

PONARS Eurasia Policy Conference

**Policy Memo Nos. 58-84
Washington, D.C.
September 25, 2009**

**Program on New
Approaches to Research
and Security in Eurasia**

About the Eurasian Strategy Project and PONARS Eurasia

The geopolitical space of Eurasia and the security challenges that arise within it require strategic thinking, as well as specific regional expertise and insight. As we approach the passage of two decades since the end of the Cold War and the breakup of the USSR, it has become apparent that the Eurasian continent is a dynamic space, which must be conceptualized, understood, and engaged wisely. The Eurasian Strategy Project places the states of Central Asia, the Caucasus, Eastern Europe, and Russia in the context of their development as part of the entire Eurasian landmass. The project aims to look at issues that are truly Eurasian in scope and to bring attention to the insights and understanding we can have only by thinking of the region as a linked and interrelated whole.

In particular, through publications, conferences, and meetings, the Eurasian Strategy Project seeks to promote structured interaction between the academic, think tank, and U.S. policy communities. The core of the project is PONARS Eurasia, the Program on New Approaches to Research and Security in Eurasia, an international network of over 60 social scientists seeking to promote scholarly work and policy engagement on transnational and cross-border issues, as well as comparative political and public policy topics, within the Eurasian space.

The Eurasian Strategy Project is located at the Edmund A. Walsh School of Foreign Service at Georgetown University. The project is funded by the International Program of the Carnegie Corporation of New York and is grateful also for the support of the Center for Eurasian, Russian and East European Studies at Georgetown University. The views expressed herein are those of the authors alone; publication in this series does not imply endorsement by the Eurasian Strategy Project, Carnegie Corporation, or Georgetown University.

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Staying the Arctic Course

An Offer for Cooperation That Russia Cannot Refuse

PONARS Eurasia Policy Memo No. 58

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September 2009

Two years after the sensational expedition that planted the Russian flag on the North Pole, and a year after the peak in world oil prices, international attention to Arctic geopolitics has visibly dissipated. Russia, however, continues to prioritize the Arctic, which is mentioned several times in its May 2009 National Security Strategy. It is also the main focus of an ambitious document on the “Fundamentals of State Policy in the Arctic to 2020,” issued in September 2008. All that is needed is a legal claim to add vast underwater territories to Russia’s Exclusive Economic Zone (EEZ) in the Arctic Ocean, a document that was to be submitted to the United Nations Commission on the Limits of the Continental Shelf (CLCS) in 2008, but is still not ready.

Is Arctic Oil Worth the Bother?

The main justification for Russia’s interest and policy in the Arctic is the imperative to secure exclusive control over the Arctic’s natural resources. The most frequently cited estimate (the U.S. Geologic Survey’s “Circum-Arctic Resource Appraisal”) suggests that the Arctic basin may contain 20-25 percent of the world’s undiscovered oil reserves.

Most Russian commentators are so hypnotized by the thought of 90 billion barrels of oil in the Arctic that they fail to recognize that this quantity is, in fact, three times less than Saudi Arabia’s proven reserves and that the bulk of the resources are located in the Barents and Alaskan shelves, not subject to significant maritime claims or counter-claims. As for the areas it could explore, Russia is in no rush to conduct preliminary explorations in the East Siberian or Chukchi seas, and it remains nowhere near launching its first offshore project in the Prirazlomnoye oilfield south of Novaya

Zemlya.

Russian natural gas production in the Arctic is making marginally better progress. The Shtokman project, in cooperation with Total and StatoilHydro, signifies a real breakthrough in offshore production for Gazprom. However, Russia's onshore gasfields in Yamal constitute the main resource base for Gazprom in the medium-term; beyond these, it is far more important for Russia to explore the rich promises of East Siberia than to try to tap into the undiscovered riches of the Arctic shelf. Precluding access for fast-moving competitors may be a rational goal, but it is one that must be weighed against the uncertainty of future gas demand.

It is understandable that the Russian leadership (which takes Gazprom's interests to heart) and many in society (who expect oil revenues to trickle down) continue to see the future in terms of a global "struggle for resources." Nonetheless, as the prospect of another protracted stagnation of oil prices looms, the notion that high demand for hydrocarbons can be taken for granted is finally losing ground, and the message that Russia will not be able to function as a "petro-state" is at last being heard.

The Risks of Virtual Militarization

This, however, has not diminished Russia's fixation on the Arctic. It was probably a coincidence that Vladimir Putin, as president of Russia, announced the resumption of "strategic patrolling" by Russian long-range aviation soon after the North Pole expedition. Combined with increased activity by the Northern Fleet, however, the timing gave the impression that Russia was seeking to build up and exploit its military superiority in the so-called Arctic theater to establish a position of political strength. This impression was further reinforced by a plan, outlined in the "Fundamentals of State Policy in the Arctic," to deploy to the North a grouping of conventional forces "capable of ensuring military security in different military and political situations."

Russia's Arctic "militarization," however, largely amounts to a combination of self-deception and bluff. Its strategic aviation barely manages to perform a monthly patrol with a couple of unarmed bombers, providing easy training opportunities for Norwegian and Canadian interceptor-fighters. As the maintenance infrastructure on the Kola Peninsula deteriorates, the Northern Fleet is hardly able to sustain its Atlantic cruises. Murmansk fishermen are unable to rely on naval protection against alleged harassment by Norwegian inspectors, and sending a couple of submarines to show their periscopes near the U.S. coast was a far from impressive demonstration. The most humiliating setback in Russia's plans to modernize its strategic arsenal has been the series of Bulava missile test failures. Without the Bulava, Russia's new generation of Borei-class nuclear submarines cannot be commissioned.

The creeping trend of Russian de facto demilitarization is benign but not risk-free. It includes a reduction in strategic forces far below the limits currently being discussed with the United States, as well as deep cuts in conventional forces which make talk of any Arctic grouping completely surreal. Moscow has been lucky that no aging Tu-95MS *Bear* bombers have malfunctioned during Arctic patrols and that the failures of the Bulava have not produced any collateral damage. However, a further "degradation-defying" increase in Arctic military activity could be a disaster in the making.

Moreover, even after 17 years of U.S. Cooperative Threat Reduction (CTR) assistance, the northern Kola Peninsula remains an area with an extremely high concentration of nuclear weapons, reactors, and waste.

Beyond Realpolitik

Although no Arctic resource rush or arms race is on the horizon, it is difficult to persuade the realists in Moscow of this fact. For the Russian leadership, military force remains the ultimate instrument in the geopolitical competition over natural resources. Every exercise in Norway or Iceland by the North Atlantic Treaty Organization is seen as an encroachment upon Russian positions. Russian Security Council secretary Nikolai Patrushev has asserted with deep conviction that “the United States, Denmark, Norway, and Canada are conducting a common and coordinated policy to deny Russia access to the riches of the [Arctic] shelf.”

This self-perpetuating perception is fueled by more than remnants of old thinking and recycled propaganda clichés. Russia’s assertion of “natural” ownership rights over a large part of the Arctic waters and shelf has deep roots in national identity. While Kremlin-directed attempts to construct a national idea generally have failed, one of the few premises to resonate strongly with the public is that Russia, by its very nature, is a Northern state and, as such, is entitled to particular privileges in deciding the Arctic’s fate. Russia’s Northern identity does not have that long a history, but this vision of a Russia belonging in the North, one existentially connected to the Arctic, is still remarkably strong.

It was Joseph Stalin who first tapped into this political resource, inventing the “conquest of the North.” He managed to keep this romantic notion separate from the enormous tragedy of the Gulag, largely made up of the northern “archipelago” of prison labor camps stretching from Solovki to Magadan. In the autumnal years of the Soviet Union, the so-called “Siberian curse” (a phrase coined by Fiona Hill and Clifford Gaddy) made it extremely difficult to supply northern cities like Norilsk or Vorkuta, as demand and transit challenges increased beyond dwindling state capacity. Prime Minister Putin believes that this curse can be beaten by channeling Russia’s new oil rent; to his credit, he has managed to revive public enthusiasm to “go North.” However, such enthusiasm has yet to translate into meaningful mobilization. Today, Putin loyalists, like Patrushev and first deputy prime minister Sergei Ivanov, freely exploit a discourse of Nordic identity and Arctic belonging, a contrast with their usual self-proclaimed pragmatism.

The Arctic Dimension of the Obama-Medvedev “Reset”

The real importance of the Arctic may lie in the opportunities it holds for strengthening U.S.-Russian cooperation. The much-advertised “reset” was not quite accomplished at the July 2009 Moscow summit; the easing of tensions did not resolve problems like Iran or Georgia, and it did not lay the groundwork for any joint efforts beyond nuclear arms control. The reduction of strategic nuclear arsenals was the logical focus for an initial breakthrough, even if the aim of replacing START I with a new treaty by the end of 2009 turns out to be unrealistic. With regard to the Arctic, new joint projects to manage

nuclear risks are badly needed; building confidence and setting lower ceilings would at least help demilitarize its Russian sector.

Cooperation, however, must extend beyond the very narrow sphere of arms control. Climate-related issues, a high priority for U.S. President Barack Obama, could be one area for further cooperation. Beyond empty rhetoric, though, Russia has shown little interest in cutting emissions or developing alternative energy sources. The growing debate over the agenda of the UN Climate Change Conference in December is unlikely to change this indifferent attitude. With pollution in Norilsk recognized as a major health hazard, a broader environmental agenda might be more promising, but Moscow is unlikely to give much attention to the question of damage done, for example, to the West Siberian tundra by oil and gas production. It is also questionable to think that Moscow would be interested in an in-depth discussion of the well-being of indigenous peoples. For Gazprom, the idea that native Nenets and Khanty could have rights to a share of Yamal resources is absurd.

A range of joint scientific projects in oceanography, volcanology, and, especially, shelf exploration could serve as promising starts to a cooperative U.S.-Russian Arctic agenda. Although Russia has strong scientific schools in various relevant disciplines, some crucial capabilities are missing, especially in deepwater drilling. One advantage of Russia's Arctic research (as well as commercial shipping in the Arctic seas) is a premier fleet of icebreakers, including the new nuclear giant *50 Let Pobedy* and the diesel icebreaker *St. Petersburg*; a new research ship (Project 22280) is also under construction and scheduled to make its first voyage in 2011. As maritime trade has shrunk due to the global recession, these ships are mostly serving tourists. They could be even better employed by scientists.

What would greatly expand avenues for cooperation, as well as lessen geopolitical tensions, is the long-overdue ratification by the U.S. Senate of the UN Convention on the Law of the Sea (UNCLOS). Moscow suspects that Washington has particular maritime ambitions that are incompatible with UNCLOS; it has not forgotten that Russia's claim for expanding its Arctic EEZ was turned down in 2002 by the UN Commission on the Limits of the Continental Shelf due not only to insufficient data, but also to a demarche from the U.S. State Department. A new Russian claim incorporating results from joint research would signify a new tenor in bilateral relations and help move Russia and the United States from "reset" to a real political breakthrough.

U.S.-Russian Strategic Arms Control

Back to the Future?

PONARS Eurasia Policy Memo No. 59

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September 2009

After a seven year hiatus, the United States and Russia have resumed active dialogue on a new strategic arms reduction agreement to replace the 1991 START I treaty, which is due to expire on December 5, 2009. During their July 2009 summit, U.S. President Barack Obama and Russian President Dmitri Medvedev issued a joint statement outlining the basic content of this future agreement. The statement reflected the interest of both administrations in successfully reaching an agreement by December. Indeed, between April and early July, U.S. and Russian diplomats already had concluded four formal rounds of consultations during a cumulative two weeks of meetings. This ambitious timeframe represents a certain progress; during the Cold War, negotiating a similar text would have taken months, if not years.

A New Interest

In the early 2000s, the prevailing opinion in the United States was that bilaterally negotiated nuclear arms control was a thing of the past. Arms control agreements limited the U.S. military's freedom of action. Moreover, many anticipated a decline in the Russian arsenal to several hundred deliverable strategic warheads regardless of Moscow's international obligations, because of Russia's own economic concerns. In other words, it was not in Washington's interest to enter into lengthy strategic arms control negotiations and, in so doing, risk accepting irksome restrictions and intrusive transparency measures in exchange for something that could be achieved without any agreement.

Eight years after George W. Bush's administration abandoned the U.S.-Russian Anti-Ballistic Missile (ABM) treaty, however, Washington has exhibited a renewed interest in bilateral strategic arms control negotiations. This revived enthusiasm is based on a number of factors. First, Article VI of the global Nuclear Nonproliferation Treaty (NPT), which remains a high priority for the United States and Russia, requires nuclear powers to conduct negotiations on nuclear disarmament. The expiration of the START I Treaty, without replacement, will provide potential proliferators with a pretext for their own efforts to erode the NPT. If a new agreement is not concluded, Moscow and Washington will undoubtedly find themselves as the targets of criticism during the next NPT Review Conference in spring 2010. Hopes for improving the NPT regime at the conference could thus evaporate.

Second, the United States accords new weight to the use of diplomacy in pursuit of its strategic goals. Under the Bush administration, the United States often seemed to sincerely believe that nonproliferation goals could be achieved without complicated and painstaking multilateral diplomacy, but rather through a combination of regime change and missile defense technology. The events of 2003-2008 proved these assumptions wrong; a policy of forcible regime change has come to be seen as costly, counterproductive, and not always feasible, while the capabilities of missile defense technology have yet to be suitably demonstrated.

Third, the quality of the U.S.-Russian relationship still necessitates such bilateral agreements. Historically, strategic arms control has played a stabilizing role in bilateral relations, not only by regulating mutual nuclear deterrence, but also by offering a permanent channel for diplomatic interaction. It has survived several major crises, including Soviet intervention in Afghanistan, the collapse of the Soviet Union, the first round of the North Atlantic Treaty Organization's eastern enlargement, and the war in Kosovo.

Strategic arms control might be disregarded today if the United States and Russia had been able to develop a true partnership after the Cold War (Western allies, after all, have no need for nuclear arms control). However, the trajectory of U.S.-Russian relations has gone in the opposite direction; especially since the mid-2000s, relations between Moscow and Washington have steadily degraded, leading the United States and Russia nearly to direct confrontation in August-September 2008. The need for the stabilizing influence of strategic arms control is again evident.

Fourth, Russia's economic recovery has cast doubt upon the previous decade's downward estimates for the country's nuclear arsenals. In recent years, Russia has conducted flight tests of maneuverable strategic warheads, a new type of intercontinental ballistic missile (R-24), and two new types of submarine-launched long-range ballistic missiles (*Sineva* and *Bulava*). It has also launched a new Borei-class strategic nuclear submarine. The expiration of START I in December 2009 leaves U.S. military planners without a uniquely intrusive verification regime at a time when Russia's nuclear forces are being revitalized. Without a new agreement, the United States and Russia will have to rely on unilateral, national technical means, which are unlikely to provide the same level of confidence and transparency as a negotiated arms control verification regime.

Finally, both presidents have personal reasons to conclude a new treaty. Medvedev needs to consolidate his domestic political standing; he can help do this by building new and improved relations with the United States while negotiating an important international agreement. Obama, too, needs a foreign policy success in order to establish his own credibility in international relations and show that he does not depend solely on the foreign policy heavyweights on his team.

Together, these factors make a compelling case for successful negotiations, although the present momentum could be cut short if the domestic political environment in either country changes dramatically in the coming months.

The Challenges Ahead

U.S. and Russian interest in negotiating a new strategic arms reduction treaty does not automatically guarantee a successful result. Both sides need to overcome serious differences and disagreements in a short period of time. After six years of no meaningful strategic arms control dialogue, Washington and Moscow have undertaken the ambitious task of negotiating a treaty in just eight months (START I, by comparison, took eight years).

This short window for negotiations is complicated by two other factors. During the negotiation of START I and other agreements, U.S. and Russian negotiators conducted dozens of rounds of formal multi-week talks. By comparison, the post-START I treaty is being negotiated during rounds of short “consultations” that have lasted only a few days each. This schedule does not compensate for the shortage of time and, in fact, further compresses the time spent in negotiations.

The second problem is the U.S. Nuclear Posture Review, a document that determines the status, structure, and targeting of U.S. nuclear forces. The current review is to be concluded by December 1, 2009, a few days before the expiration of START I. Hence, the Obama administration is discussing a nuclear arms reduction agreement with the Russian government unsure of the United States’ nuclear priorities. Without a complete review, the United States faces difficulties in formulating its negotiating position, making it highly unlikely that a meaningful treaty can be concluded before the expiration of START I.

To date, U.S.-Russian consultations have been held behind closed doors, and little is known about their substantive points. Publicly, however, Russia has stated its priorities as the codification of interdependence between strategic nuclear reductions and missile defense; the prohibition of strategic nuclear deployments outside of national territories; and the prohibition of non-nuclear strategic delivery vehicles. In the joint statement issued at the July summit, the United States generally accepted the first two priorities and agreed to continue consultations on the third. It remains unclear, however, how a highly sensitive issue like missile defense will be incorporated into the new document. Additionally, Washington will probably try to remove from the restrictions strategic delivery vehicles reoriented for non-nuclear missions (like bombers).

Missile defense and non-nuclear delivery vehicles may be challenging issues, but others may be even more difficult to settle. These other issues can best be simplified to

the questions of how to count and how to reduce. The United States and Russia are in different stages of modernizing their strategic forces. In Russia, the bulk of the deployed strategic missiles and bombers were produced before the collapse of the Soviet Union, and a majority of them must be decommissioned in the coming decade. Moscow is thus interested in negotiating lower ceilings in order to avoid having to invest too much in producing and deploying new systems to replace decommissioned ones.

The United States' systems will last longer, and its deployed arsenal is also larger than Russia's (approximately 1,200 delivery vehicles to 800). Washington may thus want to maintain higher ceilings in order to keep relatively modern systems operationally deployed. Further reductions also could require making significant changes to targeting policy, but this cannot happen before the completion of the Nuclear Posture Review. In the July 2009 joint statement, the upper limits for the future agreement were set at only slightly lower levels than existing U.S. deployments, confirming Washington's hesitance to pare down its arsenal further (1,100 delivery vehicles with 1,675 associated warheads).

This asymmetry may well revive old disagreements, with Russia insisting on START I-style counting rules. According to Moscow, not only should operationally deployed weapons count against treaty limits, but so should, for example, nuclear submarines in dockyards. The United States, on the other hand, will likely be interested in narrower rules that permit it to exempt a considerable number of warheads from treaty restrictions. One such option would be to count only operationally deployed systems, excluding a system if it is located in a base or dockyard.

The method of weapons reduction presents another sticking point. Since Russia will have to eliminate its outdated missiles and bombers anyway, it is free to seek the physical elimination of over-quota delivery vehicles, either by destroying them or using them to deliver satellites into orbit. The United States, by contrast, may wish to insist on less radical methods. Delivery vehicles slated for elimination could be transferred to non-nuclear missions; for instance, their stages could be stored for later use to make anti-missile interceptors. Another option would be to download warheads, removing several from a delivery vehicle, while maintaining a necessary minimum. During the negotiation of the 2002 Strategic Offensive Reduction Treaty (SORT, or the Moscow Treaty), Russia objected to the generous use of downloading. The Kremlin was concerned that downloaded warheads could rapidly be returned to carriers.

Verification is another serious problem. Both sides agree on the need to have an efficient verification regime. At the same time, they want the new regime to include a streamlined version of START I verification, which is considered needlessly complicated and expensive. However, negotiating numerous difficult technical details will require long meetings between subject experts, for which the recent framework for consultations does not leave sufficient time.

How to Move Forward

Even a brief consideration of the existing challenges suggests that the conclusion of a new agreement before the expiration of START I will be a miracle. The United States and Russia will probably have to think about intermediate options, both to demonstrate

progress and to maintain necessary momentum for further talks.

The most logical solution would be to prolong START I for a period of time and to continue talks without the pressure of a fast-approaching deadline. This option may not be possible legally, however, since the Treaty's Standing Consultative and Inspection Commission (SCIC) has failed to adopt a formal decision in advance to prolong the agreement, as required by the Treaty's provisions.

The second option would be to produce an "easy" document like the 2002 Moscow Treaty. At only three pages long, however, SORT does not contain any verification provisions, counting rules, or methods of reduction, making this option an unappealing one. Such a document would inevitably be interpreted as a reflection of the Obama administration's failure to adopt a more creative approach to strategic arms control than that of its predecessor, or to overcome the latter's negative legacy. Moreover, a short document will not save Russia and the United States from international criticism and will hardly help them mobilize support for strengthening the NPT regime. Finally, the Moscow joint statement's content is too ambitious to be accommodated by an agreement similar to SORT.

The third option is to negotiate a framework agreement that will contain relatively detailed, but basic, provisions for a future full-scale treaty. Such an agreement would demonstrate that the United States and Russia have made considerable progress but, at the same time, that they take their disarmament obligations seriously and do not want to rush another empty document.

The major deficiency of this option will be the absence of any legally binding strategic arms control agreement after START I expires in December. SORT, which is based on the START I verification provisions, would also be left up in the air. However, this could be solved with a voluntary commitment from both sides to continue observing START I verification provisions for a limited period of time until a replacement agreement has been negotiated.

The Geopolitics of Resurgent Russia

How Medvedev's Russia Sees the World

PONARS Eurasia Policy Memo No. 60

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September 2009

Under President Dmitri Medvedev, Russia has begun the complicated process of redefining its role in international affairs. While this process is grounded in the achievements of the pre-Medvedev era, Russia in 2009 differs greatly from the Russia of just one or two years ago, making some of Medvedev's foreign policy initiatives appear out of place (e.g., his August 2009 open letter to Ukrainian President Viktor Yushchenko). To fully understand Russia's intentions and behavior, we must first understand Russia in its own context, particularly its geography (borders), demography, resources, and economic structure.

With no natural boundaries in the northwest or south, Russia's borders are an objective weakness causing Moscow to take seriously any "hard" or "soft" threats originating in these regions. Russia has always pressed westward toward the northern European plain, while Europe has always pressed eastward, most recently through the expansion of the European Union and the North Atlantic Treaty Organization. To the south, concern is especially high with regard to the Russia-Kazakhstan border, Central Asian borders with Iran and Afghanistan, and Russia's potential weakness along China's western border. Due to its geographical location, vast and largely unguarded borders, and relatively poor transportation, Russia faces an important strategic problem; if the country were attacked along its entire periphery, it would be nearly impossible to protect it, as the mobilization and deployment of conventional forces would be difficult and slow-moving.

Another factor driving Russian foreign and security policy is the lack of useful

seaports. Kaliningrad is not connected to the main body of Russia, while the Gulf of Finland freezes in the winter, isolating St. Petersburg. The only true deep warm water ocean ports are Vladivostok and Murmansk, but these ports are too far from Russia's core to be useful.

Geographically, Russia is perfectly situated to serve as the natural junction between East and West, South and North, but this requires a special strategy and policy. Russia has to carefully maintain and protect its communication system and to support state-controlled companies responsible for railroads, channels, and seaports. The geopolitical paradigm is both relevant to Russia and a crucial element of its strategic culture.

Demography also has a significant impact upon the strategic culture of contemporary Russia. Many experts believe Russia is facing a demographic crisis, as the current population of 144 million people is expected to decline to 125 million by 2050. Given Russia's demographic trajectory, the Far Eastern and Siberian regions will likely struggle with severe depopulation, and the relative number of ethnic Russians will also decline. This might lead to a special migration policy for China and Central Asian states. Moreover, Russia's ability to field a military may be called into question. A smaller conventional force may lead Moscow toward an increasing reliance on its nuclear arsenal in order to rebalance the military equation and ensure territorial integrity.

Natural resource abundance and the structure of the Russian economy also increase the relevance of geopolitics. 21 percent of the world's raw resources lie within Russia's borders, including 45 percent of the world's natural gas, 13 percent of its oil and 23 percent of its coal. As a consequence, since 2000, the Russian government has chosen to deemphasize industrial development, opting instead to reinvent Russia as an exporter of natural resources, minerals, lumber, and precious metals. These resources serve a dual purpose, making Russia independent of the outside world while giving it the ability to project power.

Natural gas and oil might be considered a political weapon of sorts, but the utility of this so-called weapon is limited. Although it gives Russia an economic base that can be sustained despite a declining population (since resource production is less labor-intensive), it makes Russia highly vulnerable to the whims of partners and consumers. Mutual economic dependence between producer and consumer does not help to develop a long-standing partnership, as both parties are inclined to attempt to minimize that dependency. Russia needs more reliable means for sustaining economic development and maintaining a good standard of living.

In order to deal with all these contributing factors, Russia must address such issues as buffer zones, pipelines, new consumers, and strategic nuclear weapons. Moscow should be interested, too, in supporting the status quo in neighboring Central Asia, which serves as protection against uncontrollable developments.

