country like the hydrocarbon sector as a strategic factor in promoting country's interest has aptly reflected in the Energy Strategy of Russian Federation up to 2020 published in 2003. (The Energy Strategy 2003, p.12) This document provided a blueprint for Russian oil and gas sectors and its role in shaping foreign policy.⁶

Some of the theoretical policy prescriptions given by the Putin administration in linkaging geopolitics with the energy sector reflected subsequently in the foreign policy course of actions of Moscow. The Russian government has also made efforts to boost the infrastructure of the energy rich regions of Russia by providing number of incentives to the indigenous energy firms like legal protections , curtailing efforts of investors in constructing new routes for transportation of oil, bringing out a legislation under which for more than 10 % foreign investment in the oil and gas sectors requires governmental permission, etc. (The Energy Strategy 2003:12; Olcott, 2004:17; Heinrich 2008:1544)

Apart from providing protection to the oil and gas sectors his administration within a short span of time also opened new routes for transportation of energy to external countries.

The most noteworthy in this regard was the opening of the Baltic Pipeline route in 2001 connecting the port of Primorsk from the oil fields located in Western Siberia to the Northern part of Russia. Though the pipeline was named after Baltic it actually helped to a great extent Russia in circumventing some of the Baltic states and carrying oil to its destined point.(Vatansever 2010:18-19) In March 2003 Russian privately owned oil company Yukos and Chinese National Pipeline Corporation (CNPC) signed an agreement connecting Angrask and Daqing. As per the joint negotiations it was agreed that Russia will supply 150 million barrels of oil to China. This route provided an ideal opportunity for Russia to mend its fence with China and also to secure energy market in one of the growing economy of the world.(Ziegler 2005:209) Meanwhile Japan another East Asian neighbour has also not lost any opportunity in cementing its ties with Russia in the energy sector. In the same year Russia signed an agreement with Japan for building a pipeline route connecting Nakhodka. The Russian oil giant Transneft got the lucrative contract to build the same. In 2004 it was decided by the Russian government that the starting point of the route will be Taishet. It is located just 250 kilometres from Angrask (Ziegler 2005: 209; Lo and Rothman 2006:17)

Moscow's policy makers are also using the geo-political leverage to mould country's energy foreign policy. For instance it is using the Siberian region as a 'strategic gateway' in pursuing country's Asia-Pacific energy diplomacy. As the then Industry Minister Viktor Khristenko once stated, about the Russia's policy objective in this region, to a 'complex project of great geopolitical significance to Russia, the Eastern equivalent of the "window to Europe" that Peter the Great propounded in the eighteenth century.' (The Russian Federation 2006, p.15) To ensure better connectivity with this region, Russia constructed a 2400 kilometre pipeline, known as Eastern Siberia and Pacific Ocean Pipeline (ESPO) Project. It has been estimated that by 2020 this pipeline route will transport near about 60 million tons of oil. (Itoh 2008 :36, 37 and 39; Kommersant 2006)

In its Southern frontier also Putin tried to reassert its control and checkmate other foreign powers who are interested in making a dent on Russia's 'backyard'. The construction Caspian Pipeline Consortium (CPC) starting from Tengiz and it reaches Novorossiysk in the coast of Black Sea is a good example of this policy initiative. By constructing this pipeline route Russia provided an answer to the much hyped Western supported Baku-Ceyhan Pipeline route which will bypass Russia. (Gaston 2009:36)

Apart from opening of new pipeline routes Russia also took steps to resolve disputes with the neighbouring Caspian as well as other CIS transit states. With regards to the division of the Caspian Sea, Russia along with other four Caspian States, tried to arrive at a consensus over

the legal dispute regarding its status. Russian firm Gazprom has also got a strategic hold in the distribution of gas network of Armenia in 2006. (Tsygankov 2006:1083) Russia also took keen interests in the Asian energy market. Putin way back in 2006 forecasted that Asia which is importing 3 % of Russia energy in 2006 will increase to 30 % in 2012. As per the EIA Data of 2009 Asia accounted for 12 % of Russia's oil export and this increased to 16 % in 2010. (Goldman 2008:162; EIA, 2010;EIA 2011)