Medvedev's New Foreign Policy

In July 2008, the new Russian Foreign Policy Concept was approved, and early in 2009, the Kremlin released the new Russian National Security Strategy. Both

documents, which replace earlier concepts adopted during Vladimir Putin's presidency, outline new priorities for Russian foreign and security policy. They state that a just and democratic international order should be based on collective decisionmaking, equal relations between states, and the rule of international law, with the United Nations playing a central role. A strong international influence is not considered one of Russia's direct goals; it is subordinate to other priorities, such as the need for domestic economic development. The economization of foreign policy, rather than power politics, is the main priority for Russia today.

Russian political elites understand that Russia is not able to achieve its interests alone; it needs cooperation and partnership. However, the question remains: who will that partner be? Russia's foreign policy doctrine does not specify that partnerships should be based on common values. Russia, unlike many Western states, does not seek to partner with like-minded countries but to create broad coalitions with varying states and institutions. Such a multi-directional Russian foreign policy is a natural consequence of the country's position at the crossroads of Europe and Asia.

President Medvedev's foreign policy appears to consist of preserving traditional ties with the countries of the Commonwealth of Independent States (CIS) and making Russia a full-fledged member of the developed world. Russia has a potentially key role to play in Eurasia as it seeks to create parallel security structures and institutions to prevent unfriendly interference in what Moscow views as its sphere of "privileged interests."

At the same time, Russia sees the European Union as one of its key political and economic partners and thus seeks to promote intensive, sustained, and long-term cooperation with it. Unfortunately, as evidenced in recent years by a variety of asymmetric dialogues, the EU as an institution has little interest in the economization of EU-Russian relations. As a result, Russia pursues bilateral relations with individual states, particularly Germany and Italy, as a substitute to EU-Russian relations. Russia's main strategic goal today is to preserve its national, economic, and cultural identity, while maintaining its strategic partnerships with neighboring states and institutions. Medvedev has demonstrated his interest in building trustworthy relationships with any partner who puts pragmatism and economics first.

Russia's integration into reformed international and regional security structures must also be resolved in a positive way. Russia is an important partner in the pursuit of many of the West's foreign policy goals, including combating international terrorism and organized crime; stopping illegal drug trafficking; nuclear nonproliferation; conventional arms reductions; and illegal migration. Moscow believes that the time is right to start a new round of consultations and negotiations on a new European security agreement.

As a partner in trade and security, as well as a direct neighbor, Russia has a vested interest in promoting stability in Central Asia. Russia pursues two main goals in the region: keeping its allies close and continuing military cooperation within the CIS. This implies the expansion of Russia's military presence and influence in the region.

Although Russia has sought to preserve its military position in Central Asia since

the collapse of the USSR, the last decade has seen the EU and the United States undertake more active policies toward the region as well, though each for their own reasons. Russia turned its attention to the region at the start of Vladimir Putin's presidency in 2000, while the area gained significance for the United States and the EU with the beginning of military operations in Afghanistan in 2001. The policies of all key actors in the region, though, are defined by shared concerns about radical Islamic organizations, drug trafficking, and, to varying degrees, natural resources such as gas and oil. Russia is less concerned than NATO members with ideology and democratization, preferring to pay more attention to political stability and predictability. Moscow and the Central Asian capitals see any interference in the domestic affairs of the region as promoting or catalyzing the destabilization and disintegration of its states. For that reason, Central Asian regimes find Moscow a more comfortable partner than the EU or the United States, which are seen as paying too much attention to democratic transformation and liberalization.

Russia, then, has declared a special sphere of interest in the former Soviet Union built upon friendly relations with CIS countries and strengthening military cooperation within both the CIS and the Collective Security Treaty Organization (CSTO). The CSTO aims to create a unified special rapid-reaction force "capable of repelling any threat from outside." It is to be composed of 10 battalions, with the added protection of a unified air defense system, and financed equally by all CSTO members.

Conclusion

An assessment of relations in Eurasia between the West and Russia prompts the question: what can each side offer the other? How can both parties contribute to the formation of a new system of international relations? Changes in the structure of the international system, particularly the emergence of new centers of influence, have altered many countries' attitudes toward traditional problems. Globalization, too, has changed the way in which states develop, as permeable borders and the movement of capital, people, and information diminishes the possibility of states and regions developing independently.

Russia's so-called "resurgence" on the international stage is a natural phase in the country's revival after one of the most significant recessions in its history. Russia's new foreign policy is not accompanied by remilitarization and aggressive policies; in fact, defense spending remains low despite an urgent need to address the decay of Russia's military and defense industry. The country's military activity beyond the post-Soviet space is far less than that of NATO, the EU, and the United States.

There is a broad spectrum of parallel and overlapping Russian-Western interests in Eurasia, which gives both sides the opportunity for a new beginning. Without an actively involved Russia, it will be very difficult and expensive to achieve stability and security in Eurasia.

Does Russia Want the West to Succeed in Afghanistan?

PONARS Eurasia Policy Memo No. 61

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September 2009

As in the United States, Russia's policy on Afghanistan has recently undergone an evolution of sorts, prompting speculation about Moscow's "true" motivations for engagement. Two prominent assessments of Russia's agenda in Afghanistan dominate the discussion. The first is that Moscow offers genuine, if tactical, support to the West on several issues of shared importance, such as antiterrorism and counternarcotics. The second is that Russia is operating within a familiar "zero sum" framework and tacitly hopes to see the United States and the North Atlantic Treaty Organization fail in Afghanistan. As this memo argues, both of these perspectives are oversimplified. Neither identifies the main dilemma Russia faces: whether to prioritize its own genuine interests in Afghanistan or to use the country instrumentally as a way to improve Moscow's standing on other, not necessarily related, security issues.

Russia's Genuine Interests in Afghanistan

After a relative lack of interest in the 1990s, Russia's attention to Afghanistan and the neighboring region has increased gradually, especially since the mid-2000s. In 2008 and 2009, new nuances appeared in Russia's policy toward Afghanistan, some seemingly in conflict with others.

On the one hand, Afghanistan has been central to the latest normalization of security relations between Russia and NATO and the United States. Their rapprochement culminated in an agreement on U.S. military transit to Afghanistan through Russian territory, signed during President Barack Obama's visit to Moscow in July 2009.

On the other hand, a potential "new Afghan policy" that departs from the conventional approach has been under discussion, at a semi-official level, since early

2009. Elements of this suggested policy include developing more active ties with Pashtun groups, possibly talking with “moderate” Taliban, radically upgrading Russia’s economic relations with Afghanistan, and posing a kind of “peaceful alternative” to the “military dominance” of NATO and the United States.

Understanding these conflicting signals requires an examination of Russia’s interests in Afghanistan. Some directly relate to the country and involve Russia’s genuine, even vital, concerns, especially in terms of human security. Other interests are more instrumental and relate to Afghanistan only indirectly, if at all. While all these interests are legitimate to one degree or another, it is important to understand which ones are the main drivers of Russia’s Afghanistan policy.

Apart from limited economic interests in the reconstruction of Afghanistan’s Soviet-built industry and infrastructure and the exploration and exploitation of the country’s natural resources, Russia’s most direct, genuine interest in Afghanistan is to curb the mass outflow of illicit drugs (mainly opiates) from the country. This drug trade is a primary threat to Russia’s human and national security, comparable to more traditional security threats. According to the United Nations Office on Drugs and Crime (UNODC), in 2006 the share of Afghan opiates passing through the Northern (“Silk”) route was less than 15 percent of the total, while more traditional routes were more heavily utilized (53 percent through Iran and 33 percent through Pakistan). The share of heroin in Russia’s opiate consumption has also marginally declined. However, illicit opiates passing through the Northern route are now destined primarily for Russia’s domestic market; only a limited share continues on to European markets. While Russia needs to reduce domestic demand and strengthen interdiction, the much larger problem lies on the supply side, given the sheer size of Afghanistan’s opium economy. In sharp contrast to an unprecedented 90 percent reduction of illicit crops in Taliban-held territory following a strictly enforced prohibition of opium cultivation in 2000, the opiate output in post-Taliban Afghanistan has surged exponentially. According to the UNODC, the area used for poppy cultivation increased by 95 percent between 2001 and 2007.

Russia cannot make any significant progress in tackling its illicit drug threat unless the opium economy in Afghanistan is significantly reduced. Russia itself has no control over the source of the problem. Thus, it is in Moscow’s best interest to support any force or arrangement in Afghanistan that will help curb or undermine the opium economy.

Russia’s Instrumental Interests in Afghanistan

In addition to its interest in combating Afghanistan’s drug trade, Russia also increasingly sees Afghanistan as a new trump card in its relations with the United States and NATO. Moscow has viewed the expanded Western presence in and around Afghanistan since 2001 as the product of both genuine security interests and the desire to establish a permanent geostrategic presence in Central Asia.

The decline in relations with the United States and NATO after the August 2008 Georgia war prompted Moscow to make Afghanistan a higher priority. Continuing disagreements on Ukraine, Iran, and plans for U.S. tactical missile deployment in Eastern Europe have underscored the urgent need for a stabilizing common interest to

counterbalance otherwise troubled Russian-Western relations.

The number of potentially unifying issues is limited, however, as they must relate to security concerns common to the United States, NATO, and Russia, as well as be politically relevant to the West. The “global war on terrorism” previously represented common ground for Russia and its Western partners. After eight years, this U.S.-led global campaign has left such a questionable legacy that the new Obama administration has made every effort to narrow the “global counterterrorist” agenda by focusing more closely on the fight against al Qaeda-inspired forces in Afghanistan and Pakistan. The growing imperative to withdraw U.S. forces from Iraq, in conjunction with the Taliban resurgence, has also contributed to the shift of American attention back to Afghanistan. For Russia, then, there can hardly be a better candidate than Afghanistan to serve as a new common interest.

The July 2009 joint U.S.-Russia declaration on Afghanistan, and especially the intergovernmental agreement on military transit, reflects this “instrumental” Russian approach, centered on broader Russian-Western relations and pursued primarily for reasons unrelated to Afghanistan. Allowing the U.S. military to cross its territory has allowed Russia to revive its relationship with NATO, while deemphasizing disagreements in the South Caucasus and keeping NATO largely away from post-Soviet Central Asia. The increase in military transit through Russia also financially benefits certain state structures and government-affiliated corporate interests. The major downside to such an approach is that Russia’s most critical human and national security concern in Afghanistan (illicit drugs) is largely subordinate to the general logic of Russian-Western relations.

A somewhat different approach has surfaced as part of the semi-official discussions around Russia’s “new Afghan policy.” This approach first manifested itself publicly at the Russian-Afghan forum, conducted in Moscow in May 2009 at the nongovernmental level, though it was officially sanctioned and drew marked Pashtun participation. On the positive side, this approach emphasizes the gravity of the problem of illicit drugs coming from Afghanistan, the inappropriateness of military tools and forces for addressing the main security threats related to Afghanistan, and the need for more active Russian economic cooperation with Afghanistan and a greater rapprochement with Pashtun political forces. Problematically, however, it appears to grossly exaggerate Russia’s political and economic levers in Afghanistan and is too demonstratively critical of the U.S. and NATO presence in the region, which is interpreted in a rather oversimplified way as little more than a springboard for the projection of U.S. and NATO military power in Central Eurasia. It remains to be seen if these semi-official discussions will develop into a serious policy alternative, or if they will simply present a more nuanced version of the same Western-centered logic as before, a mere exercise to demonstrate Russia’s growing activity and interest in Afghanistan.

The West’s Role in Addressing Drugs and Conflict in Afghanistan

While they are far from controlling Afghanistan, the United States and the NATO International Security Assistance Force (ISAF) are presently the most powerful actors on Afghan soil. The real question, however, is whether U.S. and NATO forces can

effectively contribute to the reduction of the opium economy. Thus far, the U.S. and NATO presence appears to be of minimal, if any, assistance in solving this problem.

U.S. and NATO interests and capabilities in this field are only partly to blame. Afghan opiates do not threaten the United States directly, and Washington has never hesitated to sacrifice counternarcotics work in Afghanistan for the sake of higher priority issues in the region, such as supporting anti-Soviet *jihād* in the 1980s or antiterrorism in the 2000s. The United States does, however, finance the largest share of counternarcotics efforts in Afghanistan. More recently, the Obama administration has even decided to review its counternarcotics strategy in Afghanistan, moving away from forced eradication. These moves are mostly symbolic and instrumental, however; they are not signs that the United States is pursuing an intrinsically important goal. For instance, the United States' new emphasis on alternative development may have less to do with reducing the opium economy than with avoiding the further alienation of some elites and populations in advance of provincial and presidential elections by moving away from unpopular eradication measures. For its part, NATO struggles to execute counternarcotics tasks, as it does in dealing with many other "new threats." The alliance's haphazard transformation may have extended its purview beyond collective defense, but it has fallen short of transforming NATO into an effective police force or development agency. Although some alliance members, such as the United Kingdom, show genuine interest in fighting illicit drugs in Afghanistan, the willingness to get involved in counternarcotics varies from one member state to another. ISAF as a whole is simply not up to the task.

At a more fundamental level, the problem boils down to the fact that deeply embedded drug economies cannot be effectively undermined by external forces. In the few cases where an opium economy has been reduced (Maoist China, Myanmar since the mid-1990s, and Taliban-controlled Afghanistan in 2000-2001), it was the result of actions by functional national authorities, not external actors. The general functionality of the state is more critical in addressing the conflict-drugs nexus than is a country's political system or the scale of foreign counternarcotics assistance.

To address the threat of illicit drugs, it is, therefore, in Moscow's *vital* national and human security interest to support the creation of functional authorities in Afghanistan, especially in those regions most heavily affected by drugs and conflict. This is a task that the United States and NATO have sought to undertake in their own way, but one in which they have yet to succeed. Their attempts to bolster Afghanistan's weak central government in accordance with externally-driven state-building agendas may have even had an unintended, counterproductive effect on the functionality of governance in Afghanistan. Above all, functionality is undermined by the continuing armed confrontation with the resurgent Islamist Pashtun-dominated Taliban.

The ultimate question is how to significantly improve the functionality of governance throughout Afghanistan, especially in major drug-producing and conflict-torn regions, *under existing conditions*. These include continuing fragmentation of politics, economics, and governance; overdependence of the national government on foreign support; the ambiguous position of key former mujahedeen leaders and forces who avoid full rapprochement with Afghanistan's

pro-Western government but at the same time distance themselves from the violent Islamist opposition; and the armed confrontation with the Taliban, which de facto controls much of the country's southeast, central to Afghanistan's opium economy.

The reality is that neither hard nor soft counternarcotics measures are likely to be effective when drug production is intertwined with an ongoing armed conflict. The problem is not only the use of illicit drugs as a source of funding by armed opposition (which, in turn, shelters drug cultivation and production), or the frequent involvement of state officials in drug-related corruption. More importantly, the ongoing armed confrontation also prevents the establishment of functional governance in drug-producing areas, a *sine qua non* for any serious progress toward reducing illicit crops and drug production.

This has two important implications. First, while the dual problem of drugs and conflict requires an integrated solution, "integrated" does not mean "simultaneous." The interrelated tasks of conflict management and the reduction of illicit drug production can be carried out successfully in the same area, but only if they are tackled one after another. At the earlier stages of the transition to peace, counternarcotics should be subordinated to the achievement of durable ceasefires and basic stability, both of which are necessary to ensure functional governance and a non-confrontational local population.

Second, functional governance in Afghanistan will not be achieved merely by upgrading external assistance or further centralizing the existing government. It requires a combination of some kind of representative national government and functional authorities at the regional and local levels, especially in the Pashtun-populated southeast. It is highly unlikely that such functional local and regional authorities can be established in the middle of an ongoing armed confrontation with the largest and most powerful Pashtun forces – the Taliban.

Conclusion

At present, Russia's policy on Afghanistan remains largely an extension of its NATO and U.S. policy. Even the semi-official discussions about the "new Afghan policy" have not been free from this inferiority complex. For Russia, however, NATO's role in Afghanistan should be assessed based on the extent to which the United States and NATO can contribute to addressing Russia's most significant concern vis-à-vis Afghanistan – the reduction of the opium economy.

The continuation of armed conflict in Afghanistan is not in Russia's interest as it prevents the establishment of functional governance in the main drug-producing regions, without which no counternarcotics measures can be effective. Consequently, Russia should support any real efforts at peace-building in Afghanistan, regardless of who is spearheading them and the political and religious orientation of the potential parties involved.

Whether support for expanded U.S. and NATO military transit will contribute to peace and functional governance in Afghanistan, especially in the most problematic drug-producing and conflict-affected regions, remains an open question. The United

States, NATO, and the Afghan government have failed to curb the Taliban insurgency and have only had a marginal effect on the dynamics of the illicit drug economy. The U.S. and NATO presence, however, will persist. At the same time, the Taliban has repeatedly refused to enter into a formal peace process as long as foreign troops remain in the country. The imperfect, but practical, solution may be to recognize de facto the Taliban's role in the southeast, on the condition that they increase counternarcotics efforts. If Moscow is genuinely interested in addressing the narcotics issue, it should be prepared to support this or other unorthodox options.

Above all, Russia's policymakers should realize that the threat to Russia's human security posed by the mass flow of illicit opiates from Afghanistan is no less important, and possibly even more, than the "success" or "failure" of the United States and NATO in Afghanistan.

Caught in Between

Citizenship, Identity, and Young Ethnic Russians in Estonia

PONARS Eurasia Policy Memo No. 62

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September 2009

Days after U.S. President Barack Obama's Moscow summit and just before Vice President Joe Biden's departure for Ukraine, nearly two dozen former leaders and foreign policy experts from Eastern Europe sent a letter to Obama asking Washington not to "forget" them while it tries to reset relations with Russia. The letter is out of sync with Obama's recent message that, for instance, "Russia's future is up to the Russian people" or "Africa's future is up to Africans." The same should apply to Eastern European societies. These countries have serious problems, some of which are exacerbated and exploited by Russia, including legacies of foreign occupations, politicization of history, and crushing economic crises. Yet their own governments are in a better position to address many issues than are Obama administration officials in Washington. Focus groups we conducted in March 2009 with young Russian-speaking Estonians suggest that, at least in Estonia, elites should think less about Washington and more about Tallinn.

Addressing issues related to Russian-speakers in Estonia is critical for the well-being of Estonia as this population is at the center of a complex set of current and past political conflicts. Many ethnic Estonians resent the presence of a large population of Soviet-era immigrants and their offspring, whom they perceive as occupiers. However, denying citizenship to a substantial portion of Russian speakers, including many who have lived their whole lives in Estonia, fuels the Russian government's hostility, which is already substantial following Estonia's accession to the North Atlantic Treaty Organization and the European Union. Barriers to citizenship not only lend some plausibility to the Russian government's charges of economic and political

discrimination on the basis of language and ethnicity, they are contrary to the citizenship policies of many countries in the Euro-Atlantic community.

Tensions within Estonia, as well as between Estonia and Russia, came to a head in spring 2007 during the “Bronze Soldier” incident, when the Estonian government relocated a statue commemorating the Soviet army’s sacrifice in World War II and reburied the remains of Soviet soldiers. The incident provoked violent street demonstrations, harsh reactions from Moscow, and a cyberattack on Estonia. There have been no confrontations of this scale since then, but tensions and conflicts over ethnic Russians in Estonia have hardly diminished. A recent broadcast on the Russian international news station *Russia Today*, for example, referred to “criminal discrimination” against Russians and characterized the current Estonian government as an “apartheid regime.”

This memo provides new insight into the continuing conflicts over citizenship, identity, and the treatment of Russian-speaking Estonians based on four focus groups we conducted with ethnic Russian young adults residing in Tallinn and Narva in March 2009. Two groups consisted of Russians who had acquired Estonian citizenship (T2, T3), one included those with no current citizenship and who thus hold an “alien” or “gray” passport (T1), and the final group was mixed (N). Although ethnic Russians in Estonia have been the focus of policy and propaganda from various political forces, little research has systematically examined their experiences and attitudes. These focus groups, the first stage of a larger project that will include a random-sample survey in Estonia and Russia, reveal how young people from this ethnic group feel about their situation and prospects.

This memo summarizes some of the most salient themes from the focus groups and makes policy recommendations for defusing tensions based on new empirical data. Russian speakers, particularly those with “gray” passports, expressed considerable alienation and confused national identities; those with blue (citizen) passports tend to be better integrated and more optimistic. Despite their sense of alienation, few see Russia as an answer to their problems. The impact of the Bronze Soldier incident in April 2007 had an enormously negative effect on the views of ethnic Russian citizens and non-citizens alike. Overall, the situation is fluid. If Estonian leaders adopt carefully crafted policies, the country’s Russian speakers could become better integrated. If the government chooses, instead, to reinforce differences or ignore the resentments sparked by its citizenship policies and its actions regarding the Bronze Soldier, then alienation is likely to increase.

Alienation

Many participants said they believe Estonians would like ethnic Russians to leave. One even went so far as to characterize Estonians as a “Ku Klux Klan without clubs: they think to themselves and sometimes say aloud ‘get out of here’ and that’s it. That is their main wish” (T1). Others reported incidents in which they were told they were not welcome in Estonia and should go back to Russia or cases in which they believe Russian speakers were discriminated against by employers, teachers, or officials.

Feelings of alienation were most pronounced among gray passport holders, who

explicitly linked their discontent to a lack of citizenship. “I am primarily concerned with the citizenship issue. Why do we have gray passports? We were born here, and we don’t have Estonian passports. I was born here. I pay taxes, and I am no one here” (N). Another commented, “I was also born here and also don’t view Estonia as my Motherland [...] I have a gray passport [...] I’m an alien in this land” (T1). A third remarked, “Yes, the standard term for us is that we are ‘non-Estonians.’ And I do not want to be a ‘non-Estonian.’ Why am I a ‘non-Estonian?’” (T1) Whether or not the rights of these individuals are being violated, as Russian President Dmitri Medvedev has claimed, the majority in the focus groups, citizens and noncitizens alike, found the passport system deeply objectionable.

Another manifestation of alienation is the mixed or confused sense of national identity that many participants described. The question of what they consider their “homeland” provoked, above all, awkward confusion, hesitation, and responses such as, “Well, you live here, but in your soul you feel like it’s Russia, somewhere over there” (T3), and, “Well, I’m used to living here, I was born here, but all the same, the way people treat us...” (T3). Another respondent lamented, “I love [Tallinn], I just adore it. I love the little streets, the history, the local culture. But somehow they won’t let us love it, they won’t allow us to.” Participants often resolved their dilemma by answering “the Soviet Union,” as that is where they were born, or cited the city in which they lived.

Integration

Russian speakers in Estonia are not homogenous. There are important differences in their levels of integration that correspond in part, but not entirely, to citizenship. Many participants in the two focus groups of citizens have Estonian friends, get along well with Estonians at work, and say that tensions between Estonians and Russians are inflated or exaggerated. Some blue passport holders said that Russian speakers with gray passports should make more of an effort to integrate, that it is not only up to the government.

“I’ve heard so many times ‘Oh, it’s so tough for us, we can’t find work.’ I have a girlfriend who’s always worked in Tartu as an executive, but since she’s been here in Tallinn, she’s not found work and she’s gone to work in a shop. I tell her that she needs to go learn Estonian so that she can at least go for an interview. I tell her to take a course or find a tutor. I’ve been telling her this for a year. Has she done anything? Nothing. For a year she just lamented about how hard it is for her and how I should help her find a job. But how can I help her if she doesn’t speak Estonian, only Russian?” (T2)

Others in the group agreed with this perspective and told similar stories.

Russia is Not the Answer

While some participants expressed a sense of alienation from Estonia, this sentiment did not translate into a practical affinity with Russia. The vast majority have no desire to move to Russia. In their view, Russia’s economy is worse, citizens of Russia are rude,

and they treat Russians from Estonia like foreigners. Some were perplexed by the misconceptions about life in Estonia voiced by their contacts in Russia. “Do they insult you? Don’t they beat you?” (T2) Others described the country as overwhelming, and the lifestyle as unattractive. While they may feel an emotional attachment to Russia, they do not want to live there. “Emotionally, then, I think [my homeland] is Russia, after all. But to really think that I would have to move to Russia today – no. There are too many Russians for me to move there” (T1). “I adore Russian culture [...] But I understand that I will never live there; I am a Western type of person, not Eastern. And I would not want to raise my children there” (T3). Yet this “Western” person cannot view Estonia as her homeland either “because people are stubbornly pushing (us) away.”

Moving the Monument as a Seminal Moment

The April 2007 “Bronze Soldier” controversy came up spontaneously in three of the focus groups, and in all of them the topic palpably raised the emotional temperature of the discussion. The Estonian government’s actions elicited bad feelings among Russian speakers, who perceived it as an act of overt “disrespect for Russian culture” (T3) and an aggressive message to the Russians that “we’ll show you who’s boss [...] We’ll show you your place. We are the masters here” (T1). Many took the action as a personal affront:

“They spit on my soul, personally.”

“It was a provocation.”

“My grandfather fought (in the war)!” (T1)

Several suggested the Bronze Soldier incident made them regret taking Estonian citizenship, and many agreed that “the situation with respect to integration got much worse after the April events. That is to say that people really took much harsher positions.” (N)

Some participants understood and even agreed with the reasons for moving the monument, but they objected strenuously to how it was done, “under the cover of night,” “shortly before the May 9 [Victory Day] holiday,” “without prior discussion,” and without taking steps to soothe the feelings of those whose relatives suffered during the war.

“You understand, from the point of view of the Estonians—indeed, it was an occupation. But from the Russian point of view, it was something different. I’m not going to get into the history and politics. The point is that, for the Estonians, the monument is a sign of Soviet authority, a symbol that the Estonians were deprived of, roughly speaking, the right to free speech and many other things. And that’s during the Soviet regime. For the Russians it’s something entirely different. Those are our grandfathers, our great-grandfathers! They battled against fascism! For us it’s a little different [...] One thing, though, is [the Estonian government] behaved indelicately, in that it was possible, of course, to find the relatives of those people who were buried in those tombs, or [...] ask for

permission to rebury them. I mean, there's no need to be so harsh!" (T3)

Estonia's Future is up to Estonians

Bearing in mind that we cannot generalize based on focus groups, and that our findings need to be replicated in forthcoming surveys, the groups' responses suggest that the Estonian government should try to mitigate the alienation and dislocation experienced by young ethnic Russians in Estonia. Caught in-between and identifying neither as Estonian nor Russian, these young people represent both a challenge and an opportunity. A deeply alienated population poses a long-term security risk and plays into the hands of Russian officials who advocate aggressive policies toward Estonia. The Obama administration cannot fix this problem, and the tandem of Medvedev and Prime Minister Vladimir Putin seem intent on exacerbating and exploiting it. Only the Estonian government together with society can solve it. There are encouraging signs of potential integration in the focus groups, but the April 2007 Bronze Soldier incident was a major setback.

The United States has an interest in urging the Estonian government to promote the integration of its Russian speakers more effectively. Their continuing alienation may undermine the stability of a key country on the eastern edge of the Euro-Atlantic alliance. If Estonia is to thrive in the twenty-first century, it must do so as a multiethnic state.

What, then, should the Obama administration encourage its Estonian partners to do? In "The 'Bronze Year' of Estonia-Russia relations," Kadri Liik, Director of the International Center for Defense Studies in Tallinn, has advised that "we need to talk with our Russian fellow citizens." The government should use the mass media in Estonia to tackle this issue. One respondent (T2) described an innovative television program, now apparently off the air, which was co-hosted by an ethnic Estonian and an ethnic Russian and which discussed current issues in Estonia in both languages. Formal integration programs should be bolstered, not scaled back. It might also be helpful to encourage a Russian-Russian dialogue between blue and gray passport holders. Russians who have integrated – and there are many of them – are probably the best situated to engage those who have not.

The Estonian government might consider reforming citizenship and language policies. Although Estonia has a technical legal basis for denying citizenship to those who immigrated during the Soviet occupation and their offspring, it may be politically unwise in the long run (not to mention unfair) to withhold citizenship from individuals who were born in the country and who have lived all their lives there. Ethnic Russians might feel less embattled if the Estonian government were to make Russian the country's second official language.

While concerted efforts to openly discuss competing perspectives of Estonia's troubled twentieth century are unlikely to yield a consensus, there may be room for greater agreement. In any event, as with the new Russian "Historical Commission," Estonian institutions such as the Historical Memory Institute and the Museum of Occupations, which openly proclaims that the Soviet occupations of Estonia were worse than the Nazi occupation, further complicate, rather than effectively address, this issue.

Memory Wars in the Post-Soviet Space

PONARS Eurasia Policy Memo No. 63

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September 2009

Over the past year, the memory wars of the post-Soviet space have intensified. Nation-building in the region, like elsewhere, has long involved the creation of local historical narratives and the selection of national heroes, traitors, victories, sufferings, and “significant Others.” Recently, however, a new wave of memory wars has arisen in connection with official state efforts to resolve festering historical disputes.

In these disputes, Russia has been cast as keeper of the old, largely Soviet traditions, while many of its neighbors, fueled by a need to construct national identities as part of new nation-building projects, have attempted to amend or replace traditional narratives. Often, a new narrative is centered around a national tragedy, such as the great Ukrainian famine, known as the Holodomor, that killed millions of peasants in the early 1930s. In 2006, Ukraine adopted a law criminalizing the denial of the Holodomor, as well as the denial of its nature as a genocide. In Russia, which was also struck by deadly famine in the years of “collectivization,” the Ukrainian authorities’ claim that Soviet policy deliberately aimed to destroy the Ukrainian nation sounds avowedly anti-Russian.

Other historical disputes have also pitted post-Soviet states against Russia. The recent rehabilitation of Baltic and western Ukrainian national resistance heroes who were Nazi collaborators, along with an open gathering of SS veterans in Estonia and Latvia, deeply offended Russians, who cherish the notion that they saved Europe from the Nazis in World War II. Central European states have also challenged the idea that the Soviet Union helped liberate Europe. They instead promote the view that the USSR brought another form of totalitarianism to their nations. In doing so, they equate Joseph Stalin to Adolph Hitler, an analogy that most Russians reject.

While Russia's efforts to maintain the traditional postwar narrative have generally been defensive, a major shift has recently occurred. The Russian leadership has decided to promote their views on history with the same tools used by their neighbors, namely state interference and the criminalization of "wrong views" to defend the officially-sanctioned version of national identity. Ill-conceived, this policy shift has mobilized historians and civil right activists against it.

Ukraine and the Holodomor

The most animated clashes in the last year have occurred in Russian-Ukrainian relations. In August 2008, the deputy chief of staff of the Ukrainian presidential administration, Andrei Kislinskii, issued a statement in response to an academic conference scheduled to be held in early September in Kyiv called "Ukraine-Russia: Problems of Joint History." Kislinskii described the conference themes, including an "assessment of famine in the USSR," "revision of the results of the Second World War," and "problems of joint Russian-Ukrainian history teaching in educational institutions," as "provocative for Ukrainian society." Kislinskii accused organizers of receiving money from the Russian Foreign Intelligence Service (SVR) and linked the conference to the activities of a putative Ukrainian "fifth column." He also called the conference "a challenge to all national democratic forces." Several of the conference's planned speakers were already banned from entering Ukraine due to their "anti-Ukrainian activities," and Ukrainian authorities denied entry to Russian ideologue Sergei Markov when he came to participate.

In the fall of 2008, Ukrainian President Viktor Yushchenko further politicized the Holodomor by inviting foreign leaders, including Russian president Dmitri Medvedev, to attend the 75th anniversary memorial ceremonies in Kyiv. While he did not go to Kyiv, Medvedev replied with a letter explaining, in detail, the Russian views on the Holodomor. In particular, Medvedev contended that the Holodomor and attempts to join NATO had become a "central element of Ukrainian foreign policy" and a "test for patriotism and loyalty." Medvedev further accused Yushchenko of using the tragedy to achieve political goals, highlighting the 2006 law codifying the "genocide against the Ukrainian people." Medvedev underlined that he did not defend Stalinist repression, but he could not agree to singling out the Ukrainian nation as a special victim, calling such an approach "cynical and immoral." The Russian president blamed Yushchenko for "seek[ing] to divide our peoples as much as possible, peoples united by many centuries of historical, cultural, and spiritual ties." Medvedev further asserted that the Russian authorities "don't want academics to take on political 'attitudes'" and invited Ukraine, along with Kazakhstan, Belarus, and other countries, to work on finding a common ground in their interpretation of these events.

Historical disputes were again invoked in the public letters Medvedev and Yushchenko exchanged in August 2009, when the Kremlin decided to postpone appointing an ambassador to Kyiv until after Ukraine's January 2010 presidential election.

Criminalization of Historical Views in Russia: First Steps

By this time, however, the Ukrainian initiative to make certain historical views criminally liable had already found its way into the minds of Russian politicians. On a visit to Volgograd on Defender of the Fatherland Day in 2009, one of the leaders of United Russia, Sergei Shoigu, suggested that criminal liability should be introduced for “denial of the victory of the USSR in the Great Patriotic War,” citing as precedent laws in some European states prohibiting denial of the Holocaust.

However, such an approach requires the establishment of a canon, and, soon, the discussion of new history textbooks began. In March 2009, President Medvedev met with Minister of Education and Science Andrei Fursenko to demand “control over presses” that publish history textbooks as a way to keep an eye on their contents.

On the eve of Victory Day, legislation was proposed to the Russian State Duma under the title “On Countering the Rehabilitation of Nazism, Nazi Criminals, and Their Accomplices in the Newly Independent States of the Former Soviet Union.” The draft law included punishment by fine and 3 to 5 years in prison. It also proposed the creation of a special public commission to track pro-Nazi policies in neighboring states and to advise the reaction by Russian authorities. Those practicing revisionism would be denied entry to Russia and/or be put on trial in Russian courts. Polls show that a majority of the Russian population supported the move. Even the liberal (or semi-liberal) parties Yabloko and Pravoe Delo supported the draft, though they suggested the addition of another crime: the rehabilitation of Stalinism.

Ten days after the legislation was introduced, Medvedev implemented similar ideas in the form of presidential decree No. 549, which created a “Commission for Countering Attempts to Falsify History to the Detriment of Russia’s Interests.” In his video blog, Medvedev attacked differing versions of the Second World War, calling recent interpretations “increasingly tough, malicious, and aggressive,” and asserted a need to defend historical truth. The blog address was uploaded on the official presidential site with the text of the decree.

The decree established a commission of twenty-eight individuals, including professional historians and representatives of the State Duma and Public Chamber, as well as such agencies as the SVR, Federal Security Service (FSB), Ministry of Defense, and Ministry of Foreign Affairs. The commission’s responsibilities were to expose “falsifications of history detrimental to Russia” and elaborate measures to counteract them.

Reaction to the Decree

Historians and human rights activists reacted immediately to the decree. The executive director of the Russian nongovernmental organization For Human Rights, Lev Ponomarev, declared that the decree was, in its very essence, totalitarian. He said that the decree went beyond “standard authoritarian police measures, because it aimed at regulating a field that only totalitarian regimes dare to control.” Ponomarev claimed that it was written “in defense of Stalin’s policy and pro-Stalin historical mythology.” He expressed his hopes that the decree “would unite not only historians, but also civil

society, different ideological camps for whom the very idea of bureaucratic ideology and ideological censorship is unacceptable." Ponomarev called for the opening of archives and for a complete denunciation of the crimes of the Stalin regime.

The NGO Memorial also issued a special statement, offering its own list of what it considers historical falsifications, including the denial of an NKVD mass killing of Polish officers in Katyn and the assertion of a "military-fascist conspiracy" against Stalin in 1937. However, Memorial insisted that historical falsifications should be combated with "open and free academic discussions, including international ones." The state's role in the process is to ensure free and open access to archives but not to interfere in the content of historical studies. Memorial expressed deep concern that the commission would counteract not the falsification of history, but opinions, assessments, and concepts in disagreement with government policy. The group warned that such use of the commission's power would be unconstitutional.

An open letter against the decree and draft law was also published online by *Polit.ru* under the title "In a democratic society, freedom of history means freedom for all." It was signed by 221 prominent scholars, mostly historians, warning of the threat to freedom of speech posed by the two documents.

The new campaign against "falsifiers of history" also has its supporters, however. Academician and Public Chamber member Valery Tishkov imprudently sent a circular letter to the Russian Academy of Sciences in June 2009, requesting an "annotated list of historical-cultural falsifications." After the letter produced indignation among historians, Tishkov explained that he was planning to publish an article on the presidential decree and was merely gathering data, while his aide issued an explanation on the Academy of Sciences website calling for the professionalization of historical expertise.

Some enthusiasts, however, went further. Participating in a state grant competition, the Sholokhov Moscow State Humanitarian University proposed a project to produce an "annotated list of ... authors and falsifiers of history." The project was also going to produce an analytic paper addressed to the presidential administration "on countering falsifications at the state level." The proposal, however, was rejected.

The most sophisticated philosophical defender of the decree, Aleksander Dugin, demanded the creation of state axioms of history and the imprisonment of those who equate Stalin and Hitler. Dugin also asserted that the notion that "Stalin was a good guy" is Russia's "national myth," concealing the fact that the majority of the Russian population considers Stalin's rule to be criminal.

There were other important, though minor, results of the decree. Historians discovered that they needed to raise their professional expertise. In the most notable case, the official *Voенно-istoricheskii zhurnal (Journal of Military History)* published an article in 2008 by military historian Colonel Sergei Kovalyov, who effectively blamed Poland for causing World War II by refusing to consent to "just" German demands in 1939. The journal's readership is limited, but as the issue of historical falsification gained prominence, the article was found, analyzed, severely criticized, and quickly deleted from the Ministry of Defense's website.

As mentioned, after Tishkov was criticized for his letter, his deputy, Andrei Petrov, published an explanation of the text on the Russian Academy of Science's website, in which he called for, among other things, the creation of professional historical expertise. Petrov stated, "In our society and in the decisionmaking system, there is a lack of mechanisms for scientific expertise. It is painfully felt by everyone, especially when decisions are made on problems related to history.... Too often the decision is made on political grounds, and only afterwards do scholars get consulted. I am sure that the reverse mechanism should exist."

International Challenges

In the midst of heated discussions about the presidential decree, the news of a related resolution by the Organization for Security and Cooperation in Europe (OSCE) reached Russia. In its July 2009 Vilnius Declaration, the OSCE's Parliamentary Assembly included a resolution "On Divided Europe Reunited: Promoting Human Rights and Civil Liberties in the OSCE Region in the 21st Century." While acknowledging "the uniqueness of the Holocaust," the resolution still equated "two major totalitarian regimes, Nazi and Stalinist, which brought about genocide, violations of human rights and freedoms, war crimes and crimes against humanity." The resolution also recalled the initiative of the European Parliament "to proclaim 23 August, when the Ribbentrop-Molotov Pact was signed 70 years ago, as a Europe-wide Day of Remembrance for Victims of Stalinism and Nazism, in order to preserve the memory of the victims of mass deportations and exterminations" and expressed deep concern at the glorification of the totalitarian regimes.

The idea and language of the resolution were interpreted in Russia as an attempt not only to equate Stalin with Hitler, but to equate the Soviet army's liberation of Europe with the Nazi occupation. The first headline in the Russia media about the resolution was "OSCE equated USSR with Nazi Germany."

While the resolution probably reflected the Central European experience of the mid-twentieth century, Russia saw it as unjust and as a "falsification of history," thereby giving President Medvedev's initiative a new rationale. Soon, the two houses of the Russian parliament issued a special declaration on the OSCE resolution. They called the document "an insult to the memory of millions" who died for the liberation of Europe, and they argued against singling out August 23, 1939, without mentioning the Munich appeasement of 1938. The resolution was denounced as "an attempt to substitute results of the Second World War with the results of the Cold War" and to revise the decisions of the International Military Tribunal at Nuremberg. Leaders of the Russian parliament called for greater international responsibility against encroachment on the established historical memory of World War II.

In response, Memorial again issued a statement criticizing the parliament's response for its incorrect reading of the OSCE resolution. Memorial claimed that there was nothing in the resolution that could insult the soldiers who died while liberating Europe from Nazism, as "they were neither the property nor part" of Stalin's regime. Memorial insisted that the Nazi and Stalinist regimes could both be blamed for crimes against social, religious, and other communities, as well as entire nations. They again called on

the State Duma and Federation Council to open the archives from the Stalin era and, “instead of searching for nonexistent ‘anti-Russian attacks,’” to work with other European parliaments to promote public comprehension of the crimes of totalitarianism.

Conclusion

On July 13, 2009, former State Department official Liz Cheney began her *Wall Street Journal* commentary: “There are two different versions of the story of the end of the Cold War: the Russian version and the truth.” Perhaps unknowingly, her statement closely mirrored the view of the ideologues in the memory wars of the post-Soviet space. Going on, her words even more clearly suggest the reasons why those wars are waged with such fervor: “We can also be disarmed morally by a president who spreads false narratives about our history or who accepts, even if by his silence, our enemies’ lies about us.”

Each camp in the Eurasian space claims that it represents the only truth, while the others lie. Such an approach eliminates all room for dialogue. History is subject to interpretation, but interpretation based on the study of historical sources. Historians should research the complicated past, while politicians should strive for a peaceful future.

Protecting “Our” History

Politics, Memory, and the Russian State

PONARS Eurasia Policy Memo No. 64

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September 2009

On May 14, 2009, Russian president Dmitri Medvedev signed Decree No. 549, “On the Commission under the President of the Russian Federation for Countering Attempts to Falsify History to the Detriment of Russia’s Interests.” Though disturbing, the emergence of this document was hardly surprising and reflected a growing trend in Russian politics. In this memo, I explore the logic and political significance of this “struggle for historical truth.” I demonstrate that it is impossible to argue against the conservative nationalist position by offering “more accurate” interpretations of the past. What is instead required is a thorough reflection on the role played by history in current political life and on the role of politics in establishing a consensual reading of the past.

The Regime of Truth

Calls for more vigorous state interference in the public debate about Russia’s authoritarian past, and about the significance of World War II in particular, are nothing new to observers of Russian politics. The pompous 60th anniversary celebration of Victory Day in 2005, deliberately designed to replicate Soviet-era festivities, was a critical moment. Around this time, textbooks telling the story of crimes committed in the name of communism were quietly removed from high school libraries. An infamous schoolbook presenting Joseph Stalin as “an effective manager” appeared soon after; despite public outcry, it has now reached tens of thousands of students. Prime minister and former president Vladimir Putin has, on a number of occasions, spoken out against “comparing Stalin to Hitler,” while Duma Speaker Boris Gryzlov has argued that the Stalinist purges were no more than an “excess.”

As early as May 2007, the Federal Security Service (FSB) declared that the struggle

against “falsifications of history of the Motherland and its security services” would be a top priority. In February 2008, the Ministry of Foreign Affairs organized a roundtable on the topic but preempted discussion by proclaiming it “a task of national importance” to oppose distortions of history. In a video blog posted two days before Victory Day celebrations in 2009, Medvedev himself complained about the proliferation of “controversial” interpretations of World War II history and the need to “again and again defend facts that a very short time ago seemed absolutely self-evident.”

The May 2009 decree appeared against the background of a new legislative initiative, proposed by the ruling United Russia party a month prior. Titled “On Countering the Rehabilitation of Nazism, Nazi Criminals, and Their Accomplices in the Newly Independent States of the Former Soviet Union,” the legislation, if adopted, will criminalize any activity “aimed at the restoration of rights, glorification, or restoration of the reputation of Nazi criminals, accomplices of Nazism, and their organizations.” Notably, the wording of the bill suggests extraterritoriality; “rehabilitation of Nazism” is to be punishable under the Russian Administrative and Criminal Code regardless of where it has allegedly been committed. The draft specifically mentions academic organizations and mass media, making it clear that both social scientists and journalists must watch their step.

Signed less than a month after the publication of the draft bill, Medvedev’s decree indicates political support for the ruling party’s initiative. Taken together, the two documents suggest the intent to endow one version of national history with official status while punishing anyone who dares to offer an alternative view. Concern mounts when one looks at the composition of the Presidential Commission. The academic community’s representation is limited to the directors of the two most prominent institutes of the Russian Academy of Sciences, while the security services have a much more prominent presence. It is easy to see why Russian historians and political scientists, as well as many colleagues around the world, feel uneasy about these developments.

The Need for a Common Debate

Before sounding the alarm, however, it would be wise to add a few more pieces to the puzzle. First of all, it is important to understand the meaning of these recent events within the context of Russian identity politics. References to the victory over Nazism reaffirm Russia’s image of itself not simply as a great power, but as a great *European* power. The verdicts of the International Military Tribunal at Nuremberg constitute the reference point for Russia’s legal endeavor against the “rehabilitation of Nazism” and are treated by Russia as a cornerstone of the contemporary European political order. Nuremberg is sometimes supplemented by the invocation of the Yalta and Potsdam Conferences and of the Helsinki Final Act, which, in the eyes of the Russian public, secured a key role for the Soviet Union in shaping the European legal and political order. Russia may often stand alone in its interpretation of these historical events and their contemporary relevance, but it strives to avoid accusations of unilateralism. From Moscow’s point of view, Russia is not acting against Europe but, instead, advocating an alternative interpretation of what Europe means.

The effort to define the meaning of Europe is a major battleground in contemporary global politics. In a July 2009 open letter to President Barack Obama, a group of Central and Eastern European intellectuals and former political leaders called on the United States to “reaffirm its vocation as a European power” in the face of Russian “revisionism.” Diverging definitions of European values can be, and have been, a source of violent conflict. However, there is still a qualitative difference between the communist revolutionary utopia of the USSR, which saw itself as incompatible with the existing capitalist world order, and Russia’s “sovereign democracy,” which claims to offer just another interpretation of the liberal democratic values supposedly shared by all. Russia’s attachment to Europe can be a bridge for establishing a working relationship with the West at a time when a genuine partnership seems beyond reach.

For this to happen, however, we must thoroughly differentiate between two modes of speaking about the past. As professionals and/or citizens, we regularly engage in an open-ended debate about certain historical facts. This first genre, with all its diverse forms, is modeled on ideal-type academic debate. At the same time, we must deal with socially and politically established regimes of truth (sometimes referred to as “collective memory”). These two modes influence each other, and we have to operate within both, but we are well-served by acknowledging their dissimilarities.

In academic debate, the result is not known in advance; even when established, it is always temporary and subject to critical revision. Skepticism and dissent are encouraged, and there is no uniformity of subject matter or method. Insofar as such an approach is unified globally, it is via a scientific unity of communication based on an assumption of universal rationality and a set of rules recognized by all. Academic ethics is about making a convincing case for one’s method and result, while respecting the work of others.

By comparison, the social and political approach to history is about substance more than form. It is based on the image of a good society. We engage in politics to bring this image closer to reality. Every one of us has our own ideas about good and bad, but our collective existence is made possible by the fact that large groups of people (sometimes whole nations, or even all humanity) share certain norms and beliefs. Furthermore, to see where we are going, we need to know from whence we came. We need to know who our heroes, villains, and traitors are, which means we need a common platform for telling stories about our past. A regime of historical truth is a necessary condition for the existence of a political community.

Different nations often share histories. More often than not, however, their regimes of historical truth are at odds. They have different heroes and villains, and the heroes of one people are often the traitors of another. Such disagreements can create significant tensions within interstate relations, as evidenced by the heated debates around such issues as the Ukrainian famine of 1932–33, the Molotov-Ribbentrop pact, the killing of Polish officers in Katyn in 1940, or the role of Joseph Stalin in the victory over Nazism. It is quite telling that the Central and East European authors of the open letter to Obama first cite “claims to our own historical experiences” on their list of concerns relating to Russia, ahead of security, economics, and energy. Since 1945, Europeans have made great progress in their search for a shared ground for historical judgment. In the real

world, however, we will never be able to completely eliminate disagreements in this area (if this were even desirable).

Apart from the tensions that arise between countries due to different regimes of historical truth, a tension inevitably exists between the two modes of reasoning about history. In open-ended debate among experts and citizens, with a characteristic commitment to critical academic scrutiny, the fixity of political decisions is often undermined. A scholarly statement that is fully legitimate under the rules of academic communication may be perceived as subversive and unethical from the point of view of the prevailing political consensus. What is worse, it might be read as playing into the hands of the nation’s enemy, or even as directly sponsored by hostile external forces. Liberal democracies, with their deep commitment to the freedom of expression, are less likely to produce such a defensive reaction. Even they have their limits on what can be said about the past, however. In many other societies, with a thinner layer of democratic experience, a belligerent rejection almost instinctively results.

Recent attempts by Russia’s ruling class to interfere with the historical debate are a desperate effort to fix a regime of historical truth convenient for both rulers and ruled, but which patently goes against the pan-European trend. There are two ways we, as experts, citizens, or decisionmakers, can disagree with Medvedev’s decree and the bill sponsored by United Russia. One way is to say that the regime of truth they are trying to establish has very little to do with the truth as such, as it deliberately ignores many crimes committed in the name of the Soviet people. This, in effect, is what the OSCE Parliamentary Assembly did in a July 2009 resolution that associated Stalinism with Nazism.

In order to persuasively reject a political regime of “truth,” however, we first need to defend the general right to engage in unrestricted debate about the past. While aware of the inevitable tension between the two modes of historical communication and of the need for *some* fixed history upon which to base our communal existence, we must nevertheless raise our voices in defense of the right to be skeptical and independent in judgment.