It is not only the Asian states got much attention from the Russian foreign policy makers with regards to the energy security, even Europe,(the traditional partner) holds a significant place in the policy makers' calculus. The problem with regards to energy security is becoming more acute for the European states as the energy resources lying beneath the North Sea are rapidly depleting and the demand for the same is growing. It is in this context, getting Russia's energy is vital for European Union's economy. (Goldthau 2008:688) Way back in 2006 a report of European Commission pointed out that Europe relies on 30% of Russian oil and 50% of gas to sustain itself. However the 2010 EIA report states that Russia exported around 81% of oil and 5,506 bcf of gas to Europe. Though, the 2011 EIA report states that the oil export dipped to 78%. On the other hand gas constitute around 70% total export to Europe . Despite a decline of 3 % of total oil export, Europe still holds a major place with regards to Russia's energy export. These figures give a general picture about high energy dependency of the European states on Russia. The high dependence on part of the European Union(EU) over Russia for getting energy gives latter a strategic leverage over former in influencing decision making processes especially those concerning energy. (Baran 2007:132; EIA, 2010; EIA, 2011; Liberman 1996:155-156)

Apart from the Druzhba pipeline as mentioned above there are host of other pipelines which used to supply gas to Europe .These are Yamal-Europe gas pipeline owned by Gazprom along with Poland's gas company, PGNiG. It covers an approximate distance of 4,000 km, passing through Belarus, Poland and Germany. The other one is the 300 kilometre Burgas-Alexandroupolis oil pipeline connecting Black Sea port to the Aegean Sea. (Khristenko, 2006; Russian Energy; Ria-Novosti, 2011)

To streamline their energy relations both Russia and EU have institutionalised their energy relations since 2000 at the sixth EU-Russia Summit held in Paris. (Khristenko, 2006; Russian Energy; Ria-Novosti, 2011; Ivanov, 2003)The Russian dominance in the European gas market can be observed from the fact that its gas mascot Gazprom entered into a spate of bilateral agreements with prominent gas companies of Europe. After signing the contract it acquired the right to distribute gases in the domestic markets of Western European states. In 2006 alone as per a data provided by Gazprom the total supply of Gas to Europe was 161 bcm

and by 2015 the figure will as per an estimate go up to 215 bcm. This is in addition to the overall trade relations with both the countries which in 2007 stood at 233 billion Euros. (Khristenko, 2006; Russian Energy, a 2011; Ria-Novosti, 2011; Ivanov, 2003; Goldthau, 2008: 688)

However EU is pursuing a two-fold policy towards the Caspian countries. On the one hand it tries to cement its ties with Russia and at the same time try to keep other states of the Caspian in good humour. This the EU is pursuing to ensure diversifying its energy security. (Peauch 2007; Rosner, 2006:6-7) The construction of a 3,900 KM new pipeline with an annual capacity of 31bcm a year known as Nabucco is a good example of this trend. This route will connect Europe through Turkey and Middle East and will get gas from the Caspian states. The construction of this route gives a jolt to the Russian energy diplomacy in the Caspian Region. After the Nabucco setback, Moscow is reinvigorating its energy policy towards this region when it succeeded in bringing its Caspian cousins, Turkmenistan and Kazakhstan to a common negotiation table. They supported the need for transporting their gas routes connecting Russia. (Peauch 2007; Cenrowicz 2009; Nabucco Pipeline)

Russia's energy diplomacy is not simply confined to the European Union or the Asian states even America is emerging as a possible destination for oil and gas. Way back in 2002 the Russian oil company Tiimenskaia Neftianaia Kompania (TNK) exported oil to the United States. TNK described the measure as 'international public relations' exercise on part of Russia. (Bukkvol 2003:232; White House Archives, 2003) Apart from the shipment of oil both Russia and America have also institutionalised the energy relations between the two countries. As a result of which the first ever energy dialogue between Russia and America took place in Houston in October 2002 followed by the St. Petersburg Summit in September 2003 by the two countries. In the aftermath of the energy dialogue between these two states, Russian oil giants- LUKoil, Yukos, TNK and Sibneft agreed to establish a joint terminal in Murmansk for exporting oil to the United States. (Ibid)

The assertiveness of Russia's foreign energy diplomacy policy to some extent contributed to the growing popularity of Putin. It helped him to formulate policy without much opposition. Due to the earning of huge foreign exchange revenues, Russia is maintaining a balanced economic growth which ultimately contributing to the popularity of Putin. (Rose 2007:103)

Consolidation of External Energy Policy

The Russian energy policy has not changed much under Dmitry A. Medvedev, a former Gazprom's insider. Rather he tried to consolidate the gain Russia made during the Putin phase.