An honest debate about the past must precede, rather than be preempted by, political decisions about the good and bad moments in our history. The uncritical insistence of the OSCE Parliamentary Assembly on the equivalence between Stalinism and Nazism is likely to be accepted only by those who already agree with it. In Russia and some other post-Soviet states, this and similar moves will cause a defensive reaction that will undoubtedly strengthen the hand of those wishing to narrow public space further and to stifle academic freedom. Such alternative attempts to protect a “correct” regime of historical truth are at best premature and at worst counterproductive.

What is needed is a global debate about the key turning points in twentieth-century history. This may lead, in time, to the establishment of a truly pan-European regime of truth. To make this possible, and to prevent the debate from turning into a clash of histories, we must be patient, open-minded, and committed to the freedom of expression as a necessary condition for any sound historical judgment.

The Circassian Dimension of the 2014 Sochi Olympics

PONARS Policy Memo No. 65

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September 2009

In 2014, the popular Russian Black Sea resort city of Sochi will host the Winter Olympics, signifying Russia's increasingly high international profile. The honor of hosting the Olympics is a challenge and opportunity for the host country, which must be ready for a number of unexpected, if inevitable, domestic and foreign challenges. Criticisms and controversy accompany the run-up to every Olympic Games. China, for example, withstood intense pressure from international nongovernmental organizations before the start of the 2008 Beijing Olympics due to the situation in Tibet. In 2002, a member of the International Olympic Committee (IOC) suggested that the Winter Games be relocated from Salt Lake City, since the United States was a country at war (with the Taliban in Afghanistan). Earlier, in 1980, U.S. President Jimmy Carter asked the IOC to move the Olympic Games from Moscow after the Soviet invasion of Afghanistan. The 2014 Olympics in Sochi are still five years away, but they have already become one of the most discussed issues on the Russian political agenda.

Circassian Memory and the Sochi Olympics

The Circassian question is one of the less appreciated issues highlighted by the 2014 Sochi Olympics. Historical Circassia today is divided between six regions of the Russian Federation. In Soviet times, the Circassians were split and subdivided into several Soviet *narodnosti* (nationalities) with different ethnonyms in Russian - Kabardin, Adyghei, Cherkess, and Shapsug - and spread over several administrative units. Today, most of Russia's 700,000 Circassians form "titular nationalities" in the Republics of Kabardino-Balkaria, Adyghea, and Karachaevo-Cherkessia, while a lesser number live in the Krasnodar and Stavropol regions and in North Ossetia.

However, nearly 90 percent of the global Circassian population lives outside Russia. Most live in the states of the former Ottoman Empire – mainly Turkey, Syria, and Jordan – to which they were deported in the nineteenth century. As a share of total population, the Circassian diaspora is the largest in the world. It is also the second largest diaspora from Russia, after the 25-million strong ethnic Russian diaspora itself. Since the end of the Cold War, the Circassian world has developed an ideological unity based upon a shared memory of deportation and the fragmentation of its remaining territory. Repatriation and unification of the native land have become the primary goals of the Circassian nation.

The Circassian question is closely related to the Sochi Olympics in several symbolic ways. By an irony of history, the 2014 Olympic Games will mark the 150th anniversary of the Circassian defeat in 1864, when, after over a century of fighting, Tsar Alexander II declared victory for Russia. Every year on May 21, Circassians around the world light 101 candles and observe a minute of silence in memory of the 101-year war. Sochi itself was the site of the war's last battles, and its port was the place from which the Circassians were deported to the Ottoman Empire. Krasnaya Polyana (*Kbaada* in Circassian), the area that will be the center of the 2014 Olympic Games, was where, on May 21, 1864, a parade of Russian troops celebrated the end of the war with Circassians.

In addition to its association with the war, Sochi is emblematic of the Circassian homeland. The city is named after the Circassian ethnic group *Shache*, who lived there until 1864. It was also the last capital of independent Circassia (1861-1864). At present, there are about 15,000 Circassian Shapsugs living around Sochi who demand the restoration of the Shapsug National District (1924-1945) and the historical Circassian name of their capital Psyshu, renamed Lazarevskoye after Admiral Mikhail Lazarev, notorious for destroying coastal Circassian villages.

The Revival of the Circassian Question

The Circassian question, practically dormant before Russia won the Olympic bid in 2007, has actively reemerged in recent years. One of its first mentions followed discussion of government plans to “amalgamate” some of Russia’s federal regions. This discussion sparked Circassian discontent, as the possible merger of Circassian Adygeia with the largely Russian Krasnodar region was raised. Moscow analysts have noted that the Winter Olympics will prevent this merger until after 2014; if Adygeia were to join Krasnodar, Circassians would most likely oppose the Olympics. At the same time, intellectuals from various Circassian communities have suggested that the idea of a single Circassian republic could also be raised within the framework of the amalgamation of existing regions, eliminating the ethno-territorial divisions imposed under Joseph Stalin. This idea to unify the Circassians into a single federal subject was publicly declared in November 2008 at an Extraordinary Session of the Circassian People’s Congress.

Also generating a Circassian response was the failure of the Russian media to mention the Circassians’ historical presence in the region and its presentation of Sochi as historically a part of ancient Colchis, inhabited by ancient Greeks. Circassian organizations argued that symbols of Circassian history and culture cannot be ignored

and should be included in the format of the Sochi Olympics, just as Australia highlighted its indigenous population in the 2000 Summer Olympics. The media's discussion of the celebration of Sochi's 170th anniversary also provoked protest from Circassian NGOs. In March 2008, leaders of the Shapsug Khase (Shapsug Council) recalled Sochi's official 150th anniversary, when the Russian Academy of Sciences' Institute of History announced that 1838 was not the founding year of Sochi but the date of its conquest by Russian troops (the Circassians recaptured it after the Crimean War but lost it again in 1864).

Most Circassians see the Sochi Olympics as an opportunity to plead their case, rather than as an offense to be resisted. Still, many Circassians have opposed the Winter Games on the grounds that they will take place on "ethnically-cleansed" land. Some Circassian NGOs have branded the Olympics the "Games on Bones" and opposed construction work at Krasnaya Polyana, as it could endanger important burial sites. In October 2007, about 200 Circassian activists organized meetings in front of Russian consulates in New York and Istanbul to protest against holding the Winter Games in Sochi. Finally, the Circassian anti-Olympic movement began to seek official Russian recognition of the Circassian genocide and called on the IOC to move the Games.

Softening Discontent

Participating in the Circassian Olympic debate are several groups with motivations that shift, expand, and sometimes (but not always) coincide. These groups consist of local elites and the *intelligentsia*, members of the international diaspora, and politicians and businessmen who have something to gain through the power plays surrounding the Sochi Olympics. These groups are converging on the importance of raising the Circassian question, but fissures could reappear in the future.

For example, Circassians and Abkhaz may be unified in terms of the Abkhaz conflict with Georgia, but they are not necessarily unified in their attitude toward the Olympics. Abkhazia, located just thirty kilometers from Sochi, has supported the 2014 Olympics from the start, perceiving it as an excellent economic opportunity. The Winter Games can bring much-needed investment to Abkhazia through increased demand for construction materials, workers, and territory for Olympic use. The governor of the Krasnodar region, Aleksander Tkachev, and Abkhazian president Sergei Bagapsh signed a cooperation agreement in May 2008, according to which Abkhazia will provide assistance for the construction of Olympic facilities in Sochi. Thanks to Abkhazia's enthusiasm, some analysts have even suggested that it risks losing support from Circassians who oppose the Sochi Olympics.

Russia's recognition of Abkhazia has considerably softened the position of the Circassian world toward the Sochi Olympics. Though having adopted a more supportive view, Circassians continue to use the run-up to 2014 as a means to spread information about and draw attention to their cause. In April 2009, the author of this memo and Aleksei Bekshokov, the leader of the Union of Abkhaz Volunteers, proposed that a Circassian Olympic Games be held in 2012, including competition in twelve sports, to correspond to the number of stars on the Circassian flag, and that Circassian elements (twelve stars and three arrows) be included in the emblem of the Sochi

Olympics to remind the world about the area's native inhabitants. A series of presentations on the project took place in cities throughout Russia, including Sochi, Moscow, and St. Petersburg.

Some also view the economic aspect of the Sochi Olympics as a potential benefit for the wider Circassian world. According to Adygeia's president Aslan Tkhakushinov, "The Olympic Games bring countries a colossal income. It's probably worth taking a look at this side of the coin as well. The Olympics should not hurt anyone's national interests. It should be a festival."

The Olympics may well provide economic opportunities for the Circassian regions of Agygheia, Kabardino-Balkaria, and Karachaevo-Cherkessia. One idea has been to develop mountain tourism in these republics in association with the Winter Games. A major question, however, is how to connect these areas to Sochi. On a map, the Circassian capitals of Maykop, Nalchik, and Cherkessk are relatively close to Sochi, but, separated by the Caucasus mountain range, they are distant in terms of road connections and available transportation. A direct road connection would transform the region into one large mountain and sea resort where tourists could swim in the Black Sea and then drive half a day to ski on the slopes of Mount Elbrus. Experts are studying three different projects for connecting the Circassian regions to the Black Sea. Cherkessk-Adler and Maykop-Adler were the principal routes that were discussed prior to the onset of the financial crisis. The third possible project is the reconstruction of the old military highway linking Cherkessk to Abkhazia, a popular tourist route during Soviet times that fell into disrepair after the Georgian-Abkhaz war of 1992-93.

For now, however, such prospects remain mere possibilities. Due to the financial crisis and a subsequent 30 percent reduction of the budget for road construction in Russia, most specialists say that none of the road projects are realistic. In general, deputy chairman of the International Circassian Association Nalbiy Guchetl has been less optimistic about the economic opportunities for Russia's Circassian-inhabited regions, remarking that "investing billions in Sochi will create an even greater economic gap between Krasnodar and Adygeia, providing new arguments in favor of abolishing Adygeia on the grounds that it is an economic failure."

Sochi and the Future of the Circassian Question

Despite these considerations, the Circassian question has been bypassed in most discussions of the Sochi Olympics. While Circassian NGOs have been concerned about construction work that may endanger burial sites, the agenda of the environmentally-driven anti-Olympic movement in Russia does not include the Circassian question. Not a single Circassian signed the petition that forty-seven Russian organizations sent to the IOC against the Sochi Games out of concern for its potential ecological impact. Thanks to the small Circassian electorate in Sochi, it was also easy for all candidates in the city's April 2009 mayoral election to avoid the Circassian question. Even opposition candidates who tended to exploit any problematic aspect of the Sochi Olympics in their campaigns ignored the Circassian question.

However, the election still indirectly had a Circassian component, which revealed that the Kremlin was not entirely neglectful of the issue. Six months before the election,

Jambulat Khatuov, an ethnic Circassian, was appointed acting mayor of Sochi for three months; he later became a deputy governor of the Krasnodar region that includes Sochi. In mostly Russian Krasnodar, the population of which is less than one percent Circassian, there are now two Circassian deputy governors. The other, Murat Akhejak, directed the campaign of the Kremlin candidate during the mayoral election.

At the moment, the Circassian dimension is a relatively minor issue relative to the others that surround the Sochi Olympics. Only a few intellectuals and social groups are mobilizing around the cause, while other constituencies, like the more powerful local governments, evince far more enthusiasm.

Why, then, is the Circassian issue important in policy terms? First, the intellectuals and diaspora activists that are “globalizing” the Circassian discourse in connection with the Olympics may ultimately pose a challenge to the Russian state. They could potentially cast Circassians as the “indigenous people” of the Northwest Caucasus, for example, or use the term “genocide” as a rhetorical tool. This could lead to an internationalization of the questions of Circassian unification and diaspora return.

Second, a disjuncture between official and NGO/diaspora discourse regarding Circassian history and identity appears to be growing. If the Sochi Olympics become an issue for intellectuals and community activists, local officials will have to find ways to respond. They might end up “capturing” the discourse for their own political purposes or, unintentionally, in a way that puts them in a difficult position vis-à-vis Moscow.

The state has sought indirectly to both co-opt and suppress discussions of Circassian issues, demonstrating the level of relative importance it assigns to this matter in the lead-up to the Sochi Olympics. However, this discourse can be seen less as a threat to the Sochi Olympics and more as an opportunity to develop a new strategy regarding the Circassian question, as well as to launch a much-needed modernization of the region. Two policy changes can help make this happen. First, the Russian government should take steps to address the main issues of the Circassian world – repatriation and unification. Second, the economic opportunities of the Winter Games should provide social and economic benefits to the North Caucasus regions, particularly to its ethnic republics.

If addressed strategically, the Sochi Olympics can open a new era in the history of the Caucasus by resolving the 250 year-old Circassian question. If ignored, the Circassian challenge will become even greater after the Sochi Olympics, and that much harder to solve.

All Quiet on the Karabagh Front?

PONARS Eurasia Policy Memo No. 66

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September 2009

The present state of the Armenian-Azerbaijani conflict over Nagorno Karabagh and the surrounding territories can be simultaneously assessed in three completely different tones: hopeful, alarmist, and cynically bored. A flurry of recent diplomatic moves involving the long-entrenched belligerents, as well as Turkey, Russia, and the West, have generated optimism about an impending breakthrough in the peace settlement. At the same time, a bountiful harvest of petrodollars has afforded Azerbaijan an impressive military buildup and an ominously assertive (if not bellicose) shift in its domestic discourse on Karabagh. Many in Armenia have taken this as validation of their worst fears and have braced themselves for another war. Seasoned regional commentators, however, remain skeptical, believing that Armenian and Azerbaijani leaders are likely to pursue the *realpolitik* agenda of avoiding unforeseen consequences by perpetuating a politics of “neither peace nor war.”

These divergent expectations have a certain credibility inasmuch as all three outcomes are structurally plausible. This means that political choices are, in fact, real and could be influenced by the complex political and economic interaction of contingencies emerging at the domestic, regional, and global levels.

Thus far, the potential implications of the global financial crisis on the Karabagh conflict have been neglected by regional analysts, who have instead focused on obscure details of domestic power intrigues, international diplomacy, ethnic identities, and often wildly imaginary geopolitics. The current economic downturn, however, is not only fraught with great peril; it brings some hope precisely because adversity in the global market may render untenable the low-point equilibrium that has existed during the last decade.

Looming ahead is a bifurcation point between a calculated game of peace and an incalculable slide into another war. While war could resume by default and for domestic political reasons, peace will have to involve purposeful multilateral action. Peace in Karabagh offers an opportunity to establish practical cooperation between former imperial powers Russia, Turkey and Iran, who traditionally have had conflicting interests in the Caucasus. Cooperation may also extend to include the united core of Europe and the still hegemonic United States. With the uncertainty of global and regional futures, these countries might find it mutually advantageous to address this relatively “marginal” source of friction, which can disrupt cooperation on more important issues, such as nuclear nonproliferation, normalization in the Middle East, and global energy flows. Moreover, a resolution to the conflict may lead to the eventual solution of analogous conflicts elsewhere in the Caucasus.

Burdens of History

It is customary in places like the Caucasus or the Balkans to invoke deep historical causes for conflict. Let us here outline a different perspective, based on the reconstruction of structural processes, rather than fence with presumably factual claims. This will help us emphasize historical contingencies and actual material causes rather than the rhetoric of ancient civilizations.

On the ancient geopolitical faultline between the agrarian empires of the east Mediterranean and the Middle East, Karabagh, along with the rest of the Caucasus, was a part of the fabled Silk Road and was repeatedly invaded from the north by steppe nomads. These competing pressures were chiefly responsible for the region’s mindboggling ethnopolitical fragmentation.

The more proximate cause of conflict, however, was the intersection of demography and uneven economic development during the nineteenth century. Once the Russian conquests secured the outer perimeter of the Caucasus and forcefully curbed both slaving raids and internecine warfare, rural populations began to grow quickly. Within a few generations, land became too scarce to continue traditional subsistence agriculture and seasonal pastoral lifestyles.

Modern towns provided an alternative outlet for both native elites and labor migrants, turning them into intelligentsia, entrepreneurs, bureaucrats, and proletarians. In the Caucasus, however, modern towns were relatively few, limited largely to the administrative capitals of Tiflis (Tbilisi) and Vladikavkaz and oil hubs like Baku, Batum[i], and Grozny. These colonial towns also acquired a typically “Levantine” brand of cosmopolitanism, with a complex and often uneasy division of labor among various status groups.

In the Caucasus, the rural and urban class struggles associated with modernization became intertwined with ethnic conflicts. This volatile mixture exploded twice during the Russian revolutions of 1905 and 1917 as the sudden collapse of the state produced a power vacuum amid competing claims and the rapid emergence of various militias. This period became known, on all sides, as the terrible time of massacres.

In the 1920s, the Bolsheviks treated “nationality problems” with their trademark

combination of vigor and violence in the name of grand historical goals. The Bolsheviks, however, were of two minds on the nationality issue and engaged in their own factionalist fights; in the later time of perestroika, all wrongs would be blamed on the evil genius of Joseph Stalin, but, in reality, he often vacillated between the two sides. This dilemma is instructive as it recurs in our own thinking about solutions to ethnic conflict.

In 1921, the predominantly Armenian parts of Karabagh were first awarded to Soviet Armenia, only to be transferred immediately, with the status of an autonomous region (*oblast*), to Soviet Azerbaijan. The first decision clearly followed the principle of national self-determination; its immediate reversal was justified in terms of economic progress. Industrial Baku, not underdeveloped Yerevan, was expected to pull Karabagh out of its “medieval” feuds.

The fate of Karabagh was also affected, however, by Georgian Bolshevik misgivings about South Ossetia and, primarily, Ajaria. At the time, Ajaria’s linguistically Georgian, yet devotedly Muslim population identified much more closely with Turkey (Ajarian identity has since changed so profoundly that there is no longer talk about Ajarian separatism). Following the Karabagh precedent, native Ajarians could have left the nascent Soviet Union altogether, which would have meant the loss of Batumi, once a major oil terminal. The Bolshevik compromise was to grant limited autonomy to separatist regions across the Caucasus and, instead of accommodating territorial demands, offer economic development.

Patterns of Post-Soviet Transitions

Today one cannot help but draw rather awkward parallels between Soviet hopes for modernization as the cure for ethnic conflict and plans to reintegrate the fragments of former Yugoslavia into the European Union. Cynicism, however, is unwarranted. The Bolshevik national-industrializing model of incorporating ethnic conflicts worked for several generations. It ultimately collapsed because Soviet nation-building unwittingly dug its own grave, producing large and substantively modern national elites, who demanded still more progress without despotic controls.

Twenty years later, the causes of the Soviet collapse remain obscured by ideological stereotypes and the ingrained tendency of the modern political imagination to assume that nations are unitary actors. There is little truth to common statements such as “Armenians claimed” or “Azerbaijanis responded.” A more meaningful approach is to ask when, why, and against whom certain groups and individuals on each side advanced one or another mobilizing slogan in the nascent political arena; more importantly, how did they draw a mass response?

To compress a rather complex theoretical argument at the expense of nuance, perestroika began as an elite project of reintegrating with the West on honorable conditions, akin to Spain after the death of Franco a decade before. Unlike Spain, however, the much larger Soviet bloc failed to coordinate its multiple segments, each of which contained its own potential set of hardcore conservatives, modernizing technocrats, moderate alternative elites (i.e., an established intelligentsia), and fringe radicals. Instead of an all-Union centrist political pact between “enlightened”

nomenklatura and higher-status liberal and social-democratic intelligentsia, which might have overcome the inertia of conservatives and outer-fringe radicalism, the ensuing chaos bred opportunistic instability within the union republics, making the USSR ungovernable.

In most cases, including Russia itself, the fragments of power and its material spoils, thanks to a good deal of chance and violence, fell into the hands of the inevitably corrupt and cronyist personal networks of the former *nomenklatura*, who were best positioned to grab them. Elsewhere, the national intelligentsia seized power with or without fringe radicals. It was the first of these last two roads, of democratic and market transition, that Armenia, Georgia, and Azerbaijan appeared to embark upon in the early 1990s (similar to the Baltic republics and central Europe), as the powers of the erstwhile *nomenklatura* were demolished suddenly and dramatically.

Of course, Central Europe also contained a full range of nasty “historical burdens”: relatively recent and massive ethnic expulsions, major border shifts, fresh memories of nationalist rebellions, and many surviving fighters. Thus, it is tragic but not surprising that, in the Caucasus, fringe radicals violently stormed to the forefront of emerging politics by inflaming the issues of Karabagh and Abkhazia.

The relative size, traditions, and maturity of social classes within different republics certainly had an impact. Soccer hooligans and rabid nationalists are found everywhere, but the crucial difference was in the realistic goals and external commitments of countries like post-communist Hungary, Poland, and Lithuania that set those countries on a historical trajectory so different from that of Armenia and Azerbaijan. Yet, the course of history was not fatally overdetermined.

Into the Crisis

The danger now lies in the destabilizing effects of global economic volatility upon the former Soviet republics. The majority of these new states came to be ruled by narrow cliques of rent-oriented politicians and businessmen. Inevitably, not all elite actors can enjoy direct access to the benefits of power, including conditional protection from prosecution. Excluded elites often find themselves exiled and in opposition, hoping to return under the banners of either democratization, extreme nationalism, or, most likely, both. The disruptions caused by botched elections, sudden economic downturn, and war typically shape the structure of opportunity, as demonstrated in the recent wave of color revolutions. With good reason, this prospect worries current ruling factions, sometimes to the point of paranoia.

Extreme nationalism and brinksmanship can flow from both incumbents and challengers. Who may access these political weapons and how is an empirical question, yet a very different scenario is also possible.

The involvement of civil societies in conciliation efforts typically includes humanitarian intellectuals and ecumenical clerics, with little regard for “classical” constituencies of national bourgeois. In many former communist states, business opportunities overwhelmingly depend on political connections, rendering the bourgeoisie a less than autonomous class. What happens, however, when sources of

export and import rents drastically diminish and influential political patrons fail to cope with rising social tensions? Extreme nationalism is, of course, a common distraction in such situations. Armenia and Azerbaijan have been there just recently; patriotic rhetoric aside, few on either side are prepared to undergo the same casualties and privations again. This sentiment, therefore, remains as yet untapped.

Modern political leaders, democratic or otherwise, ultimately draw legitimacy from their performance as defenders of the national interest. The question is: what is the national interest? Is it claiming symbolically important, though economically marginal, territories, or is it concentrating efforts and resources on recovering at least Soviet levels of education and social protection, stimulating domestic consumption, and actively pursuing new cross-border opportunities?

In private conversations, diplomats and international mediators admit that the general formula for settling the Karabagh conflict has long been in place, the problem is a lack of will in Yerevan and Baku. As this memo has sought to demonstrate, this obstacle is fortunately neither rooted in some profound depths of history nor in the immovable values of ethnic culture. It is fundamentally political. The chaotic events of 1988-94 showed that, in this region, fringe political entrepreneurs can invoke memories of past traumas with huge effect during crisis. Extreme popular emotions benefit extreme political actors. Once such mobilization begins, it is extremely difficult to prevent it from running its devastating course.

Nevertheless, it is not too late to prevent a renewed cycle. The dangers and obstacles are, fortunately, political and mostly domestic in nature. In both Armenia and Azerbaijan, political leaders face opponents whose roots are in the popular mobilizations of the previous cycle of conflict. In the absence of a major legitimating alternative, the power of the incumbents in Yerevan and Baku would be immediately jeopardized by any compromise on the extremely sensitive issue of Karabagh. The way out of this stalemate may be a plan coordinated and guaranteed at a broad international level making a compromise over Karabagh the first necessary step on the road to involving the South Caucasus in the global division of labor on more advantageous terms. This cannot be achieved by Baku and Yerevan alone, and it cannot be expected to emerge from merely mediating international diplomacy. A broad international vision, including cooperation between Russia, Turkey, Iran, the EU, and the United States is required. Karabagh could be a good first step precisely because, unlike neighboring Georgia, the conflict has not yet entered its second violent cycle. Time, however, may be running out.

Can Russia Win the Ideological Battle in Georgia?

PONARS Eurasia Policy Memo No. 67

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September 2009

Georgia has been one of the most vocally independent-minded countries among the Soviet Union's successor states. As Georgia's ambitions to draw closer to Europe and the transatlantic community have grown, its relations with Russia have deteriorated. After the Rose Revolution, Russian-Georgian relations remained problematic due to Russia's continuing political, economic, and military support for the separatist movements in Abkhazia and South Ossetia. Nonetheless, Georgia sought to maintain good relations with Russia, despite the evidence that various Russian political and military forces rejected Georgia's state-building project as contradictory to Russia's national interests.

Russia is uncomfortable with Georgia's democratic and independent nature, as well as with the West's close ties to a country within Moscow's "legitimate" sphere of influence. Moscow worries that the successful integration of Georgia into Euro-Atlantic structures may cause Russia to lose influence and credibility not only in the Caucasus, but throughout the post-Soviet space. Georgia has demonstrated in recent years that there can exist in the Caucasus a functioning modern democratic state, one in which the economy can develop without government interference and where corruption does not reign. An economically and politically stable Georgia, which might, in the long run, become a successful Eastern European country, can be a model for development that other post-Soviet states, as well as Caucasian republics within the Russian Federation, might emulate. To the Kremlin, this scenario is a dangerous, and potentially costly, zero sum game.

By invading Georgia in 2008 and recognizing Georgia's separatist regions, Russia secured two footholds for stationing military bases in Georgia. One obvious motivation for this action was to compel the North Atlantic Treaty Organization to think harder

about its plans for future enlargement. Russia is also anxious about the European Union's Eastern Partnership program, which aims to draw the six post-Soviet states of Eastern Europe and the Caucasus closer to the EU by improving human rights, easing visa regulations, and ensuring energy security. By asserting a sphere of influence, strategists in Moscow hope to prompt a suitably deferential reaction from the West, including, perhaps, regional withdrawal.

While Russia's invasion did not result in such a retreat, and was in fact seen as a challenge to Euro-Atlantic security, it did not justify NATO intervention. Georgia's Western partners routinely turn a blind eye to the unequal confrontation between Russia and Georgia, allowing, in the words of Georgian analyst Alexander Rondeli, the "smell of oil and gas [to] prevail [...] over feelings of sympathy and understanding." Eastern and Central European countries, with their own fresh memories of imperialism, tend to be more sensitive to Georgia's problems with Russia and try to support its struggle for real independence and Euro-Atlantic integration. However, their voices typically carry less weight in European councils. While Georgia received extraordinary international support after the war, there is still a feeling that more energetic and effective Western support is vital for the survival of Georgian statehood.

Georgian society understands the reality of Western impotence in the face of Russian aggression in the Caucasus. The public also recognizes the strategic complexity of the situation and does not want to be seen as provoking a new global conflict. Georgians acknowledge that their country has suffered a military defeat against Russia and, in the aftermath of conflict, must contend with the painful experience of military occupation. There is also a sober realization in Georgia that, with two wars and the repercussions of the global financial crisis, the country will be a lesser priority for Barack Obama's administration than for its predecessor.

At the same time, as Georgian political scientist Ghia Nodia notes, while the vast majority of the Georgian people emphatically assert their commitment to Western institutions and values, they also understand that these values have not sufficiently taken root in Georgia. Georgia is an aspiring democracy, not a consolidated one. This gives Russia hope that Georgia's ambition to become a Western democracy can yet be reversed, if not through force, than by other means of persuasion – what might be referred to in other contexts as "soft power." Georgia's polity and institutions have already survived the test of war with Russia. It is unlikely that Russia will be able to achieve its objectives by other means, as long as it chooses to play the role of military occupier and seeks to hamper Georgia from making its own foreign policy choices.

Georgian Security after the Russian Invasion

With 20 percent of the country's territory occupied and Russian provocations continuing, the risk that hostilities will resume is high. Russian analyst Pavel Felgenhauer argues that another Russian-Georgian war is inevitable, not only to finish the business of 2008, but because Moscow has a strategic need to create a land bridge to its forces in Armenia. Of particular concern are Russia's continuing attempts to portray Georgia as a confrontational and aggressive state with which all countries should interact more cautiously. Russian politicians and experts also occasionally make

statements designed to encourage the destruction of Georgia's statehood as such. In this situation, political and moral support for Georgia from the West is essential.

In this regard, Georgia welcomed the launch of the NATO-Georgia Commission, aimed at helping it rebuild after the Russian invasion and prepare for future membership in the alliance. Similar to a body established in 1997 to oversee NATO relations with Ukraine, the commission will support Georgia as it moves toward fulfilling the promise made at the April 2008 Bucharest Summit that Georgia will eventually become a NATO member. At NATO's 60th anniversary summit in April 2009, the alliance elaborated that the NATO-Georgia Commission will serve to maximize advice, assistance, and support for Georgia's reform efforts. An Annual National Program (ANP) will allow the alliance "to closely monitor" the reform process. The NATO statement also noted that "the build-up of Russia's military presence" in Abkhazia and South Ossetia "is of particular concern," and alliance leaders called on Russia "to reverse its recognition" of Abkhazia and South Ossetia.

It remains unclear how the Russian invasion has affected Georgia's bid for NATO membership. A year ago, Georgia appeared to be on the brink of becoming a NATO member. That is now far less likely given Russian actions and the onset of the economic crisis, which has caused many member states to rethink what they are willing and able to do. If NATO decides not to offer membership to Ukraine or Georgia relatively soon, the consequences could prove dramatic and unsettling for the region. Both Kyiv and Tbilisi would feel that they had been misled, while their neighbors would assume that NATO's expansion was at an end, at least for a long time to come. Moscow would seek to exploit this situation by presenting itself as the obvious alternative to the West, an effort that might prove effective.

Understanding this, Georgia's partners have been quick to address some of its postwar challenges. The United States led international aid efforts by rapidly committing more than \$1 billion. The European Commission has already pledged €500 million and asked member states to contribute an equal amount. The International Monetary Fund (IMF) will make \$750 million available to Georgia's Central Bank in the form of a standby arrangement. Even the Asian Development Bank, which is heavily influenced by China, contributed \$40 million. A series of diplomatic meetings with NATO, the EU, and others is underway. All of these efforts and assistance have given Georgia visibility and helped to restore investor confidence.

An assessment of the Georgian armed forces after the August war has also helped Georgia's security partners determine priorities for military training, as well as the kind of equipment necessary for Georgia's homeland defense. According to earlier statements of U.S. officials, the United States was willing to train the Georgian armed forces with a focus on the defense of Georgia. However, later statements suggest that the United States is more focused on enhancing the expeditionary capabilities of Georgia's armed forces (in Afghanistan) than on training it for internal defense. That announcement is the most specific indication of how the United States plans to assist Georgia's postwar military reforms. It remains unclear, however, how a country that still faces such a severe security dilemma will be able to benefit meaningfully from these efforts.

Can Moscow Win the Ideological Battle in Georgia?

The Russian invasion of Georgia resulted in the total alienation of Georgia's population from Moscow. It will require an enormous effort over several generations to repair the damage. Moreover, after Russia's aggression, Georgia left the Commonwealth of Independent States (CIS), the last post-Soviet structure with which it was associated. By driving Georgia from the CIS, Russia lost legitimacy and influence over Georgia, a situation that was exacerbated by the suspension of diplomatic ties.

Taking this into consideration, and noting the failure of "hard power" to change Georgia's pro-Western orientation, Russian authorities have recently begun to utilize so-called "soft power" in relations with Georgia. In general, Moscow has sought a new ideology or image that it could promote within neighboring states, including Georgia, in order to increase sympathies for Russia and to gradually build a single or unified cultural-economic space around itself. Two components of this ideology are Eastern Orthodoxy and a so-called "common historical heritage." According to proponents of this idea, Russia should adopt a new Georgia policy, one that would temper Moscow's passion for regime change in Tbilisi and instead employ direct outreach to the Georgian people. As examples of such "straight-to-the-people" approaches, Russian political analysts have cited President Barack Obama's video message congratulating Iranians on the holiday of Nowruz and his administration's easing of restrictions on travel and money transfers to Cuba. The goal of this new policy would be to prevent the further alienation of Georgian political elites from Russia and help pro-Russian (or at least, Russia-neutral) forces come to power during the next electoral cycle.

How realistic is such an approach? Before implementing a markedly different Georgia strategy, Kremlin officials should realize that any attempt to install a pro-Russian government in Tbilisi is futile. By recognizing the independence of Abkhazia and South Ossetia, Russian authorities made it practically impossible for anyone in Georgia to create a political bloc oriented toward Moscow that would be capable of garnering wide electoral support. Voter sympathy for Russia does not exist. This is not merely due to the Russian invasion of Georgian territory (though the sight of Russian tanks, military planes, and bombs had a powerful effect); the political differences are simply too great, and the elites in both countries are too accustomed to viewing each other as opponents instead of partners.

Moreover, Russia's leaders should realize that a generational and mental shift has been underway over the last 15 years. Soviet stereotypes of Georgians, shaped largely by popular film, no longer pertain (if they ever did). Unlike in many other post-Soviet states, Georgian society is not dominated by a *nomenklatura* that harbors pro-Russian tendencies. This segment of Georgian society was marginalized long ago; it plays no role in Georgian political life and is unlikely to do so in the future.

Georgia's modern elites are largely Western-educated people who became alienated by Russia's aggressive policies toward Georgia and who now consider Russia a key adversary. Most of them grew up with anti-Russian sentiments and perceive Russian-Georgian confrontation in ideological terms, as a clash between authoritarian, imperial Russia and a pro-Western democratic Georgia. This clash dominates current Georgian political dialogue.

Also, the Russian language is being driven out of Georgian education and culture. Children and young people know less and less Russian. Ever fewer are able to read even an elementary Russian text. In this way, Georgia has become excluded from the former Soviet space, in which the language of interethnic communication, the *lingua franca*, remains Russian.

Under these circumstances, the Kremlin's ambitions for a regime change that would install a pro-Moscow leader in Georgia are counterproductive. Nobody in Georgia will support a geopolitical reorientation of Georgia toward Russia, which would be perceived as a betrayal of the country's vital national interest. There are some in Moscow who hope that, if Georgian opposition leaders who claim they would engage in pragmatic dialogue with Russia come to power, the situation may change. If any of these politicians did come to power, though, Moscow would see none of the strategic changes in Georgian foreign policy for which it hopes. The Russian political elite sometimes forget that Georgia's opposition is hardly different from Saakashvili when it comes to foreign policy, almost across the board pro-American and strongly pro-Western. Sober analysis of Russian-Georgian relations over the last two decades suggests that there has never been an independent Georgian government that was acceptable to Russia, and it is unlikely that there will be one any time soon. Neither the Georgian people nor any Georgian leader will agree to recognize the independence of Abkhazia and South Ossetia. In fact, bitterness about the occupation of Georgia's territory is the most unifying factor in its politics. Denied the support of a pro-Moscow *nomenklatura*, the Kremlin cannot win the minds and souls of Georgians, and, as a result, it cannot hope to win its "ideological battle" in Georgia. For the foreseeable future, the views of Georgians and Russians regarding Georgia's trajectory and role in regional security arrangements will be irreconcilable. Taking into consideration Russia's occupation of 20 percent of internationally-recognized Georgian territory, it is not possible to expect any major improvements in Georgian-Russian relations.

Is There a Chance for Constructive Cooperation in the CIS?

PONARS Eurasia Policy Memo No. 68

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September 2009

Developments after the August 2008 Russia-Georgia war have signaled increasing dynamism and complexity in the post-Soviet space. On August 7-8, the short period of relative calm that existed after the color revolutions ended overnight, and the region again emerged at the forefront of world politics. Meanwhile, both the disposition of actors in the post-Soviet space and Western approaches to the region began to change, influencing relations within the Russia-Europe-United States triangle and beyond.

Optimistic forecasts for trilateral cooperation in the post-Soviet space appear naïve, given the situation on the ground. Without cooperation or agreement in this area, however, it is clear that none of the relevant states will be able to effectively fulfill their diverse global and national agendas.

Russian Policy in the CIS: Going Nowhere

Russia defined its strategy in the Commonwealth of Independent States (CIS) just after the August 2008 war with Georgia and Moscow's subsequent recognition of Abkhazian and South Ossetian independence. At the end of the month, President Dmitri Medvedev asserted that Russia would seek to "pay particular attention" to regions where Russia has "privileged interests." In these regions, it would "build friendly ties" with countries "with which we share special historical relations and are bound together as friends and good neighbors." Although this outspoken geopolitical rhetoric was sharply criticized in the West, it was the logical conclusion to the assertive political course established by former Russian president (and current prime minister) Vladimir

Putin in 2007.

Russia's claim to an intensified relationship with its post-Soviet neighbors, however, remains just that. A year after the Georgia war and the Russian declaration of an "enhanced" CIS strategy, most foreign and domestic specialists and politicians perceive a stalemate, and even failure, of Russian activity in the post-Soviet space.

First, despite the expectations of many observers, Russia did not take advantage of the unique opportunities that the global financial crisis presented to promote financial integration within the CIS. In February 2009, the states of the Eurasian Economic Community (Eurasec) resolved to establish a \$10 billion anti-crisis fund, with Russia contributing three-quarters of this sum; however, the procedures for its establishment had yet to be finalized by the end of the summer. Meanwhile, instead of undertaking a comprehensive strategic "reset" of the financial and economic foundations of the CIS, Russia pursued a traditional policy of lavish, and seemingly unconditional, bilateral aid to Kyrgyzstan (\$2 billion), Belarus (\$1.5 billion), Armenia (\$500 million), and, even in spite of tensions, Ukraine.

This largesse has produced limited results. Kyrgyzstan, which in February announced the termination of the U.S. military presence at its Manas airbase, subsequently reversed course after successfully raising U.S. rent for usage of the base. Even Belarus dramatically enhanced its Western orientation, eagerly joining the EU's Eastern Partnership, a mechanism that provides relatively modest and strictly conditional support to its participants. Belarus is also one of six post-Soviet states (together with Moldova, Ukraine, Armenia, Azerbaijan, and Georgia) that openly pursue independent multivector foreign policies and that consider their European orientation to be no less valuable than their CIS one.

Even less consequential was Moscow's gambit regarding membership in the World Trade Organization. WTO membership has been a key priority of the Kremlin for the last eight years, and it remains a condition for concluding a desired agreement on free trade with the EU. The announcement that Russia would now pursue membership not on its own, but as part of a customs union made up of itself, Belarus, and Kazakhstan prompted various concerns. Putin made the declaration during a trade war with Belarus and amid tensions caused by Belarus' active participation in the Eastern Partnership. Not only is there no precedent in the WTO for such a situation, the decision aggravated negotiations over a strategic partnership agreement with the EU.

The announcement about the WTO clearly signaled Russia's intent to grant higher priority to regional integration in the CIS than to global economic integration or strategic partnership with the EU. Some observers interpreted this as a sign of tension within the ruling Russian tandem; others saw it as an attempt to pressure Western partners with whom Russia had yet to conclude negotiations. The latter interpretation appears to be closest to reality; a few weeks later, coinciding with preparations for U.S. President Barack Obama's July 2009 visit to Moscow, officials acknowledged that Russia might continue to pursue independent negotiations on its WTO membership.

This inconsistency, whatever its source, evinced a lack of strategic vision by Russia's ruling elite regarding "the zone of its privileged interests." Russia's post-Soviet

neighbors have perceived this ambiguity and feel that Moscow is using them as bargaining chips in its relations with the West, giving these states all the more reason to develop multivector foreign policies.

Even more harmful for Russia's image in its "near abroad" was the decision to limit the number of migrant workers from CIS states, due to the financial crisis and the ensuing growth in Russian unemployment. This was accompanied by the spectacle of Russia's prosecutor-general blaming immigrants for the country's worsening criminal situation. While reducing labor migration has done nothing to improve Russia's socioeconomic situation, it has caused a rise in xenophobia and anti-migrant crime. It has also deprived hundreds of thousands of families, citizens of Russia's neighboring allies, of their only source of income.

Moscow's policy in energy, a sphere of critical importance, has not only been controversial but without gain. Russia has tried to monopolize the largest sources of oil and gas in the CIS in order to prevent its hydrocarbon-rich members from participating in projects designed to bypass Russia. Currently, the most hotly contested pipeline is the southern Nabucco pipeline, which competes directly with the Russian South Stream pipeline to be constructed across the Black Sea. Kazakhstan and Uzbekistan have refrained from supporting the Nabucco pipeline out of loyalty to Russia, while Turkmenistan has promised to provide Nabucco with gas, but without making any formal commitment.

The most recent gas competition between Europe and Russia has been over Azerbaijan. In July 2009, Moscow signed an agreement with Baku to buy 500 million cubic meters of gas at \$350 dollars per thousand cubic meters (by way of comparison, Russia resold Central Asian gas to Ukraine in the second quarter of 2009 for roughly \$260/tcm). Although this contract is not profitable for Russia, it is seeking to increase imports from Azerbaijan in order to reduce the attractiveness to Baku of the Nabucco option; Moscow believes it can make up its initial losses after gas prices rebound. This is not a guarantee, however, as European consumption of Russian gas fell more than 50 percent in the first quarter of 2009, even as Europe's total gas demand declined by only 4-5 percent. While Gazprom's share of European gas imports increased again by the summertime, the EU still seems serious about diversifying its energy supplies.

In addition to pursuing a potentially profitless strategy in Azerbaijan, Russia has continued to pursue contradictory policies to ensure secure transit routes for its gas to Europe. On the one hand, it has tried to get the EU and Ukraine to consent to a kind of trilateral transit consortium, in which Russia would share responsibilities and costs, maintain as much control as possible over transit pipelines, and be assured a stable market in the EU. On the other hand, Russia has continued to try to bypass both Ukraine and Belarus with alternative pipeline projects. At the peak of the Russian-Belarusian dispute earlier this year, Moscow began construction on the Baltic Pipeline System-2 (BTS-2) to the Gulf of Finland, a project announced several years ago to bypass Belarus.

Since the Georgia war, Russia's greatest blow in the CIS has been in the security sphere. Russia's demonstration of its readiness to use force did not prove to be a sufficiently strong lever to convince CIS states to recognize Abkhazia and South

Ossetia. Although the Collective Security Treaty Organization (CSTO) was not specifically designed to counterbalance enlargement of the North Atlantic Treaty Organization, but rather to serve as a guarantee of security in Central Asia, its non-Russian members have shown little enthusiasm for strengthening the alliance. Uzbekistan refused to sign an agreement on CSTO rapid reaction forces, while Belarusian president Aleksandr Lukashenko boycotted a CSTO summit to protest Moscow's economic sanctions. In reality, Belarus' security interests have little in common with the CSTO agenda of promoting stability in Central Asia. Indeed, for most CSTO members, the organization is more a way to demonstrate loyalty to Russia than a real mechanism for collective security.

Since declaring its "privileged interests" in the CIS, Russia has neither concentrated on the region nor elaborated a comprehensive strategy for it. In practice, the CIS remains a lever for Moscow to strengthen its position in its relationship with the West, or, more accurately, within the Euro-Atlantic framework in which Russia seeks to assert itself as an equal partner. Thus, despite protesting against Ukrainian and Georgian cooperation with NATO, Russia itself has fully restored cooperation with the alliance, particularly in Afghanistan. Suspicious of the enthusiasm of western CIS states about the Eastern Partnership, Moscow also continues to view full-fledged strategic partnership with the EU as a top priority and the only pathway for Russia's modernization. In practice, such ambivalence leads to negative outcomes from both directions: CIS states strengthen their non-Russian, non-CIS orientations, while Western partners continue to abstain from closer relations with Russia, which is not always convincing in its claims of sharing a common "Euro-Atlantic" identity.

The EU's Eastern Fatigue

Due to institutional challenges, difficulties with earlier rounds of enlargement, and fallout from the global financial crisis, the EU has recently become much more reserved in its approach to the post-Soviet space, including Russia. Unending political instability in Ukraine and Georgia, coupled with the January Russian-Ukrainian gas conflict, seems to have further narrowed the EU's agenda in the post-Soviet space. Brussels now concentrates on two issues: energy security and stability. On energy security, it has reinvigorated its efforts to bring the Nabucco project to fruition, intensifying its negotiations and bargaining with potential suppliers and transit states. Simultaneously, the EU continues to pursue the more familiar and less expensive option of modernizing the Ukrainian pipeline system. With regard to regional security, the EU aims to "civilize" its eastern neighborhood without having to promise EU integration through the cost-effective Eastern Partnership. The EU also continues to be a key player in post-conflict regulation in the Caucasus, a role Russia itself encouraged as an alternative to the involvement of the United States, NATO, or even the already established Organization for Security and Cooperation in Europe (OSCE).

Nonetheless, Brussels seems to be suffering from Eurasia fatigue; long-standing attempts to raise the post-Soviet space to European standards have met with many barriers. Brussels still proclaims its interest in strategic partnership with Russia and openness for cooperation, but Europeans generally consider the ball to now be in Russia's court. The EU wants to strengthen its energy security and is even willing to

amend those principles of the Energy Charter that do not suit Moscow; Brussels is waiting for clarification of Russia's position and new proposals for negotiations. Finally, the EU welcomes Russia's initiative for a new European security architecture, but in this matter, too, it awaits details of Moscow's vision for European and global security.

A New Opportunity for the United States?

The new U.S. administration, more than either the previous administration or the EU, is both enthusiastic and proactive about Russia and post-Soviet Eurasia. This is a paradox: Obama's foreign policy and security priorities lie mostly beyond the post-Soviet space; however, issues like Afghanistan and nuclear nonproliferation cannot be productively tackled without Russia's full-fledged cooperation.

For the sake of these agenda items, Washington has withheld sharp criticism of Russian domestic politics and has exhibited a willingness to compromise with Russia on the question of military bases in Central Asia. It avoids irritating Russia by making far-reaching promises of NATO membership to Ukraine and Georgia. Washington might also take the initiative to elaborate a new format for engaging Russia on missile defense. The "D-Day" for the present stage of renewed U.S.-Russian cooperation is December 6, 2009, the deadline for renegotiating a new strategic arms control treaty. Success in this sphere will enable Russia and the United States to contemplate going further, to elaborate a new comprehensive security treaty for Europe, for example, or devise effective new measures to prevent nuclear proliferation.

If asked whether they consider themselves to be European or Asian, most Russians will affirm their and their country's European identity. Russia's ruling elite recognizes there is no alternative to cooperation with Europe and the United States, if Russia is to continue on the road of modernization. Still, for a number of reasons, Russia is still undecided on the matter of its civilizational identity.

Now is a good time to gently push Russia in the direction it has asserted many times: toward a Euro-Atlantic community of which the CIS is a natural part. In a time of global transition, it is worth considering how to create an Entente of the twenty-first century, as it is practically impossible to confront either current or imminent global challenges without a cooperative Russia.

The Rapprochement between Belarus and the European Union

How Serious Is It?

PONARS Policy Memo No. 69

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September 2009

In June 2009, a crisis developed in Russian-Belarusian relations, triggered by the Belarusian leadership's refusal to accept payment in rubles of a promised \$500 million Russian credit. It was exacerbated by harsh exchanges between Belarusian president Aleksandr Lukashenko and Russian finance minister Aleksei Kudrin. Within weeks, Russia introduced a milk and dairy embargo against Belarus, while Gazprom requested the payment of a \$230 million gas debt that it claimed Belarus had incurred in the first part of the year. Belarus reciprocated by indicating a readiness to introduce customs controls on the Russian border and refusing to take part in a summit of the Russian-led Collective Security Treaty Organization (or assume the organization's rotating chairmanship as scheduled). The level of acrimony between the two states was so high that an unnamed source in the Russian presidential administration told the Russian daily *Kommersant* that "it looks like someone is simply tired of being president" of Belarus.

The deterioration of Russian-Belarusian relations, and even the use of personally offensive rhetoric, is not new. This time, however, the situation is qualitatively different as Belarus is no longer dealing with Russia on a purely bilateral basis. The June 2009 crisis is a consequence of a shift in Belarus' foreign policy orientation, specifically a rapprochement with the European Union. The crisis followed months of high-level contacts between Minsk and EU capitals, the accession of Belarus to the EU's Eastern

Partnership initiative, and diplomatic preparations for restoring Belarus' status as a special invitee in the Council of Europe's Parliamentary Assembly.

The EU's decision to extend a hand to Belarus might be criticized as premature. The liberalization of the country's political regime has yet to even begin. What opportunity, then, does Brussels see in Belarus, and why does it want to invest its political capital there? Finally, how promising is the EU's policy of engagement?

Why Belarus Is Opening

The change in the EU's position has been precipitated, first, by a perceived opening within Belarus. Even with no political liberalization, Minsk has appeared ready to pursue a more balanced foreign policy in order to enlarge its space to maneuver between Russia and the West.

The main factor behind this foreign policy shift is the increasingly complicated character of Belarus' relations with Russia. First and foremost, Minsk has been concerned with the ongoing "marketization" of Russian foreign economic policy. Although subsidies may still be flowing, the era of "gas for kisses" is over; Russia cannot be expected to provide economic support to its neighbors in exchange for pledges of geopolitical loyalty. In early 2007, Belarus had to concede important elements of its gas transportation infrastructure to Russia to secure preferential energy prices. Belarus can also no longer retain all the profit of refining and exporting oil products made of Russian crude, which it was previously allowed to import tax-free. When Russia's Baltic Pipeline System-2 (BTS-2) to the Gulf of Finland is complete (probably in 2011 or 2012), Belarus will lose its position as an important transit country for Russian oil. After the incomes from oil transit diminish, it will be more difficult for the Belarusian administration to resist the pressure of the Russian companies seeking to acquire assets in the country.