This can be observed from the new foreign policy concept outlined by the President in July 2008. With regards to the foreign policy orientation, the concept paper stated:

‘Strengthen[ing] strategic partnership with the leading producers of energy resources, develop [ing] active dialogue with consuming countries and transit countries on the basis of the principles of energy security.’⁷

One may underline here the fact that just before the outlining the concepts paper on foreign policy in July 2008 President Medvedev visited Kazakhstan an important Caspian ally. The visit marked a milestone in Medvedev’s foreign policy diplomacy as he succeeded in mending fences with Asthana especially in the energy sphere. During the visit President Medvedev emphasised the historico-cultural relations with Kazakhstan and also highlighted the fact that that ‘energy is a very important sphere’ where two countries can cooperate.’ (Weitz, 2008)

After a brief lull, the Russian oil and gas sector is trying to, reinvigorating itself through a flurry of activities. To meet the growing gas needs of Europe through the North Stream Pipeline two new gas fields are being connected to the North Stream Pipeline project. Both are located in the Siberian part of Russia. (Kuzovava, 2011) The Yuzhno-Russkoye field in the Yamal-Nenets Autonomous District and the second one is the Shotkman gas field. Incidentally the former produced 25 billion cubic meter of gas in 2009. As reported this field possesses 1 trillion cubic meters of gas. Apart from gas significant amount of oil measuring around 40 million tons of oil is there as per estimate. (Ibid)

Gazprom and Italy’s Eni have also signed an agreement to construct a new underwater pipeline route. This pipeline will connect Russia’s Black Sea Coast with Southern and Central Europe. It was expected that this pipeline to a significant extent reduce gas demand of Europe as it will supply around 31 billion cubic meter gas. (RIA Novosti 2009). In the South Stream project also Russia got an upper hand when in December 2011 it signed an agreement with Turkey under which the latter will allow passing of the South Stream Pipeline under the Black Sea. Once operationalised, this pipeline will emerge as a major rival to the European Union’s dream project Nabuco. As per an estimate this pipeline will facilitate 63 billion cubic meter gas supply annually to both South and Central Europe. After getting this project sanctioned from the Turkish authority Russia has promised to build a grand new gas pipeline project by 2025. (O’ Byrne and Gors 2011; Cutler 2012)

The ‘Regime-Complex model’ as outlined by Keohane and Victor in the above where ‘ adaptability’ and ‘flexibility’ as the key elements of bargaining and negotiation in the foreign

energy policy making is being increasingly followed by both Russia and the European Union in recent years understanding the common goal. (Ibid; Keohane and Victor 2010: 17-18)

It is not the European vector which is gaining importance under Medvedev's regime as far as the issues of energy security is concerned; the Asian vector is also emerging as a major market for Russia's hydrocarbon industry. For instance in September 2010 during the visit of President Medvedev to China along with Hu Jintao inaugurated a pipeline that will supply oil to China from Russia. Earlier in August 2010 a new 1,000 km oil pipeline from eastern Siberia to China was inaugurated. (BBC News: 2010)

Russia's energy diplomacy in the East Asia got a major shot in the arm when in September 2011; Gazprom opened a 1, 800 km pipeline project connecting the Shakhalin Gas project with the pacific port of Vladivostok. This pipeline is equipped to carry 30 billion cubic meter of gas and East Asian countries like Japan and South Korea are the major beneficiary of this project. The construction for the project started way back in 2009. The opening of this pipeline also reflected that Russia is diversifying its energy supply and not solely keeping Chinese interest in mind. (Monstersandcritic 2011) Russia is also emerging as a major peace broker between the two Koreas through promoting the pipeline projects. For instance in September 2011 Gazprom signed an initial agreement to supply 10 billion cubic meter of gas with both Korea Gas pro (South Korea) and the North Korean government as the pipeline has to pass through the territories of Pyongyang. By this way North Korea will earn substantial transit revenue and both the Koreas as well as Russia will be in a 'win-win situation'. (Business Week 2011)

Despite, the emergence of number of pipeline routes bypassing Russia in the Caspian sector, Russia is maintaining its strategic stronghold in this region using both geopolitics and its historico-cultural connection. One has to underline here the fact that Russia knows this region much better than any other outside actors. The opening of the North- Stream Pipeline Project in November 2011 marked a new phase in the Russia's Energy diplomacy in the European sector. This route provided an opportunity to Russia to export bulk of energy to Europe without touching the contentious Ukrainian border. This will also significantly reduce Ukraine's bargaining power with Russia. (Lukyanov 2011)

The Chinese and Russian bonhomie in the energy field has not simply confined to simply seller and buyer on the other hand it went ahead and translated into business partners based on the principles of mutual gain. This process was started way back in 2009 when China provided \$ 25 billion to two energy giants Rosneft and Transneft . In return Russia promised to supply 15 million tons of oil every year since 2011. This deal helped these two companies to overcome the

financial burden and to make short term and long term investments. (Jakobson, Holtom, et al 2011: 27-29, 32)

Russia is not limiting its energy diplomacy to Asia and Europe only, but in recent years Moscow is trying to enter into Latin America through Venezuela an old ally. In 2011 Transneft signed an agreement with Venezuelan oil company PDVSA. As per the agreement, the Russian oil firm Rosneft agreed to pay a total of \$ 2.2 billion to the state oil firm of Venezuela and both the sides agreed to produce 400,000 barrels of oil every day. (Russian Energy 2011) The first batch of production of oil is expected in August 2013 when they expected to produce 15,000 barrels of oil every day initially. This deal has a strategic significance for Russia It is moving into a South American OPEC country having similar political objectives. (Ibid)

Within its own CIS space also Russia is taking keen interest in strengthening its energy relations. For example in Kazakhstan, Both Gazprom and KazMunaigaz are trying to exploit the Imashevskoye and Tsentralnoye gas fields located in the Caspian region bordering both the states. As per the estimates, these two fields contain 100 billion cubic meters of gas and the Kazakh Gas company will join this venture with 50% stake.(Russian Energy 2011 a) Both the sides expecting that they will arrive at consensus over sharing of gas from this field by the end of 2012. This agreement with Kazakhstan is a significant boost for Russia's energy diplomacy in the Caspian region and can be seen in the context of flurry of activities by Western and Chinese companies in exploiting the energy resources of the Caspian region. (Ibid)

Apart from Kazakhstan, another important Caspian state, Azerbaijan with whom Russia is also trying to cement its energy ties. In January 2012 Gazprom signed a deal with SOCAR As per the deal SOCAR agreed to supply 3 billion cubic meter gas to Gazprom. This deal doubled the amount of gas supplied to Russia and reaffirmed Russia's strategic energy ties with Russia. This one should understand in the background of lack of consensus over oil transportation through the Russian port of Novorossiysk and Baku's supply of oil to Tbilisi at a cheaper price in the backdrop of Moscow's increase in the price of oil and the gas to the latter.(UPI 2012) Russia is also trying to tap the energy markets of Uzbekistan. In 2009 during his visit to Tashkent, Medvedev also got an assurance from Uzbek President Islam Karimov that the surplus gas what Uzbekistan is producing will go to Russia. (Kurtov 2010:34) As per a figure given by Tationa Mitrova by 2013 Russian oil giant LukOil will able to get 15 billion cubic meter of gas from Uzbekistan. Russia's energy relations with the CIS states can be modelled on the pattern of 'asymmetric interdependence' as highlighted by the neo-realist Kenneth Waltz. In fact it is the 'fear' on part of the Caspian and the CIS states that they can be subjected to force by the

preponderance power Russia which is forcing them to agree on Russia's terms and conditions with regards to energy. (Mitrova 2009; Waltz 1979: 154-155)

Russia is also trying to cement its strategic ties with its Caspian ally, Iran. In March 2009 Russia entered into a bilateral swap agreement with Iran, under which Russia will deliver gas to the northern part of Iran in exchange it will receive gases from Southern part of Iran. Iran has a similar such agreement with Kazakhstan. The oil swap agreement will provide an incentive to Russia to tap the Middle East and South Asian market. The Russian policy makers are also using the existing Soviet era pipelines laid through Azerbaijan to cement their gas diplomacy with Iran. (Kurtov 2010:41)