The current global financial crisis further complicates the situation. Even without protectionist measures to help local producers, the Russian market is unable to absorb as many Belarusian exports as before. A constricted Russian market dictates the need for Belarus to diversify its exports, find new markets, and even join the World Trade Organization.

Moreover, Belarus is as disquieted as its neighbors by Russia's new assertiveness. Minsk did not enjoy being singled out as the member of the Russian-led Commonwealth of Independent States most expected to recognize the independence of Abkhazia and South Ossetia. In general, Minsk is uneasy with such public demonstrations of loyalty to Moscow, which complicate its relations with other global actors. This is true not only with regard to Western states and institutions but also China, for example, which retains a principled position in favor of the territorial integrity of states.

Meanwhile, Belarus is undergoing a complex and poorly understood internal evolution. As Belarus approaches its eighteenth year of independence, its post-Soviet self-identification is presumably weakening. While it may be premature to identify the rise of a European identity in its stead, a feeling of distinctiveness from Russia is

gradually emerging, in part due to Lukashenko's own rhetoric praising Belarusian sovereignty.

Also, as has happened elsewhere in Eastern Europe, bureaucratic and business elites who accumulate personal wealth are increasingly willing to trade certain exclusive administrative privileges for internationally-recognized status as the ruling elite of a "normal" state. A decade ago, Ukraine experienced a similar trend when its oligarchs realized that, while it is better to make money playing by post-Soviet rules, keeping that money is easier when European norms apply. Wealthy Belarusians now want to spend their money in Paris and Rome without worrying if they will find themselves struck down by a visa ban.

The strengthening of "technocrats" at the top of the Belarusian ruling pyramid, at the expense of the *siloviki* of the state's force structures, illustrates this point. Such symbols of the regime as KGB chairman Stepan Sukhorenko, praised by Lukashenko for his actions during the 2006 presidential election; Security Council secretary Viktor Sheiman, a loyal ally of Lukashenko even before his rise to power; and minister of internal affairs Vladimir Naumov, alleged to have been involved in the disappearance of prominent opposition politicians, have gradually been relieved from their posts. The regime in Minsk has recognized the need for a new face.

Finally, it should be acknowledged, Western sanctions have worked. Sanctions were imposed upon several of the most notorious figures of the Belarusian regime, as well as some enterprises, and were only lifted after the regime released political prisoners in 2008. While sanctions likely would not have produced such an outcome on their own, they do appear to have been a critical element in the mix of carrots and sticks. The Belarusian regime has to reckon with their possible reinstatement.

Why the EU Is Responding

The EU's "rediscovery" of Belarus has also had its own internal logic. From a bureaucratic perspective, the new Eastern Partnership is incomplete without Belarus. More importantly, the EU desperately needs a success in its Eastern policy, or at least the impression of success. Ukraine threatens to become the disappointment of the decade because of a failure to deliver anticipated reforms. Moldova remains on the brink of internal turmoil while in a diplomatic conflict with EU member Romania. Progress in the transformation of Belarus, in spite of these concerns, would be a real coup.

Valuing process generally more than results, the EU is also inclined to pursue policy engagement with Belarus more than isolation and sanctions. Able to point to the 2008 release of political prisoners as an indication of Belarus' readiness to make concessions, Brussels apparently believes it will be possible to negotiate further change.

The EU's willingness to deal with Lukashenko personally is probably the most questionable element of its approach. Some prominent European politicians have publicly declared that meetings with the Belarusian leader are unacceptable. A major embarrassment at the Eastern Partnership's May 2009 inaugural summit in Prague was avoided only because Lukashenko chose not to attend.

Still, the EU does not have any other comparable partner in Belarus. Lukashenko remains in control. Demonstrating his central role in Belarusian politics, Lukashenko ensured the regime's dominance in 2008 parliamentary elections, while ridding his entourage of several of its most hawkish figures. In addition, the split and disintegration of opposition forces has relegated them to the role of commentators rather than actors. Even within the diverse leadership of Eastern Partnership states (Armenia, Azerbaijan, Georgia, Moldova, and Ukraine), Lukashenko no longer appears such an anomaly as to merit Belarus' exclusion.

How Likely Is Success?

Despite numerous motivations for EU-Belarusian engagement, a successful outcome is not guaranteed. Plans to liberalize Belarus through engagement with Minsk may well unravel.

First, Moscow will not observe with equanimity the rapprochement between the EU and Belarus. Its economic clout in Belarus remains strong; the resources the EU is prepared to allocate to regional projects are no match for what Russia can offer. In addition, some EU member states are unwilling to clash with Moscow on issues of their common neighborhood, treating the "strategic partnership" between the EU and Russia as the supreme regional priority. Overall, the EU is not a geopolitical actor; its capacity to play power games is limited.

More importantly, the EU bureaucracy may be too naïve and unprepared to deal with Lukashenko, who will not be easily outplayed. The president of Belarus is an extremely talented and experienced statesman, whose instincts and skills have kept him in power for fifteen years. He has also managed to receive enormous subsidies from Russia without yielding any meaningful political or economic benefits. He will challenge the EU, knowing full well that within this slow-moving entity the revision of any policy – including engagement with Belarus – is difficult and time-consuming. He may also embarrass Brussels by pointing out its "double standards," such as its seemingly less critical approach to Russia than to other regional partners.

Finally, the EU will have a problem reaching out beyond the regime. In its relations with Belarus, Brussels has been unwilling to utilize the promise of prospective EU membership, arguably its strongest foreign policy tool and one that could serve as the same driving force for transformation in Belarus as it has in Central Europe. Without it, there may be little popular demand for the Belarusian government to stay the course of rapprochement with Europe. Deprived of such leverage, the EU will be forced to rely on the continued goodwill of the regime. Measures such as visa facilitation could create positive momentum in Brussels' relationship with the populace, but such measures will not fully compensate for the lack of a long-term vision.

To promote transformation and liberalization in Belarus, the EU should implement a policy of conditionality and benchmarking. No significant assistance package should be provided without economic reform, especially in the energy sector. The EU should adhere to its demands for media freedom and respect for human rights and should not tolerate a return to the persecution of political activists. The March 2011 presidential election will be the right moment to assess whether or not such a policy has worked and

standards have improved, and to shift course accordingly. Contacts between reform-oriented groups from the state and civil society should also be promoted. In the end, however, all this will be insufficient if the EU fails to send a convincing message to the people of Belarus that their European aspirations, if and when they mature, will be recognized and that, like Ukraine and Moldova, Belarus has the chance, if it complies with the necessary criteria, to be fully integrated into Europe.

The EU's Eastern Partnership

Why It May Help Democracy Promotion and How the United States Can Help Move It Forward

PONARS Eurasia Policy Memo No. 70

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September 2009

The European Union's Eastern Partnership (EaP) initiative, generally welcomed on both sides of the Atlantic as a positive step toward drawing the countries of Eastern Europe and the Caucasus into the Western orbit, has also received its share of bad press. According to critics, the EU has failed to give these countries a clear European perspective, instead engaging them in a modified version of Cold War-era *Ostpolitik*. I argue, however, that the EaP, while modest in scope and scale, is an opportunity over the long term to encourage not only the modernization and democratization of partner states, but also transatlantic democracy promotion efforts and the advancement of U.S. interests in the region. Using the experience of Belarus, I discuss how the EaP could be further fine-tuned to indirectly promote democracy and give U.S. policy in the region a new sense of direction after its "post-orange" democracy promotion agenda has stumbled.

Why Eastern Partnership Matters and Why It May Be Good for Democracy

The idea for the Eastern Partnership was originally proposed by Poland and Sweden in the spring of 2008, but it was not officially approved until after the August 2008 Russia-Georgia war. The EaP was a symbolically important signal of the EU's commitment to the future of the region. Its importance arises, first, from the EU's assertion that its relations with the countries of Eastern Europe and the Caucasus should not be overshadowed by, or be a mere function of, EU-Russian ties. Additionally, for the first time, the EU differentiated between its Eastern European and Southern (Mediterranean)

neighbors, underscoring the European identity of post-Soviet states in Eastern Europe and the Caucasus.

Still, it remained to be seen whether the EU was ready to support its declarations in practice and provide a powerful economic, political, and civilizational counterweight to Russia. Unfortunately, even before the EaP got underway, it garnered bad publicity for being underfunded (€600 million over four years), under-institutionalized (without even a central office in Brussels), and unsupported by key EU states, the leaders of which did not attend the EaP inaugural summit in Prague in May 2009.

There is little reason to believe that the Eastern Partnership will work the same magic for the countries of Eastern Europe and the Caucasus that EU accession did for Central European and Baltic states. The EaP offers no membership perspective for these countries, and the financial crisis has depleted the EU's capacity to support its policies with spending and investment. From the other side, the EU's eastern neighborhood is itself hardly a community of shared values upon which a stable and enduring alliance could be built or full-blown integration pursued. While some countries in the neighborhood seek EU membership, their elites have thus far failed to furnish these aspirations with practical reforms. Others seem to believe that the West must win, or buy, their willingness to engage with political and economic favors.

Of course, the EaP was never meant to have extensive transformative powers. The EU consciously offered engagement to one flawed democracy (Ukraine) and five hybrid regimes. Even if the final wording of the EaP documents had mentioned shared values and conditionality, the invitation of Belarusian president Aleksandr Lukashenko to the EaP summit in May 2009 underscored that pragmatic realism still lies at the heart of the EaP. The EU does not intend to use the new policy initiative to spread its values in a proactive missionary fashion. It will engage in those areas of greatest interest, such as energy and administrative reform, and will use the language of values to justify its reluctance to proceed with further integrative measures, such as granting a membership perspective or even visa-free travel.

While limited, the EaP is not entirely without transformative capacity. The Eastern Partnership, unlike the largely unsuccessful European Neighborhood Policy, is project-based; it enables both bilateral and multilateral regional cooperation between states with different political systems and different degrees of readiness for full-scale integration into the European space. This provides an opportunity to proactively "drag" new countries into the European orbit through concrete practical cooperation.

There are two ways in which the EaP encourages long-term democratization. First, the EaP's provisions emphasize good governance. The EU realizes that aspirants like Ukraine and Moldova are not ready even for negotiations, let alone membership, and that they must first build proper governments. The EU is prepared to help with this process and provide the same instruments to other countries that may eventually develop pro-European aspirations. Second, the EaP institutionalizes the participation of civil society in the process, which is critical in partner countries that are less than democratic as it extends the legal space for the independent civil sector.

The EaP will not spur new democratic revolutions, but it may irritate local

democrats who resent visitors from Brussels cajoling their dictators. It also will not induce great domestic political change within these countries as it offers no “big prize” in exchange for reform. The EaP is an initiative modest in scope and ambition, the primary impact of which lies in the creation of an institutional framework that will enable the creation of programs to promote economic liberalization and modernization, administrative reform, and increased movement of goods, people, information, and capital over the EU’s eastern border. If these objectives are met, they will, in the long run, help political liberalization and Europeanization of the eastern EU neighborhood. Yet, for these goals to be achieved, the EU must launch more ambitious economic modernization and development initiatives than those currently being debated and which usually replicate past efforts.

Eastern Partnership and Belarus: *Realpolitik* or a Way Out of Deadlock?

The case of Belarusian participation in the Eastern Partnership has underscored many of the dilemmas, hopes, and disappointments of the initiative. The offer of full-scale participation in the EaP was extended to Belarus partially to support the EU’s political dialogue with President Lukashenko, ongoing since August 2008 after the Belarusian leader refused to support Moscow in the war with Georgia and turned to the West for support. Minsk’s other basic motivation for engagement was the understanding that Russia would not bail Belarus out of the coming financial crisis and that the latter would need loans and investment to survive. For years, the EU unsuccessfully applied various policies to encourage Minsk to improve its human rights track record, from feeble attempts at engagement to half-hearted conditionality strategies. The release of political prisoners after the Georgian war gave the EU justification for offering an olive branch to Lukashenko, particularly by suspending visa sanctions against top government officials. The EU also significantly scaled down its political demands that Minsk had to meet before sanctions would be abolished altogether.

While the Belarusian authorities accepted this olive branch, they interpreted it as a sign of EU weakness. They tried to manipulate the dialogue, fulfilling the minimum political conditions for suspending sanctions while standing firm on most EU demands and arguing that engagement should proceed without political preconditions. Lukashenko insisted that the EU abstain from democratization efforts in Belarus in exchange for whatever economic or geopolitical benefits he could offer.

Belarus’ invitation to the EaP posed a certain moral dilemma for the EU, as it meant that it would be extending partnership to a leader who not only has a proven track record of human rights violations but had consistently and tenaciously ignored offers of dialogue and political conditions set forth by the EU for the normalization of relations. It also prompted a certain level of controversy among the Belarusian opposition and within civil society. The political opposition, in particular, insisted that the EU’s offer of partnership should be postponed or limited until the human rights situation in Belarus improved. The opposition feared that it would lose the privileged contacts with the West it enjoyed while the EU isolated Lukashenko’s regime.

By offering engagement and participation in the Eastern Partnership, the EU did

make an implicit commitment to abstain from efforts to explicitly promote any kind of regime change in Belarus. At the same time, EaP participation has already assisted in opening up political space in Belarus, as the government has had to scale down its political repression and at least tolerate a greater degree of autonomy for civil society in order to get good marks in Brussels. At the same time, the EaP helped increase the status of Belarusian civil society, even as the government insisted it would conduct dialogue with the EU “without mediators.” Last, but not least, the symbolic and largely ceremonial concessions made by Belarusian authorities to the EU have had some unexpected consequences; for example, a newspaper that, in November 2008, authorities allowed to be sold legally at state kiosks tripled its circulation in one month. The EaP has also helped to ease the political and intellectual atmosphere in the country. EU-sponsored events have become de facto venues in which the government and the civil society talk and debate for the first time in years. Softening of the political atmosphere, achieved through dialogue with the EU, has also allowed for a certain improvement in Belarusian-U.S. ties. While the United States continues to impose economic sanctions on Minsk, and both sides remain at odds over a 2008 diplomatic row that resulted in the expulsion of nearly the entire staff of the U.S. Embassy in Belarus, the high-profile visit of a Congressional delegation in June 2009 signaled that their stalemate may soon come to an end.

Overall, the case of Belarus has shown that even a program of limited scale like the EaP can have important and positive consequences for a troubled country in the region. Naturally, political progress would not have happened if Lukashenko were not engaged in a cold political and economic war with the Kremlin or if its economy were flourishing. It is an instinct for survival, not a change of heart or mind, that drives Lukashenko toward Europe. However, even if driven by personal interests, he is making concessions and changes which, voluntarily or not, are opening the space for a more profound transformation in Belarus.

Eastern Partnership and the United States: A Small but Important Role

The Eastern Partnership, for now, lacks a transatlantic dimension. The new U.S. administration is reconsidering its policy in the region and reassigning policy priorities, in which Eastern Europe may not be of primary concern. Reviewing what it believes were the failed policies of its predecessor, Barack Obama's administration has scaled down enthusiasm for democracy promotion, withdrawn unconditional support for Ukraine and Georgia's immediate membership into NATO, and reconsidered the placement of missile defense facilities in Poland and the Czech Republic.

While Washington is shifting Eastern Europe down the list of its priorities, it has not abandoned U.S. interests in the region. Consequently, the White House would welcome and support a robust “Eastern” policy developed and promoted by the EU. The U.S. continues to support a common EU energy policy and hopes the EU will address Russia with one voice. Washington also favors building alternative oil and gas supply routes in the region to minimize Russia's blackmailing of Europe and would be happy if the EU would give a clear European perspective to East European countries and, in particular,

facilitate cross-border travel.

Importantly, these priorities fit nicely with what is currently being debated as the practical context of the Eastern Partnership. Pragmatic engagement, emphasis on institution-building, and support for evolutionary change are critical elements of the EaP, but they may also be the United States' new form of promoting democracy and good governance in the region, after the setbacks of the previous administration's "freedom agenda."

There are several ways in which the Obama administration can help promote and support the Eastern Partnership. First, it can take advantage of Obama's personal popularity in key European states to justify and promote closer engagement by so-called Old Europe with the East. Second, the United States can use its political and financial influence to promote and support regional integration initiatives and energy projects, such as the proposed Nabucco pipeline. Third, the United States may take advantage of the fact that Washington supports many civil society organizations that have roles that would be enhanced with the Eastern Partnership. U.S. donors and the democracy promotion community should engage in closer cooperation and coordination, as well as promote EaP-related activities and initiatives for civil society, creating synergy with EU donor efforts.

The Perennial Partnership

The Global Economic Crisis and Russian-Kazakh Relations

PONARS Eurasia Policy Memo No. 71

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September 2009

Making up nearly 90 percent of the total area of the Commonwealth of Independent States (CIS), Russia and Kazakhstan are also two of the ten largest states in the world. Both have huge oil and gas reserves, considerable industrial and agricultural potential, and developed transportation infrastructures. Their more than 7,500-kilometer common border is the world's longest unbroken international frontier. While Russia and Kazakhstan are among the main initiators of reintegration efforts in the post-Soviet space, Kazakhstan tries to conduct a balanced policy that does not rely too heavily upon any external center of power. Taking this into account, Russian-Kazakh relations are important not only for the two states but also for others seeking to solve common regional security issues, strengthen economic and political influence in Central Asia, and utilize transnational transportation networks.

This memo assesses the impact of the global financial crisis on the bilateral Russian-Kazakh relationship. It examines the developments of bilateral relations before the economic crisis of 2008 and during that crisis, through the first half of 2009.

Russian-Kazakh Relations before the Crisis

In Soviet times, the economic systems of Russia and Kazakhstan were complementary, although Kazakhstan's economy depended far more heavily upon Russia, particularly for supplies of equipment for oil and gas extraction, and food and light industry production. The disintegration of the common Soviet economic space and the resulting socioeconomic crisis negatively affected their economic ties, especially their trade turnover, which, in the 1990s, varied between \$2.5 and \$4.8 billion annually.

Potentially of greater concern were the ethno-political problems that emerged after the Soviet Union's collapse. Worsening socioeconomic conditions in Kazakhstan, combined with widespread discriminatory practices against the non-Kazakh population, particularly in education and employment, caused the large-scale emigration of "European Russophones" (Russians, Ukrainians, Germans, and others). According to official statistics, the number of European Russophones declined by more than 2.5 million (31.9 percent) between 1989 and 1999. Both countries, though particularly Russia, generally ignored the continued violation of human and minority rights by its neighbor.

Soon after gaining independence, Russia and Kazakhstan began to formulate a new basis for their relations. During the 1990s, the two sides concluded more than 300 treaties and agreements aiming to coordinate their external and defense policies, prohibit the use of territory for activities menacing to the security and stability of the other, and to move toward economic, legal, and cultural integration.

Despite some progress in reestablishing and developing bilateral ties, however, Russia and Kazakhstan did not achieve their most significant goals. They failed to create an effective customs union, preserve a common monetary and financial zone, abolish trade restrictions, or refrain from unilateral actions damaging to their partner's economic interests. One of the most serious problems in Russian-Kazakh relations in the 1990s was the poor implementation of arrangements that were easily violated by one or the other side for the sake of short-term interests. This was the case, for example, with arrangements on both preserving the common ruble zone and on abolishing customs controls on their common border.

Economic reintegration between the two states was also hindered in other ways. The sale to foreign owners of large extractive enterprises in Kazakhstan in the second half of the 1990s resulted in a certain reorientation of production toward markets other than Russia. Additionally, at the end of the 1990s, Russia began to fortify its border with Kazakhstan, creating a serious barrier not only for drug trafficking and other kinds of smuggling, but also for ordinary travel and trade.

In 2000, a new era of Russian-Kazakh relations began. Both states experienced rapid economic growth, vastly expanding the resources available for foreign trade, investment, joint electricity production projects, uranium enrichment, extraction and processing of oil and gas condensate, and space exploration. The political climate was also favorable for bilateral relations. As periodic complications arose between Russia and Belarus, Astana could claim to be Moscow's main partner in the post-Soviet space and in the Shanghai Cooperation Organization (SCO). By agreeing to jointly exploit trans-border oil and gas fields, Russia and Kazakhstan managed to solve the dual problems of delineating their common border and partitioning their respective Caspian Sea sectors. Favorable economic and political conditions, in turn, stimulated rapid growth in bilateral turnover, which increased fourfold between 2002 and 2007 to \$16.3 billion.

These trends, however, were not sufficient for real economic and, especially, political integration between the two states. Growth in trade was largely attributable to the rise in global prices for oil, gas, and metals, items that accounted for more than half

of the Russian-Kazakh turnover in 2006. Politically, Kazakhstan maintained a multivector policy, maneuvering between several centers of power (China, the European Union, Russia, and the United States) while avoiding excessive dependence on any single partner. While participating in joint pipeline projects with Russia, for example, Kazakhstan simultaneously tried to find alternative eastern and western routes that bypassed Russian territory.

Economic conditions also favored such a multivector policy. Russia's share in Kazakhstan's foreign trade decreased from 30.8 percent in 2001 to 20.2 percent in 2007. By 2005, Russia had invested \$2.2 billion in Kazakhstan (mainly in oil and gas production), while the United States had invested approximately \$12 billion. By 2006, Kazakhstan had invested roughly 3.5 times more in different sectors of the Russian economy than vice-versa due to the increasing activity of its largest banks, including Kazkommertsbank and Turanalembank.

As before, the problems of ethnic minorities did not play a significant role in bilateral relations. In recent years, Moscow has been almost entirely silent in response to campaigns initiated by Kazakh authorities to gradually oust the Russian language from official communication and to replace Russian city and street names with Kazakh ones. Neither Russian nor Kazakh authorities paid much attention to incidents involving ethnic Kazakhs in Russia, including attacks by skinheads and extortion by corrupt policemen.

During the Crisis

The global financial crisis has negatively impacted Russian-Kazakh economic relations, due to a dramatic fall in raw material prices and a crisis within both countries' banking systems. Thanks to positive dynamics in the first half of 2008, bilateral turnover still grew by almost 18 percent that year. However, in the first quarter of 2009, turnover fell by 16.4 percent compared to the same period the year before. Especially significant was a decrease in Kazakhstan's exports of wheat, metallic minerals, ferroalloys, and gas condensate, as well as Russian exports of gas condensate, oil products, and motor vehicles. Supplies of these and other items dropped by 50 percent or more (based on price). Overall, Kazakhstan's exports to Russia decreased far more than Russia's exports to Kazakhstan (down 24 percent and 11.4 percent, respectively), solidifying Russia's dominant position in their trade relationship. Indeed, while in the first quarter of 2008 Russian exports made up 68.8 percent of total turnover, in the same period of 2009 Russian exports already made up 77.1 percent.

Although far-reaching plans remain on the agenda for further cooperation in spheres like mining operations, nuclear power, space exploration, and automobile construction, progress is lagging by comparison to the pre-crisis period. This is primarily due to the banking crisis in both states, especially Kazakhstan; banks have suspended their expansion into neighboring countries. Aiming to support investment activity in its member states, the Eurasian Economic Community (Eurasec) decided in June 2009 to create an anti-crisis fund of \$10 billion, three-quarters of which was to be provided by Russia. At the same time, Russia's Sberbank was prohibited from taking control of Kazakhstan's Turanalembank, which ultimately was nationalized along with

other leading Kazakh banks.

On the other hand, the crisis likely hastened negotiations between Russia, Kazakhstan, and Belarus on creating a joint customs union to stimulate commercial interaction among the three states. According to the June 2009 intergovernmental agreement, customs controls at the Russian-Kazakh border are to be removed no later than July 2011.

Keeping in mind past failures of implementation, problems relating to the participation of Russia and Kazakhstan in the customs union are far from resolved. Certain tariffs for especially sensitive goods are to be set during a three-year transitional period. Some Kazakh specialists fear that Kazakhstan's entry into the customs union may cause a rise in prices that will allow more expensive Russian goods to replace cheaper goods from China and other states. Others believe, however, that since the conditions for small and medium-sized businesses are more favorable in Kazakhstan, many Russian businessmen will relocate there, creating new jobs.

Politically, Kazakhstan continues to position itself as one of Russia's main allies in the post-Soviet space, while not renouncing its multivector policy. Though Astana seeks to join the World Trade Organization (WTO), it seeks to do so only as a member of the customs union, not on its own. President Nazarbayev has also ratified an agreement on Kazakh participation in the construction of the Caspian pipeline that would go north from Turkmenistan through Kazakhstan and Russia. However, in August 2008, Astana remained neutral in the Russian-Georgian conflict, refraining from recognizing Abkhazian and South Ossetian independence. It has also continued to actively take part in negotiations to supply oil and gas for pipeline routes bypassing Russian territory, particularly the proposed Nabucco project through Turkey and Southeastern Europe. It appears unlikely that, in the short term, the global financial crisis will prompt Astana to abandon its multivector policy, which remains its most profitable option.

Conclusion

After the disintegration of the USSR, Kazakhstan positioned itself as one of Russia's closest partners in the post-Soviet space, while also conducting a multivector policy that balances China, Russia, and the West. Moscow and Astana managed to avoid serious ethnic and territorial conflicts, create a solid legal base for bilateral relations, and, in the 2000s, increase trade turnover, while also launching several major joint projects. These successes, however, were largely a result of the impressive rise in global prices for raw materials and their primary processing products. Unsurprisingly, Russian-Kazakh economic cooperation has been shaped by large extractive and processing enterprises. Still, Russia did not become the most important investor in the Kazakh economy, outstripped by the United States and some EU members.

The global financial crisis may have negatively influenced Russian-Kazakh relations but it has not been entirely destructive. Because of falling prices for raw materials, bilateral trade has declined significantly. Kazakh exports and the national banking system were damaged more seriously than Russia's, and, therefore, Russia has assumed a more dominant position in their bilateral trade. The Eurasec anti-crisis fund was created to support international projects within the Eurasian Economic Community.

The crisis also likely precipitated the creation of a Russian-Kazakh-Belarusian customs union, though it should be remembered that the first attempt to create such a union in the 1990s was unsuccessful. While cooperating closely with Moscow, Kazakhstan has not abandoned its multivector policy, opting to continue negotiations on Western and Chinese investment, as well as oil and gas supplies for alternative routes bypassing Russian territory.

The Logic of Kyrgyzstan's Base Policy

PONARS Eurasia Policy Memo No. 72

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September 2009

Kyrgyzstan's February 2009 decision to close the U.S. military base at the country's Manas airfield caught many by surprise. The decision was not preceded by domestic debate about a possible closure, nor had such an issue been raised bilaterally in formal Kyrgyz-U.S. discussions. Moreover, the 2006 renegotiation of the original 2002 agreement had seemed to put an end to any new challenges to the U.S.-leased base.

Indeed, despite the announcement, a new Kyrgyz-U.S. agreement was concluded in June, establishing a so-called "Transit Center" on the premises of the Manas airbase. The agreement was widely seen as a reversal of the February decision, with the renaming of the base as a public relations move. Soon after, Kyrgyz president Kurmanbek Bakiev and Russian president Dmitri Medvedev signed a memorandum stipulating the possible stationing of additional Russian troops on Kyrgyz territory, a move rumored to presage a second Russian military base in Kyrgyzstan.

The timing, sequence, and nature of these events caused observers to wonder again about the source of such decisions in Kyrgyzstan and the trajectory of Kyrgyz policy on foreign basing. The formal explanations of Kyrgyz, U.S., and Russian authorities are of little help in explaining (to borrow from political scientist Alexander Cooley) the "base politics" that have surrounded Manas.

Two conventional approaches to Kyrgyzstan's base politics exist. One has been to link the entire episode to high-level geopolitics, in which the involvement of Kyrgyz authorities is just a formality. According to this view, the decision to close the Manas airbase was largely Moscow's decision, while the creation of the Transit Center was the result of a U.S.-Russian agreement. An alternative view stresses the autonomy of Kyrgyzstan's leadership and its cash-oriented pragmatism. Proponents of this approach

generally applaud the Kyrgyz authorities' success in taking advantage of the situation for their own benefit.

Both views have merit, but observers and decisionmakers at all levels ought to be wary of focusing exclusively on one or the other explanation at the risk of missing the ways in which they interrelate. A closer examination of the two approaches reveals that both are relevant; they complement each other, rather than conflict. Kyrgyzstan is bound to make choices from a very limited set of options. However, an important question remains: what factors have enabled Kyrgyzstan's leadership to successfully raise the price for the base without compromising its position with Russia or the United States, at least for now?

This memo suggests two possible answers. First, the way that the United States, Russia, and Kyrgyzstan approached the issue turned the base into a source of rent, with all the consequences that typically accrue to a "rentier state," a country that relies on profits earned through the sale or lease of natural resources (including, potentially, strategically located bases) to external actors. Second, the fluidity of the international order in Central Asia generated more options for Kyrgyzstan despite narrow and externally-imposed constraints.

From Base to Center: External Sources of Foreign Policy?

The idea that Kyrgyz foreign policy decisions are made outside the country and rubber-stamped in Bishkek has long been conventional wisdom. Indeed, the first rumors about a possible decision to close the Manas airbase surfaced in Russian media outlets in January 2009, with the first formal confirmation of this decision made by President Bakiev in Moscow on February 3, 2009. On the same day, Bakiev and Medvedev signed a memorandum on economic and financial cooperation. The document specified a Russian grant of \$150 million to support Kyrgyzstan's state budget, an additional \$300 million loan, and an investment of \$1.7 billion into a joint Kyrgyz-Russian company to construct a major hydropower plant.

Two days after the announcement, an anonymous source in the Russian Air Force suggested that the Americans might stay at Manas but under revised conditions. This prediction came true on June 22, 2009, when a new Kyrgyz-U.S. agreement was signed, creating a transit center on the premises of Manas. Interestingly, some top Kyrgyz officials, including Prime Minister Igor Chudinov, continued to deny as late as April that Kyrgyzstan was continuing any talks with the United States on the basing issue, despite repeated comments from the U.S. Department of Defense suggesting the contrary. Russian leaders quickly reacted to the new Kyrgyz-U.S. agreement, saying it was Kyrgyzstan's "sovereign right" to make such a deal with the United States. For many analysts, it seemed evident that Moscow was an invisible part of this new agreement, especially as its signing came a couple of weeks before the first state visit of U.S. President Barack Obama to Moscow.

Both the substance of the decisions and the form in which they were presented caused many to see the Kyrgyz government as just a formal player. Recent news about a planned Russian base in southern Kyrgyzstan appeared to support this view. The rumors of the new Russian base first emerged after a quick and underpublicized visit

by Russian deputy prime minister Igor Sechin and defense minister Anatoli Serdyukov to Bishkek on July 7, 2009; the trip occurred as President Obama was in the middle of his three-day visit to Moscow. Sechin, a man reportedly very close to Russian prime minister Vladimir Putin, paid a similarly quick and low profile visit to Bishkek on January 28, 2009, days before the Kyrgyz president announced the closure of the Manas airbase.

Money Matters: Commercial Foreign Policy?

Observers who credit the Kyrgyz leadership with some role in these decisions squarely link Kyrgyzstan's foreign basing policy to the short-term goal of cash generation. Unlike their references to the situation in Afghanistan or the struggle against terror, the statements of Kyrgyz officials regarding the economics of the basing issue have been consistent. In February 2006, a newly-elected Bakiev claimed that he planned to increase the rent a hundredfold, from \$2 million to \$200 million. His challenge to the existing contract appeared well-timed, as the U.S.-utilized Karshi-Khanabad base in Uzbekistan had been closed in July 2005. Revelations concerning former Kyrgyz president Askar Akaev's corrupt links to Manas-related revenues provided additional support for the Kyrgyz leadership's position.

The 2005-2006 round of Kyrgyz-U.S. negotiations ended with an increase in the rent paid by the United States for use of the base from \$2 million to roughly \$17 million. As Alexander Cooley of Barnard College correctly noted in 2006, however, this new agreement would not be the end of the story. The June 2009 agreement established a \$60 million annual rent for the renamed Transit Center at Manas and a grant of over \$60 million to improve Manas' airport infrastructure. If the Russian decision to disburse, quickly and without conditionality, \$450 million in grants and loans to Kyrgyzstan was linked to the announcement of the Manas closure, one could see the validity in labeling Kyrgyz foreign policy as very pragmatic, a view long advocated by political scientist Thomas Wood.

Right Place, Right Time?

These two views highlight differing interpretations of the real center of decisionmaking in Kyrgyzstan. The first approach posits the view that Kyrgyzstan is a stage upon which various international actors play out their schemes. Such an approach presupposes that the outcomes of these games are a reflection of the interests of relevant external actors (in this case the United States and Russia), with any shifts in the game indicating changing dynamics in their relations. The second view suggests that credit is due to the Kyrgyz leadership, which has skillfully used its territory to bargain, extract, and increase financial dividends without markedly changing the status quo.

In fact, these two interpretations coexist and even complement each other. There is no doubt that poor, weak, and vulnerable Kyrgyzstan faces the challenge of adjusting to an environment established by external actors and is not in the position to ignore messages from its main foreign partners. The dependence of Kyrgyzstan on external actors and circumstances is deep and multifaceted. Yet, the current confluence of events and interests in this part of the world have provided the right moment for the Kyrgyz

leadership to pursue a vital cash generation campaign, despite these severe systemic constraints.

Two particular conditions have allowed Kyrgyzstan to maneuver within these largely external constraints. First, Kyrgyzstan's understanding and use of its bases has reflected the familiar autonomy of a rentier state. Military bases cost Kyrgyzstan nearly nothing, while its foreign partners value them greatly. Rents go directly to the government, often in a rather opaque fashion. The Kyrgyz government feels almost no pressure from domestic groups about its decisions on foreign basing, particularly ones that expand its international "win-set" (to use political scientist Robert Putnam's term).

Like in a typical rentier state, Manas has also proved to be a much-needed shield against external pressure for democratization. It is telling that the United States was among the last, and one of the quietest, states to react to Kyrgyzstan's July 2009 presidential election, which the Organization of Security and Cooperation in Europe assessed as a "disappointment." The linkage of the base to the fight against terrorism has provided an extra bargaining chip for Kyrgyzstan, while dulling the U.S. State Department's responsiveness to the country's domestic politics.

The second factor contributing to the maintenance of the current equilibrium is the inherently unstable and fluid international order in Central Asia. As political scientist Robert Rothstein argued long ago, small states are severely disadvantaged in international relations by default, yet they manage to find expanded space for maneuvering during periods of competitive international order.

It is now conventional to see Central Asia as a focal point of competition between major powers. Eugene Huskey has postulated that Kyrgyzstan could serve as an "indicator of relations" among the United States, Europe, Russia, and China, comparable to the status of Berlin during the Cold War. None of the relevant major powers has established a hegemonic influence in the region, and the struggle for influence remains dynamic. This recent round of base politics suggests that Kyrgyz leaders do not see a trend toward a unipolar order in Central Asia anytime soon.

Volatility in the international order is also a problem within Central Asia. For example, Uzbekistan's neighbors are constantly pressured by Tashkent on matters linked to water, energy, and borders. In May 2009, following an explosion and reports of an attack against a police station, Uzbek authorities moved tanks into the town of Khanabad, several kilometers from the Uzbek-Kyrgyz border. Regardless of Tashkent's intent, Kyrgyzstan could not fail to perceive this move as hostile, especially given recent tensions between the two states over water sharing and Kyrgyzstan's construction of new dams on the Naryn river, a tributary of the Syr Darya river extending into Uzbekistan.

In this context, it is clear to see why Kyrgyzstan agreed to Russian assistance to construct the Kambarata-1 hydropower plant and why it is negotiating the stationing of additional Russian troops along its southern border with Uzbekistan. Russian-Uzbek relations have rarely been smooth, and having a Russian base would serve as a useful backdrop in Kyrgyz dealings with Uzbekistan, similar to the role of the Manas airbase in Kyrgyz-Russian relations.

An important question, then, is how long such volatility will persist. Bishkek-based analyst Aleksandr Knyazev recently claimed that Kyrgyzstan's multivector policy will have to be abandoned soon given a "changing geopolitical situation," marked by a declining U.S. and a rising Russian and Chinese presence. Others argue that the increasing, and substantively unpredictable, role of China in Central Asia (and the world) will prevent the long-term establishment of a stable and predictable order in Central Asia.

Conclusion

The latest series of Kyrgyz decisions on the U.S. presence at Manas, in conjunction with talks on Russia's military presence in Kyrgyzstan, again revealed how challenging it is to explain a seemingly straightforward phenomenon. One approach suggests that talk of a specifically "Kyrgyz" base policy is not that useful, as the major sources of decisions are located in foreign capitals, not Bishkek. The second approach, by contrast, points to the ability of the Kyrgyz leadership to exploit the interests of greater powers for its own benefit.

Both views highlight essential features of the politics of foreign basing in Kyrgyzstan. Observers should not try to single out one explanation, but instead appreciate the complexity of the country's base politics. This involves better understanding how the base issue has influenced the substance of Bishkek's relations with Washington and Moscow, with close attention to the dynamics of rentier state behavior. The nature and dynamics of the international order within which Kyrgyz base politics evolves also deserve scrutiny, with the international power configuration in Central Asia evolving away from or toward competition as an important dimension to follow.

China's Challenges in Central Asia

Fallout from the Georgian War, the Financial Crisis, and the Xinjiang Riots

PONARS Eurasia Policy Memo No. 73

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September 2009

In the past year, China's Central Asia policy has weathered several external and internal shocks, which have proven to be interconnected in unexpected ways. Although some differences emerged between China and Central Asian states over Russia's support for the independence of South Ossetia and Abkhazia, the financial crisis provided an opportunity for China to deepen its economic engagement in the region, particularly in the energy sector. Economic integration has turned out to be a double-edged sword for China domestically, however. On the one hand, expanding energy ties with Central Asian neighbors has facilitated Beijing's domestic goal of developing its western provinces and turning Xinjiang into a new center for the Chinese energy industry. On the other hand, economic development has highlighted inequalities within the province and unleashed social tensions that erupted into riots in the provincial capital of Urumqi in July 2009. The interethnic violence in Xinjiang may have long-term consequences for both the stability of Central Asian states with Uighur minorities and perceptions of China in these countries.

The Georgian War and Chinese Positions on Opposing Separatism

Russia's support for the independence of South Ossetia and Abkhazia undermined a key element of China's foreign policy in Central Asia: opposition to separatism. Although Chinese media initially supported the Russian position on the Georgian War,

Moscow's subsequent recognition of the two regions' sovereignty caused the Chinese government to adopt a more cautious stance. At a meeting with Russian President Dmitri Medvedev the following day in Dushanbe, Tajikistan, Chinese President Hu Jintao would only go so far as to say that "China has noticed the latest developments in the region, expecting all sides concerned to properly settle the issue through dialogue and cooperation." Chinese Foreign Ministry spokesman Qin Gang further noted, "China has expressed concern over the latest developments of the situation in South Ossetia and Abkhazia," and he reiterated hope that the "relevant parties [will] resolve the issue properly through dialogue and consultation."

A comparison of statements by the Shanghai Cooperation Organization (SCO), comprising Russia, China, and four Central Asian states, and the Russian-led Collective Security Treaty Organization (CSTO) demonstrates that it was China's position on separatism that shaped the SCO's response. Although the SCO held its annual summit in Dushanbe just two days after Russia's recognition of South Ossetia and Abkhazia, the joint declaration failed to mention it. Instead, SCO members "express[ed] their deep concern in connection with the recent tension around the issue of South Ossetia, and call[ed] on the relevant parties to resolve existing problems in a peaceful way through dialogue [and] to make efforts for reconciliation and facilitation of negotiations." The SCO went on to praise Russian efforts to promote a resolution to the conflict, but noted the importance of "efforts aimed to preserve unity and territorial integrity of states."

By comparison, the declaration of the CSTO, which also includes Belarus and Armenia but not China, was much more supportive of Russian policy. In a September 2008 declaration, the CSTO sided with the Russian view of the conflict, expressing "deep" concern about Georgia's efforts to resolve the South Ossetian situation by force, while supporting "the active role of Russia in peace and cooperation assistance in the region." Nonetheless, even CSTO member states did not go so far as to recognize the independence of South Ossetia and Abkhazia, limiting their support to "ensuring lasting security for South Ossetia and Abkhazia."

Thus, differences between Russia and China on separatism seemed to create a political wedge between them, placing the Central Asian states in an uncomfortable position between the two great powers. Because the financial crisis developed at the same time as these political events, however, there was no lasting estrangement. To the contrary, China successfully took advantage of changing economic conditions to expand its economic relations with both Russia and the Central Asian states, particularly in the energy sector. Russia, for its part, used its chairmanship of the SCO to steer the group toward a more active role in addressing the conflict in Afghanistan and its associated problems, such as drug trafficking and terrorism, issues where members shared common interests. The riots in Xinjiang also gave greater impetus to Sino-Russian cooperation in anti-terrorism.

The Financial Crisis and New Opportunities in Central Asia

The global financial crisis hit Central Asia especially hard. The World Bank projected a 3.3 percent drop in gross domestic product for Kazakhstan, the region's strongest economy; Tajikistan, the weakest, faced declining remittances from migrant workers

and falling demand for its key exports, cotton and aluminum, as well as a plummeting currency. Russia, which had sought to limit China's economic clout in the region, saw its own growth rate decline substantially and was no longer in an economic position to counter Chinese efforts. Major Russian companies, such as Rosneft and Transneft, accepted \$25 billion in loans from China in exchange for annual deliveries of 15 million tons of oil and the construction of a long-discussed 67-kilometer spur from the East Siberian Pacific Ocean (ESPO) pipeline to the Chinese border.

Countries to whom Russian aid was promised, such as Tajikistan and Kyrgyzstan, grew skeptical about the long-term prospects for such assistance and searched for more reliable partners. This provided an opening for Barack Obama's administration to renegotiate access to the Manas base in Kyrgyzstan in exchange for a new aid package. China, too, took advantage of the financial crisis to expand its economic relations with the Central Asian states and invest in the regional economic infrastructure it had long deemed necessary for deepening regional integration. At the June 2009 SCO summit, China announced a \$10 billion credit fund for fellow members.

China has focused its bilateral aid on projects to construct energy pipelines, power plants, and new transport routes. In October 2008, the China National Petroleum Corporation (CNPC) announced it would develop an oilfield in Uzbekistan, which is expected to produce 2 million tons of oil annually. The following month, CNPC lent \$5 billion to Kazakhstan's state-owned oil and gas company, KazMunayGaz, while China's Export-Import Bank lent Kazakhstan's Development Bank another \$5 billion. CNPC also bought a 49 percent stake in a subsidiary of KazMunayGaz and committed to purchasing 5 billion cubic meters (bcm) of gas annually from the company.

Turkmenistan, another key producer of natural gas but not an SCO member, has also received Chinese assistance. In June 2009, the Chinese State Development Bank extended a \$4 billion loan to Turkmenistan to support the development of its Southern Yoloten-Osman gas field. In return, Turkmenistan increased future gas exports to China from 30 to 40 bcm annually; the gas will ship via a pipeline that is scheduled to be completed in December. Turkmenistan also asked China to directly participate in the development of the Southern Yoloten-Osman field, as well as in the construction of a Kazakhstan-Turkmenistan-Iran railway line.

Finally, China is providing aid to its smaller Central Asian neighbors, Tajikistan and Kyrgyzstan. China plans to invest more than \$1 billion over the next two years to build power stations, transmissions grids, and roads in Tajikistan, including \$650 million for a hydropower plant and \$400 million for a coal-fired plant. The Chinese government is also financing some key transportation projects in Kyrgyzstan. It agreed to provide a \$7.5 million grant and a \$75 million loan to rebuild the Osh-Sary Tash-Irkeshtam road, which will connect southern Kyrgyzstan to Xinjiang. Beijing also intends to invest \$11 million to help complete the China-Kyrgyzstan-Uzbekistan railway now under construction; in return, China will receive tax privileges for its companies working on the railway project and for exploiting mineral deposits. The China Development Bank is lending another \$8 million to the Kyrgyz Settlements and Savings Bank to support these and other projects.

China's Economic Relations with Central Asia and the Xinjiang Riots

China's rapid economic growth has proceeded unevenly, favoring coastal areas over inland provinces. To redress this imbalance, Chinese leaders announced a "Go West" strategy a decade ago to develop its western areas, including Xinjiang. Growing energy and transportation ties with neighboring Central Asian states contribute to that aim, and Xinjiang is becoming a new center for China's oil and gas industry. The province has the country's largest reserves of oil, natural gas, and coal, as well as major deposits of key minerals. As in Tibet, the Chinese government has sought to create disincentives for separatism in Xinjiang by boosting the local economy and harshly repressing activities thought to promote Uighur self-determination in any way.

Although development has benefited Xinjiang's economy as a whole, urban Han populations have gained more than the largely rural Uighur population. Over the past decade, the Xinjiang Production and Construction Corps, an initiative led by China's State Council, has brought large numbers of Han migrants into the province to work on construction projects, many of them in the energy sector. As a consequence, Uighurs saw their share of the province's population of 19 million decline from 60 percent to 46 percent in the 1990s. According to the 2003 census, Uighurs now constitute 45 percent of the population, while Han account for approximately 40 percent (though some analysts claim these figures underestimate the number of Han migrants). As more educated Han Chinese come to Xinjiang for employment opportunities, Uighurs seek low-skilled work elsewhere.

It was the unfortunate fate of two such migrant workers that sparked the riots in Xinjiang. At the Xuri toy factory in Guangdong in June 2009, at least two Uighurs were killed and many more injured by Han co-workers after false rumors were spread that a Uighur had raped a Han woman. Dissatisfaction with the government's response to the anti-Uighur violence led to the outbreak of violence in Xinjiang. According to Chinese authorities, the riots led to 197 deaths, mostly of Han Chinese; they also prompted a new wave of repression against Uighurs. Uighur groups allege that the official numbers vastly understated Uighur casualties.

Over the last ten years, the Chinese government has periodically claimed to have disrupted plots by Islamic terrorists in Xinjiang. It has responded with police clampdowns, as well as with restrictions on Uighur religious activity and cultural rights. Acquiescing to Chinese allegations that the leader of one Uighur group, the East Turkestan Islamic Movement (ETIM), had ties to Osama Bin Laden, George W. Bush's administration and the United Nations agreed to list it as a terrorist organization in 2002.

Many Western experts on Xinjiang dispute this characterization and question the existence of a local threat from Islamic radicalism. They note that while a religious renewal has been occurring, the threat of radical Islam originates within Pakistan and Afghanistan, not in Xinjiang or its Central Asian neighbors. However, China's security strategy in Central Asia has long emphasized combating the "three evils" of separatism, extremism, and terrorism, a goal that has always been a prominent part of the SCO

agenda. By conflating separatism and terrorism in Xinjiang, the Chinese government has a pretext to pressure Central Asian governments to limit activities by Uighur groups as well as to crack down on legitimate religious activity within Xinjiang. With Chinese encouragement, Central Asian states with Uighur minorities (Kazakhstan, Kyrgyzstan, Uzbekistan, and Tajikistan) have passed anti-extremism laws which human rights activists fault for repressing religious practice.

Regional Implications

China's efforts to expand economic relations with Central Asia since the Georgian War have led to many new projects but also some unintended consequences. Now that China has signed contracts for gas with Kazakhstan and Turkmenistan, Sino-Russian negotiations on the construction of a gas pipeline to China have stalled due to pricing issues, and Gazprom has put aside plans to sell gas to China beginning in 2011. Turkmenistan's sale of gas to China will also mean that there will be less gas for sale to either Russia or the European-bound Nabucco pipeline project, still under development.