Russian policy makers in recent years are also trying to tap the energy market of South Asia more particularly the Indian market. Like the European Union India is also an energy deficit country and is looking towards Russian energy. One needs to mention here the fact that in the case of India, the Russia's energy relations can be modelled on the pattern of Liberman's notion of 'relative gain' model as Moscow and New Delhi is interested in turning the energy negotiation to a 'win-win situation' for both. (Liberman 1996: 154-1656; Kraenner 2008:12) It has to be mentioned here the fact that despite Russia's energy relations with India in quite at the initial stage it is going in positive direction. This is in contrast to Russia's energy diplomacy with the EU or with Asia-Pacific countries which has been subjected to lot of obstacles like the lack of common border. However the Indian energy firms are trying to ward off the geographical obstacles by getting a foothold in the Russian energy market by establishing joint projects in Russia. (Ibid) Despite facing stiff competition from other western energy industries the Indian oil company ONGC Videsh Limited (OVL) makes its presence felt in this part of the world. Indian oil giant OVL has invested about \$ 1 billion in the Shakhalin project-1 and expressed its keenness to participate Shakhalin-3 project. Apart from this move it has been reported that OVL and Rosneft are planning joint exploration and development projects in East Siberia. (Kraenner 2008:12; PIB 2008; Tomberg 2007; Helmer 2008)

It has been reported that the Siberian block contains large amount of oil and gas. One block of Siberia named as Veninsky, as per an estimate contains 169.4 million tons of oil and 258 billion cubic meters of gas The other three blocks in this region are likely to possess more than 600 million tons of oil, 770 billion cubic meters of gas. (Ibid) Similarly Gazprom is also showing its keenness to entering into an agreement with Gas Authority of India Limited (GAIL) for building the much hyped geopolitical pipeline connecting Iran with India through Pakistan also known as IPI Pipeline. (Ibid)

The energy cooperation between both the countries reached to a new height when President Dmitri Medvedev visited India in December 2010. During his visit both the countries signed the 'Intergovernmental Agreement On Developing Cooperation in the Oil and Gas Sphere'. As a positive fallout of the deal Reliance and the Russian company Sibur signed agreement to further cooperate in the energy sphere. (Ria Novosti 2010 b) Similarly both the OVL and Russian oil giant Petronat agreed to jointly bid the Yemel LNG project in July 2012 with a investment to the tune of 3.5 billion dollar which will help them to acquire a strategic stake of 15-20 per cent stake in the project. This project aimed at producing around 5 million metric tons of gas by 2016. Bulk of the production will be exported to Far-East countries. (Pathak and Barman 2012)

The relationship between these two countries in the energy sphere further institutionalised when Vladimir Putin visited New Delhi in December 2012. During his visit both the sides agreed to further cooperate in the energy field. Russia gave an open invitation to OVL in developing the hydrocarbon sectors in the Arctic, Siberia and other parts of Russia. Reciprocating Russian gesture India invited Rosneft to participate in the downstream projects in India. (MEA 2012) The intensification of India-Russia energy diplomacy can be observed from the fact that in March 2013 Rosneft offered OVL a stake in the Magadan 1 and Magadan 2 projects located in the Eastern part of Russia in the Sea of Okhotsk. This project holds around 2.8 billion tons of oil and gas resources. (ZEE News 2013)

Like in the case of European Union one major factor which hinders Russia's effective energy policy is as mentioned above is lack of direct transportation route. In fact the North-South Transport Corridor Project, in which India is a founding member along with Iran is, emerging as a major route for delivering energy to India. In 2007 in the Joint Meeting of Iran-India Joint working group, it was suggested that Iran's Sahid Rajaei Port and Russia's Astrakhan port and India's Jawaharlal Nehru Port will coordinate each other for strengthening transport linkages. The meeting has also decided to establishing line from India's Astrakhan through Sahid Rajaei port. (Aneja 2007; INSTC 2008)

Despite recent developments in this part of the world India, Russia and Iran in May 2012 agreed to take further steps to give a boost to this project. During this meeting three countries agreed to the proposal that these countries are committed to take the project to a new height. Iran assured that missing links like the Quazvin-Rasht-Astra of 372 kilometre has already been completed and this can ensure faster connectivity and the countries agreed that Bandar Abbas port will act as a nodal point for INSTC. (Dikhit 2012) The INSTC got a further boost when the Astara port which is located in the Caspian part of Iran opened in March 2013. The opening of

this port will increase connectivity in the North-South Corridor project and will facilitate India's reach to the Central Asia region.(Press TV 2013)

Apart from the existing routes, there is another route that can be converted into oil pipeline route that is the historic Chang-Chenmo Route. In recent years Xinjiang province of North Western part of China is acting as a energy grid. There is already a pipeline of 2600 km known as East-West Pipeline bringing gas from Siberia's Yamal-Nenets region to China through Xinjiang. Same is true with regards to the 962 km Atasu-Alashankou pipeline route connecting Kazakhstan- China and the more recent Turkmenistan –China gas pipeline which was commissioned in December 2009..(Kazakhstan-China oil Pipeline 2011; Kaushik 2008 237-238; Altaiproject 2011; BBC News 2009 a) There is an existing rail line route connecting Urumchi with Lasha. So a new pipeline route can be constructed along the Urumchi-Lasha passing through Akshai Chin and can be connected with India through Ladakh which can be connected with Himachal and Punjab.(Kaushik 2008 237-238) In future this pipeline route may emerge as a major route for transportation of energy from Russia. In fact the then Chief Minister of Jammu and Kashmir Farooq Abdullah addressing scholars mostly from China, Russia and Central Asia and India in a International Conference at New Delhi in July 1999 vociferously supported this route.(Editor's Note 1999: 1; Ibid;Kaushik 2010:330) This is a historical trade route and also known as Silk Road Extension during the British rule. The British administrators used to take keen interest in this route. It was operational till 1950 when China closed down the route. To make this route viable India-China and Russia understanding the new geo-political and geo-economic compulsions can launch a trilateral initiative along with the Central Asian states. This will serve the interest of Russia as it will get an opportunity to export its major chunk of hydrocarbon resources to India. China will be benefited in terms of getting transit fees and meeting the hydrocarbon requirement of Tibetan Autonomous Region .(Asopa 2003: 140-141; Kaushik 2010: 330)

Russia also took keen interests in recent year in the TAPI pipeline route connecting Turkmenistan with India. The interest of Russia in this project was disclosed by the then Deputy Prime Minister of Russia Igor Sechin in September 2010. The TAPI member states in their meeting in Dushanbe in September 2011 welcomed the Russian move with regards to participation in TAPI pipeline project .The significance of Russia's participation in the project lie in the fact that it gives a strong blow to the Washington's monopolistic energy initiatives in this region. As this pipeline route was originally promoted by Washington. (Ria Novosti:2010a;Ria Novosti:2011a) It is also true that in the initial years Russia opposed this project to connect Turkmenistan with South Asia on the plea that this pipeline is being built with the assistance of

its strategic foe America. (Ibid) Russian involvement in the South Asian energy game becoming increasing clearer when in June 2012 during the meeting of Pak-Russia Joint working group on Energy the former agreed to award the contract to Russia for building the Pakistani route of TAPI pipeline. Russia on the other hand offered its fullest cooperation to build the pipeline.(Bhutta :2012) The participation of Gazprom certainly offset the strategic balance in the South Asian region as the trusted ally of Pakistan and the original mover of the idea of TAPI pipeline USA will annoyed by this move.(Malik: 2012)

The plethora of pipeline routes Russia opened or proposing to open in Asia and Europe underlines the eagerness on part of Russian policy makers to diversify their energy trade which they thought will give them an upper hand in both regional and global politics. However in pursuing its energy diplomacy,Russia, is facing number of hurdles. (Baran 2007 :134; Bahgat 2006 :961)

Challenges for Russia's Energy Foreign Policy

Though Russia is using energy as a weapon to promote its national interest in recent years there are many hurdles in its path towards achieving 'energy superpower' status. Scholars are of the opinion that Russia is using its energy weapon as a proxy to promote its own geopolitical hegemony in and around the world. Russia harnessed its energy resources not only for promoting its own economic interests also used the same for settling political scores with some of its CIS neighbours under whose territories most of the pipeline routes are passing through. For instance in 2006 Russia stopped gas supplies to Ukraine during harsh winter over some of the pricing issues.(International Herald Tribune 2007; Stent 2008:1093-1094; Pirani, Stern *et al* 2009:9; Victor 2006 :29; Baran 2007 :134; Bahgat 2006 :961)

The genesis of the conflict started when in 2004 due to wider variance in prices for European Gas and those supplied to the CIS states, Moscow made efforts to provide gas to Kiev at a market price. While the price of gas in 2005 was \$50 per 1,000 cubic meters, the same rose to \$230 in 2006. The sharp increase in the price put enough burdens on Ukraine already suffering due to regime change through the colour revolution. Moscow has also involved itself with bitter dispute with Minsk over transit tariff and non-payment of arrears. This resulted in stoppage of oil supplies to Poland and Germany. Moldova has also undergone similar experience when prices of Russian gas were increased. Russia also suspended gas supply to Lithuania citing technical problems. (International Herald Tribune 2007; Stent 2008, pp.1093-1094; Pirani, Stern *et al* 2009:9; Victor 2006: 29; Baran 2007:134; Bahgat 2006 :961)

The situation has not improved much since 2006. In January 2009 Russia stooped supplying gases to Ukraine over a row over pricing .Moscow wanted \$ 418 per 1,000 cubic meter of gas from Kiev. However the latter finally agreed to pay \$ 235 per 1,000 cubic meter of gas. Russia finally relented and agreed to accept lower price for gas and gave 30% discount. This deal took place when Ukraine agreed to the leasing of Sevastopol port of Russia for another 25 years which is going to expiry after 2017. This Sea port holds a special place for Russia's strategic game-plan in Europe. (Ria-Novosti January 2011 b) Russia is also experiencing similar problems in its dealing with China. The deal Transneft signed with the Chinese side to supply Siberian gas went into rough weather when the latter began questioning the capacity of Russia in supplying huge amount of oil to China. (Jakobson, Holtom, *et al* 2011: 27-29, 32)

Apart from the logistic problem many analysts are agreeing on the fact that Russia is using its energy as a means to achieve its strategic and geopolitical problem. It has been argued that Russia is using both 'soft' and 'hard powers to bargain with neighbours like energy as a tool for influencing them. In this regard they made a comparison with the selling of the Soviet nuclear weapons to the European countries during the Cold War periods. (Hill 2004; Stent 2008:1094) Way back in 2007 the then Secretary of State Condoleeza Rice pointed out that :

'We respect Russia's interests, but no interest is served if Russia uses its great wealth, its oil and gas wealth, as a political weapon, or that if it treats its independent neighbours as part of some old sphere of influence.' (Kommersant, 2007)

Similar observation was also made by the then CIA Director George Tenete in a testimony before the Senate. He highlighted the fact that the Russian energy industries are promoting country's national interests. (Orttung 2006:32) The National Security Strategy Act to 2020 which was approved by President Medveded has categorically stated that the use of energy resources to protect and promote Russia's interest around the globe. As the report states: 'Russia's resource potential and pragmatic policy for its use have broadened the possibilities for the Russian Federation to reinforce its influence on the world stage.' (Russia's National Security Strategy to 2020:2009)

Apart from logistic problem what Russia at present facing is that the question of production of oil and gases itself. Whether the existing oil and gas resources can be sustainable for a longer period of time or what next? Numerous studies are coming out which demonstrate that the present production of oil and gas will increase till 2020-2030. After that it will start declining. In 2060 the production rate for oil and gas in 2060 will be around 210-215 million tons per year. Going by the present rate of oil consumption than Russia will be an oil importing country. (Gotz 2005 :231) With the decline in the production of oil and gas the economy will

also suffer a lot. As Alexei Kudrin the then Finance Minister of Russia during an interaction with the Audit Chamber way back in December 2010 forecasted the declining rate of economic growth for the country in the ensuing years. He observed that the oil and gas sector which contributed around 17 % of GDP in 2009 might fall to 13% in 2020. This is a typical case of a rentier economy. (Ria-Novosti, 2010)

At present Russia is supplying bulk of its energy to its external market by using existing and obsolete pipelines which need urgent attention. As per a Gazprom's own statistics 14 % of pipelines served over 33 years and 20 % of pipelines are over 20 years. (Cohen 2009: 102) Due to pilferage in pipelines major chunks of oil and gas lost on the way to its destined market. (Cohen 2009: 102)

Another problematic area for Russia's Energy diplomacy in the neighbouring regions is that due to increase in the prices of oil and gas these states are looking for alternative supply routes. In this regard one can cite the emergence of new pipeline routes like Nabucco as well as the Baku-Ceyhan pipeline. On the other hand, after the increase in the price of gas Russia lost 50 % market in Georgia due to the opening of the Shah-Deniz Pipeline Route and the Baku–Tbilisi–Erzurum pipeline. (Closson 2009: 102) In June 2012 Azerbaijan and Turkey inked a new gas pipeline route(with a ration of 80% and 20%) connecting the Shah Deniz gas field with Europe through Turkey known as Trans-Anatolian natural gas pipeline project (TANAP) constructed at a cost of 7 billion \$. It was expected that the first phase of the project will complete in 2018. Initially, it will carry 10 bcm of gas later on the capacity of the project will expand to 60 bcm per annum. The operation of this route will have a dent on Russian energy policy as it will diversify Azerbaijan's supply route. (Reuter:2012)

Conclusion

Going by some of the hypotheses stated above as well as looking at both the theoretical paradigm as well as empirical inferences discussed in the paper, in a nutshell, one can state that energy is assuming as a 'short-term weapon' for foreign policy strategy of Russia in the global politics. The present author is using the term 'short term strategy' is due to the fact that there are lot of uncertainty associated with energy. For instance prices may fall, importing country may diversify their energy need, etc which hinders Russia to pursue an aggressive energy policy. Despite these limitations, at the domestic front, political elite of Russia are also using the energy profit to boost up their own image and at the international front ' Coercion' and 'cooperation' are two major instruments what the Russian policy makers are employing while pursuing energy

foreign policy. In this regard one can cite the example of Russia's policy towards Ukraine, Moldova, and Belarus who act as transit states for transportation of energy or some of the energy producing states like Turkmenistan, Azerbaijan or Kazakhstan, etc in its own CIS sphere of influence and the traditional energy importer like the EU.

By employing the Waltzian notion of 'asymmetric interdependence' Lieberman's theory of 'relative gain' so also the Drezner's 'economic coercion model' as well as the Keohane and Victor's 'regime complex' and the Heckscher-Ohlin-Samuelson model in the context of Russian energy diplomacy one get certain useful inferences which helps in understanding the nuances of Russian energy diplomacy in totality. One thing that should be kept in mind is that these theoretical models can be contextualised in the different phases of Russian energy diplomacy rather than applying them in a broader framework. In future, research in this area scan be done by linking up the Russia's resources nationalism and its perception towards global geopolitics. This might helps in understanding the pulse of global conflicts in a much better way.

Notes

¹ The author is grateful to the anonymous referee for highlighting this point.

² As outlined by Waltz, 'Asymmetric Interdependence' refers to a process in which 'parties [states] that are not mutually dependent but in some ways affect each other.' (Waltz 1979:157)

³ This theory is based on the assumptions that a country will export more if it has comparative advantages over trading partner in a bilateral trade-negotiation or at a multilateral forum over factors of production like land, labour, capital. The same trade pattern Soviet Union also followed with the West European states. Despite bitter ideological struggle, the Soviet Union tried to energy because of its comparative advantage over energy and the West European states over capital. This resulted in perfect equilibrium. (Gowa and Mansfield, 1993p.,415, Blaug,1992,p.286)

⁴The monograph made certain glaring remark regarding the oil industry of the Soviet Union. It observed: 'The Soviet oil industry is in trouble. Soviet oil production will soon peak, possibly as next year and certainly not later than the early 1980s. The maximum level of output reached was around 11 and 12 million barrels per day (b/d)- up from the 1976 level of 10.4 millionb/d and not likely to be maintained for long, however, and the decline, when it comes will be sharper.' 'The Impeding Soviet Oil crisis'(March 1977),

⁵ Olcott, Martha Brill (2004: 17).

⁶ In terms of external and geopolitical orientation of the energy foreign policy, the report argues: 'The State energy policy must be directed on the change from the role of supplier of raw resources to the role of substantive member of the world energy market. The strengthening of Russian positions on the world oil markets and on the gas markets is a strategically important task nowadays...Forming of the common energy and energy and transport infrastructure in the regions of Europe and Asia, development of the international energy and transport systems, providing of the undiscriminatory transit of energy, answer the strategic interests of Russia.' (The Energy Strategy Of Russia For The Period Of Up To 2020', Ministry of Energy of the Russian Federation, Moscow, 2003, p.12)

⁷ “The Foreign Policy Concept Of The Russian Federation”, Approved by Dmitry A. Medvedev, President of the Russian Federation ,on 12 July 2008, (www.russianmission.eu/userfiles/file/foreign_policy_concept_english.pdf).

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