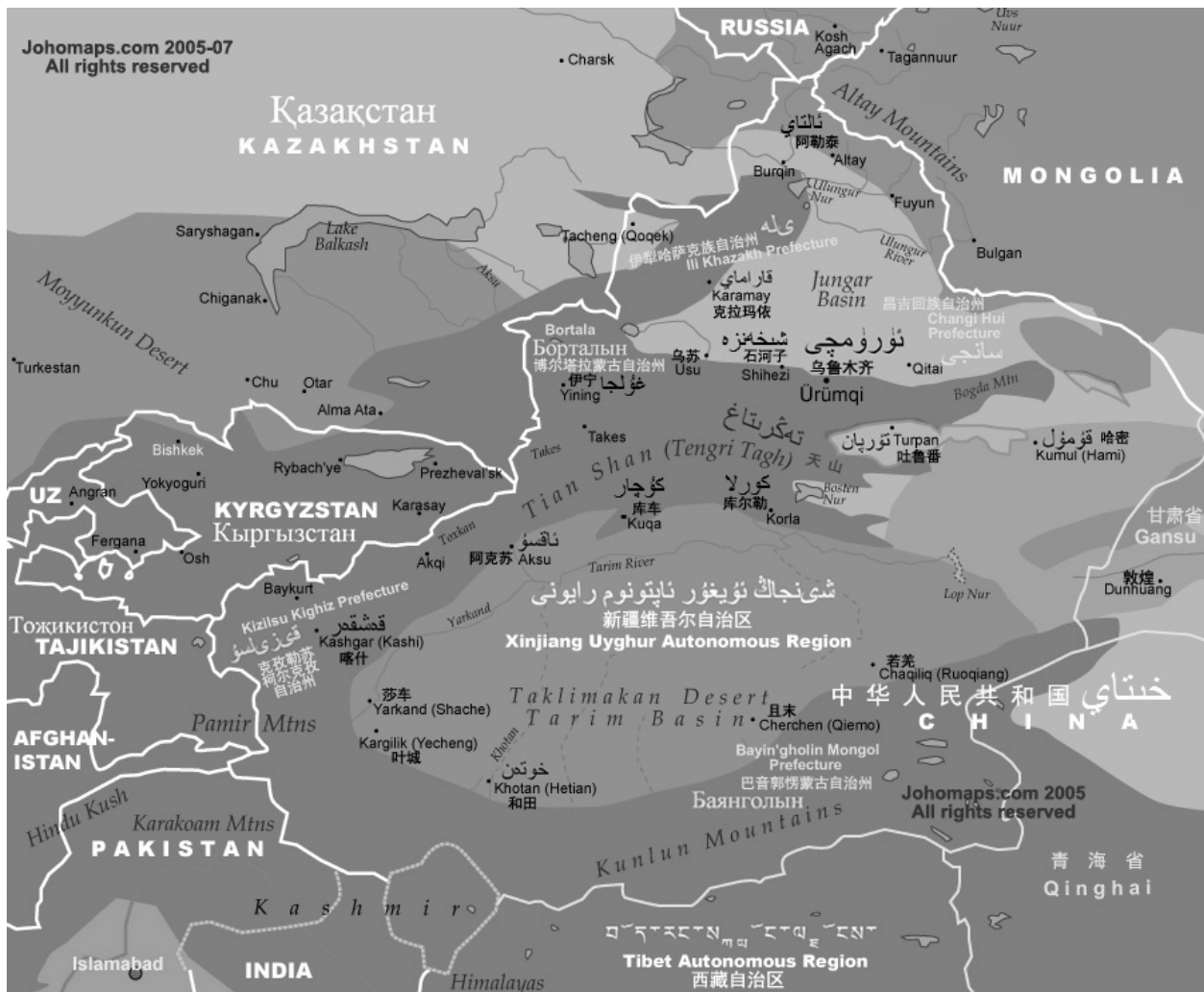
Chinese investments in energy and transportation infrastructure may facilitate regional economic integration, but political obstacles to such integration remain. In many Central Asian states, suspicions about China's intentions and the consequences of its expanding role in their economies persist. Even if infrastructure improves, political tensions among these countries will limit economic integration. Uzbekistan, for example, recently built walls and ditches along part of its border with Kyrgyzstan to prevent infiltration by militants and illegal trade originating from China.

Xinjiang poses an even greater challenge to regional integration. Unrest in Xinjiang has served as a pretext for China to seek greater cooperation within the SCO to combat the "three evils" and to resist interference from outside groups. The SCO statement issued right after the July 2009 riots did not take sides and limited itself to conveying condolences and expressing hope for the restoration of public order. Cross-border flows between China and Central Asia faced new restrictions, however. Kazakhstan and Kyrgyzstan repatriated some of their nationals, and the Kazakh government issued a travel advisory. In the short term, this meant a drop in Kazakhstan's trade with China, 70 percent of which goes through Xinjiang and depends on a flow of Kazakh traders across the border.

Unlike the 2008 protests in Tibet, which led to widespread condemnation of Chinese actions in the West, Beijing's handling of the riots in Xinjiang faced criticism in the Islamic world. Turkish Prime Minister Recep Tayyip Erdogan was most pointed in his remarks, terming Chinese policies towards Uighurs "genocide." China found itself criticized by a range of Muslim states, including Iran and Indonesia. Islamic militants threatened to target Chinese interests in Algeria and Saudi Arabia in reprisal attacks.

Although the authoritarian leaders in Central Asia have cooperated with China's repressive policies in Xinjiang, the recent Chinese crackdown has angered Central Asian Uighur populations. On July 19, 2009, some five thousand Uighurs protested in Almaty, Kazakhstan against the crackdown in Urumqi. After smaller numbers of Uighurs protested in Bishkek on August 10, 2009, demanding an independent investigation of

the Xinjiang riots, Kyrgyz authorities arrested the local organizers of the demonstrations. Kyrgyz Uighurs also wrote letters to the United Nations and several key states, including the United States and Russia, urging that China be publicly rebuked for, allegedly, driving Chinese Uighurs out of the province and using them as cheap labor elsewhere in the country. Over time, ironically, China's policies in Xinjiang may create conditions for the very instability in Central Asia that it has sought to prevent and may complicate its plans for regional economic integration.



The Impact of the Hajj Pilgrimage in the North Caucasus

PONARS Eurasia Policy Memo No. 74

Mikhail A. Alexseev
San Diego State University
September 2009

The Hajj, a pilgrimage to the holy sites of Islam in Mecca and Medina, is an increasingly common practice among Russia's Muslims. According to various estimates since 2007, at least 200,000 Russian Muslims have officially performed the Hajj since the collapse of the Soviet Union under an annual quota set by Saudi Arabia and allotted within Russia. Most of these pilgrims come from the Muslim regions of the North Caucasus. Despite frequent media coverage and much speculative debate, the impacts of the Hajj pilgrimage on these societies have not been studied systematically.

Two views guide the debate on the significance of the Hajj pilgrimage in Russia. The first emphasizes the power of ideas, while the second highlights the prevalence of material interest in human behavior. Each has distinct implications for the North Caucasus.

An “Islamic Renaissance”: Security Concerns

As observed by Mairbek Vachagaev, a contributor for the Jamestown Foundation, the Hajj is predominantly a charismatic religious experience in the North Caucasus. It reinforces an individual commitment to the values and norms of Islam and increases the desire to live according to Islamic law and norms. Such “Islamization” of society can lead to the Islamization of laws and governments by serving as a social basis for new mainstream opposition movements to those local governments widely perceived as ineffective and corrupt.

Alternatively, however, it can also plausibly empower radical jihadist movements

seeking to liberate the North Caucasus from Moscow's "infidel" rule. The brutal Chechen conflict followed a trajectory from a war for national independence to a radical Islamist insurgency. Radical Islamists, locally termed Wahhabis, perpetuate a war against infidels (*murtady*) and apostates (*kafiry*) when they claim responsibility for their violent attacks.

Underlying this argument is a concern that Wahhabism, Saudi Arabia's state religion, may evoke positive and overwhelming emotions associated with the Hajj, making Wahhabism more socially acceptable. As Evgeni Satanovsky, president of the Institute of Middle Eastern Studies in Moscow, pointed out in late 2007, "We know that Saudi Arabia invests in the propaganda of Saudi Arabian-style Islam, Wahhabi-style Islam, much more than the Soviet Union spent throughout all Soviet history propagandizing Communist ideology." According to Satanovsky, the Russian government supports the Hajj because it wants to keep track of the pilgrims.

Pragmatic Motivations for the Hajj: Status and Interests

This view holds that the Hajj, like most other human endeavors, is driven primarily by material interests. Saudi officials have noted that, based on the amount of merchandise they bring with them, many pilgrims from Dagestan, a republic that accounts for the overwhelming majority of Russian Hajj pilgrims, see the trip as an avenue for barter. As a result the Russian government has imposed a limitation on the amount of duty-free goods that pilgrims may bring back; subsequently, there have been disturbances on the Azerbaijani-Russian border caused by Dagestani pilgrims who refuse to pay customs fees.

Some have also interpreted the Hajj as a form of exotic tourism. A special report on the Hajj by the Russian edition of *Newsweek* in December 2006 noted that most returning pilgrims were more animated while discussing their distinctly secular impressions, such as disappointment about travel arrangements, rather than while discussing the religious rituals in which they participated.

This view is indirectly supported by survey research showing that adherence to basic Islamic norms remains weak among self-declared Russian Muslims. Since the early 1990s, survey research has found that adherence to Islam in Russia, including in the North Caucasus, has been predominantly symbolic rather than substantive. In a 1998 survey of 617 college students in Makhachkala by a local sociologist, K. Khanbabaev, 83 percent of respondents said they were Muslim, yet none could explain the notion that there is only one God (*tawhid*) or almsgiving to the poor (*zakat*), two of the five major obligations (*arkan al-din*) of a Muslim. Ten years later, a Gallup survey in Tatarstan and Dagestan found that about half of respondents who declared themselves Muslim said they never performed *namaz* (prayers) and were not observing most other Islamic practices.

One problem with identifying and measuring the material motivation for the Hajj is that few Muslims would openly admit it. It is also hard to establish whether material interests, regardless of whether they are stated, displace or enhance religious motivations.

“Islamic Renaissance”: A Complex but Mostly Benign Interpretation

Research on the religious, social, and political impacts of the Hajj outside of Russia challenges both the radical religious and materialist interpretations of the Hajj. In a 2008 Harvard University working paper, “Estimating the Impact of the Hajj,” David Clingingsmith, Asim Ijaz Khwaja, and Michael Kremer assessed the effects of the Hajj on Pakistanis using a 2006 survey of more than 1,600 Sunni Muslim applicants to Pakistan’s Hajj visa allocation lottery. Such a research strategy allowed them to control for initial motivation to perform the Hajj. They then compared the views of successful and unsuccessful applicants five to eight months after the pilgrimage. While confined to Pakistan, their findings contain insights on the impact of the Hajj that may be applicable in the North Caucasus.

On one hand, they uphold a number of concerns about the impact of the Hajj on regional security:

- **Universal Muslim practices spread.** The Pakistan Hajj study found that performing the Hajj almost doubled the likelihood of nonobligatory fasting and increased by more than a quarter the likelihood of praying regularly in a mosque. Hajjis were also more likely to engage in supererogatory (optional) prayers.
- **Local (“ethnic”) Muslim practices decline.** In Pakistan, those who returned from the Hajj were less likely to use amulets, insist on giving dowry, believe that widows had a higher marriage priority than unmarried women, visit tombs of saints, perform the 40-day death ceremony (*chaleeswan*), or wear a cap during prayer. In the North Caucasus, similar localized practices have also been challenged.
- **Faith-based social values become reinforced.** Pakistani Hajjis retained their adherence to Islamic doctrine, including unequal inheritance laws for men and women, male authority within the household, and the incorrectness of a woman divorcing her husband. In the North Caucasus, such values run counter to Russian constitutional rights and law. The spread or entrenchment of these views can thus help make more plausible jihadist claims that the Russian government is “infidel” and alien to North Caucasian societies. This lends credence to those in Russia who are concerned that the “Islamic Renaissance” in the North Caucasus is politically destabilizing.

At the same time, research in Pakistan has also shown that the spread of universal Islamic beliefs and practices may instead benefit peace and stability in the North Caucasus. The following five effects of the Hajj, established by the authors of the Harvard study, are notable in this respect:

- **Religious intolerance declines.** Hajjis returned with more positive views of not only Muslims from other countries, but also religious believers beyond the Islamic world. They were more likely to believe that various Pakistani ethnic and sectarian Muslim groups, as well as Muslims and adherents of other religions, were equal and could live in harmony.

- **Support for non-violent conflict resolution increases.** Pakistani Hajjis were almost twice as likely as other Muslims to condemn the goals of Osama bin Laden. Hajjis were also more supportive of peace with India and less supportive of physical punishment in general.
- **Support for Islamization of government decreases.** According to the Pakistan survey, local Hajjis were less inclined to demand that the state should enforce religious injunctions and that religious leaders should have the right to act as judges. Hajjis were about as likely as others to feel that religious leaders should influence government decisions or that the religious beliefs of politicians were important.
- **Social activism fails to increase.** Hajjis paid and received social visits; advised friends and relatives on family, business, or religion; and joined religious, professional, or educational organizations about as often or as much as others.
- **Younger pilgrims are no more likely to become radicalized than others.** The younger Hajjis in the Pakistan survey were about as tolerant as others – and even more inclined to peaceful conflict resolution than older pilgrims.

These findings point to positive impacts of the Hajj that could be relevant in the North Caucasus as well. At the very least, the view that the Hajj pilgrimage automatically increases political instability in the region should be critically re-examined.

Voices from the North Caucasus: Islamization with Tolerance

Focused interviews that I conducted with five local Hajjis in Adygea and Kabardino-Balkaria in June 2009 suggest that the immediate impacts of the Hajj on pilgrims in the North Caucasus are largely similar to those recorded in Pakistan, albeit with local nuances.*

First, universal Islamist practices were strengthened. One interviewee noted that he started to do the optional early morning prayer more often after the Hajj. Another said the Hajj gave him more authority to purify local ethnic traditions and to publicly confront local religious elders (*effendi*) who distort holy texts at funerals.

Tolerance, too, got a boost. All those interviewed referenced exposure to the diverse cultures of Muslims from around the world. Hajjis expressed amazement at this diversity, as well as a strong emotional sense of unity with these diverse representatives of the Muslim world. Some also reported excellent relations with local Christians. A Kabardinian Hajji said this experience promoted his sense that Allah commanded him to do more good and to be compassionate to others. The Adygean Hajji said that the Hajj made him set self-restraint and tolerance as his primary objectives for personal development.

Religion was presented first and foremost as a deeply personal experience and a means of individual self-improvement and empowerment. None of the interviewees

* The author is grateful to Igor Kuznetsov and Sufian Zhemukhov for arranging these interviews and assisting in their conduct.

insisted on changing government leaders or federal or local laws in order to promote Islamic norms and values.

Additionally, socioeconomic experiences made lasting impressions. When asked about the most vivid memories of their pilgrimage, two Hajjis talked primarily about the bargains they got at local stores, the quality of infrastructure, and the provision of free food and drinks. Others also devoted significant, though not necessarily exclusive, attention to these factors. Some interviewees complained that a significant number of other Russian Hajjis were more interested in shopping and treated holy rituals and visits to holy sites as sightseeing.

The interviews were also consistent with the Harvard study's insight that prior experiences also had an impact on pilgrims, and, therefore, changes in Hajji views and behavior after the Hajj may not exclusively reflect its impact. Support for replacing local "ethnic Muslim" customs with "classic" or universal Islamic rituals, for example, was expressed most strongly by the interviewee who was taught correct Arabic readings of prayers in childhood, whose grandfather completed the Hajj, and who had studied Islam in Egypt.

Conclusion

For the North Caucasus, these preliminary findings suggest that a more important question than how the Hajj affects individual beliefs and practices is how the spread of universal Islamic values affects the politics of Russian federalism and the motivations of extremist groups. After all, Pakistan is not necessarily the best model of sectarian peace and tolerance. Additionally, Pakistani pilgrims cannot experience the feeling that most North Caucasian pilgrims have experienced, namely that their individual Hajj pilgrimages are partial atonement (and compensation) for years of prohibition under the Soviet government of this fundamental Islamic ritual. Finally, Pakistani Hajjis come from a country that is overwhelmingly Muslim and with Muslim leaders, whereas Russia's Muslim population remains a minority in a state whose leaders are predominantly non-Muslim. For all these reasons, the politically stabilizing and destabilizing impacts of the Hajj in the North Caucasus are less clear cut, particularly if social and political grievances increase among local Muslims. One way or another, the spread of "classical Islam" in the region is a new reality that calls for rethinking the old dichotomy between "traditional" and "radical" Islam.

New Challenges to Russian Federalism

PONARS Eurasia Policy Memo No. 75

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September 2009

The alleged success of former president (and current prime minister) Vladimir Putin in recentralizing the Russian Federation requires critical appraisal. A number of limitations to the reunification project, as Putin initially conceived it almost a decade ago, are emerging. A growing number of Russian and international scholars assert that center-regional relations did not change all that much during Putin's presidency and that the mono-polar system of power within most regions remains intact, which not only impedes democratic accountability in the federation but also makes the federal center's supervision over regional elites problematic. Publicly, those elites express almost ritual loyalty to the Kremlin, yet informal room for bargaining between Moscow and the provinces still exists, as does financial asymmetry within the federation, just as in the 1990s.

Meanwhile, a growing trend of regional self-assertiveness is becoming an important issue on the policy agenda of President Dmitri Medvedev. This tendency manifests itself in three spheres and has three different effects: issues of cultural identity foster regional diversity, economic protectionism leads to regional fragmentation, and the security situation in Russia's North Caucasus heightens regional asymmetry.

Cultural Identity and Regional Diversity

Issues of cultural identity continue to gain momentum across Russia. While some attempts to construct regional identities are fanciful (for example, the imagined territory of "Smirnovia," where the majority of people with the Smirnov family name allegedly reside), others have the potential to make a real impact. Moreover, the identity-sharpening agenda can lead to conflict between regions, as demonstrated by the contest between Nizhny Novgorod and Kazan in 2008 for the semi-formal title of "Russia's

third capital.”

Most regional elites are keen to reinvent historical identities through the reactivation of collective memories. In ethnically Russian regions, this trend can take different forms: the promotion of exceptional status through the rediscovery of a mythical ancestry allegedly meaningful for all Russia (as in some regions in the Urals); the articulation of distinct cultural hotbeds (like the Makariev monastery in Nizhny Novgorod, which many believe could be damaged by neighboring Chuvashia’s efforts to raise the level of an adjacent reservoir); the glorification of certain historical personalities (like Alexander Nevsky); or the portrayal of a region’s mission in geopolitical or geo-economic terms (Novgorod).

In regions with different ethnic and religious backgrounds, issues of identity are even more salient. Buddhism is an important cultural marker in Kalmykia and Buryatia. In other republics, the issue of protecting local ethnic identities has re-entered the public policy agenda. Just as in the 1990s, Tatarstan is at the forefront, as local groups have campaigned this year for the recognition of Tatar as Russia’s second official language and for the right of local graduates to pass the Single State higher education aptitude examination in Tatar. Neither campaign was successful, but they were indicative of the kind of demands for more cultural diversity and regional autonomy that are being revived.

Economic Protectionism and Regional Fragmentation

Economic tensions between regions are also becoming more pronounced. When the financial crisis erupted, regions reacted differently to the policies of the federal government. For example, Moscow’s decision to raise import duties for foreign cars – part of the anti-crisis program to support Russian producers – was vehemently challenged in the Far East, where most of the cars are imported, but garnered much support in car-producing regions like Nizhny Novgorod, home of the GAZ Group’s Gorky Automobile Plant.

By the same token, certain signs of revived inter-regional economic conflict, common across Russia in the 1990s, have reappeared. In the economic sphere, the global financial crisis has inspired new regional protectionist strategies to not only support local producers but to close regional markets to merchandise coming from other regions. According to representatives of the GAZ automobile plant, GAZ dealers in Tatarstan, Bashkortostan, and St. Petersburg occasionally find themselves under pressure from local authorities seeking to prevent the domination of these Nizhny Novgorod-produced cars in regional markets. In the food industry, local protectionism has also been on the rise.

Sometimes economic issues, too, are interwoven with territorial disputes. In 2008-2009, a number of old land disputes between regions were revived, including the conflict between the city of Moscow and the larger Moscow region, as well as between Ingushetia, on the one hand, and North Ossetia and Chechnya, on the other.

Security and Asymmetry

Russia's security situation fosters asymmetry between regions. Externally, only one region, the city of Moscow, is a notable foreign policy actor. Like in the 1990s, Moscow is allowed, and even encouraged, to run educational and humanitarian projects in Crimea, which are harshly criticized by Ukrainian President Viktor Yushchenko and ardently supported by the Kremlin.

Domestically, the security dynamics in the North Caucasus distinguish its regions from those in the rest of Russia both culturally and administratively. Republics like Dagestan, Ingushetia, Kabardino-Balkaria, and Karachaevo-Cherkessia have always been relatively immune to the fluctuations of the federal center's policies. Governance in these regions is largely shaped locally, determined by the distribution of power resources among indigenous clan-like groups. The sharpening of security concerns – partially stemming from the complication of the geopolitical situation in the aftermath of the August 2008 Georgia war – only adds new constraints to Moscow's policies in these peripheral regions. Regions, aware of their importance for the security situation throughout the Caucasus, redouble their claims for exceptional treatment by federal authorities. Moreover, the perpetual speculation of South Ossetian president Eduard Kokoiti that his region will be able to enter the Russian Federation adds further volatility to the regional constellation in the North Caucasus.

This was the backdrop for Moscow's termination of the "counterterrorist operation regime" in Chechnya in April 2009. In this case, the federal center found itself in the unusual situation of "de-securitizing" a region for the sake of broader security rather than imposing some kind of exceptional security regime. This policy was the result of successful regional pressure, as it was a decision for which Chechen president Ramzan Kadyrov strongly lobbied. Grozny now tries (if not always convincingly) to present Chechnya as a type of "model region" for adjacent territories, an example of a successful resolution to rampant security problems.

At the same time, Chechnya fancies itself a region uniquely capable of helping its North Caucasus neighbors. Immediately after the June 2009 assassination attempt against Ingushetian president Yunus-Bek Yevkurov, Kadyrov expressed a willingness to investigate the incident and severely punish the criminals. In this, he received the support of Medvedev, who overtly referred to Chechen authorities while demanding the capture of terrorists operating in Ingushetia. In the Kremlin's eyes, Kadyrov appears to be the key figure for "pacifying" not only Chechnya but all of the North Caucasus. In fact, when offering to apprehend the would-be assassins, Kadyrov implied that he would do so whether they were in Russia or abroad, acknowledging that his security service has the capacity to pursue criminals beyond Russian territory. In the meantime, the August 2009 assassination of Ingushetia's minister of construction in his own office, as well as an increasing number of killings in Dagestan, has demonstrated the profundity of the problem of terrorism in the North Caucasus. By the same token, Kadyrov's regional security role was strongly challenged in August 2009 by a series of high-profile murders of civil society activists in Chechnya, revealing the inability of the Chechen president to effectively tackle terrorism in his own republic.

Medvedev's Regional Policy

President Medvedev has to manage increasing levels of regional diversity, fragmentation, and asymmetry in Russia, manifested in spheres of identity, economics, and security. It is quite feasible that, under certain circumstances, claims for greater autonomy and diversification will be formulated in ways that more directly challenge the existing balance of power between federal and regional governments. In times of crisis, regional publics will likely increase pressure on the federal center, demanding more managerial efficiency and economic justice. Even so-called donor regions – the wealthiest of the regions – have started to tacitly complain about their deteriorating financial conditions.

The Kremlin does not oppose the recognition of a variety of regional identities and interests. For instance, the three most recent Russia–EU summits were held outside of Moscow: in Samara, which could have been interpreted as a confirmation of this region's importance in terms of promoting its European credentials; Khanty-Mansiisk, a city representative of Russia's vast energy resources and one of the country's strongest bargaining cards in its relations with Europe; and Khabarovsk, an overt allusion to Russia's potential to position itself within the Asia-Pacific and Far Eastern context. In some cases, Moscow even seems to be favorably disposed to the geo-cultural ambitions of certain regions. Ekaterinburg, a city promoting itself as Russia's "Eurasian capital," hosted both the BRIC (Brazil-Russia-India-China) and Shanghai Cooperation Organization (SCO) summits. Moscow is equally supportive of regional participation in Finno-Ugrian networking projects (linking some Russian regions to Finland and Hungary) as a possible pathway for Russian integration with Europe.

As Medvedev puts his own stamp on regional policy, it is difficult to say whether a more decentralized type of federalism will emerge. He has disavowed the importance of merging smaller regions into wider federal units, a strategy that was a meaningful element of Putin's concept of effective federalism. He has also questioned the practicality of transferring certain administrative functions from Moscow to other large cities, an idea that has been bandied about for more than a decade.

In the nearest future, it is conceivable that the Kremlin will have to rely upon the regions with the strongest potential, basically measured in terms of managerial efficiency, and thus look for the best practices and models of regional governance. This could mean sending a message to regions, compelling them to acknowledge that the Kremlin is not the only source of development assistance in Russia and that strong local leadership is necessary for the country's modernization.

It is clear that Medvedev wishes to keep open as many administrative channels as possible in order to influence the appointment of new chief executives in the regions. These include the party mechanisms of United Russia, the ruling party; the so-called "presidential reserve" of reliable regional managers; and political nominations based upon informal bargaining rather than administrative procedures. What is less certain is how the inevitable regional diversification of the country can be reconciled with the still unified style of governance practiced by the "party of power" in the Kremlin.

As for the regions themselves, the key problem is that most of them are investing

heavily in forging singular identities at the expense of promoting collective regional action and coalition-building. The resulting disjointed regionalism is as vulnerable to the assertion of central hegemony as it was a decade ago. Only regional collective action could truly challenge the re-centralization policies of the Kremlin, yet this perspective remains as remote as it was when Russian federalism made its first steps almost twenty years ago.

Three Perspectives on Political Islam in Central Asia

PONARS Eurasia Policy Memo No. 76

Eric McGlinchey

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September 2009

Introduction

This memo explores political Islam in Central Asia from three perspectives: that of (1) U.S. government analysts; (2) Central Asian government leaders; and (3) everyday Central Asian Muslims. Drawing on public statements and field research, I demonstrate that these three perceptions of political Islam in Central Asia differ markedly. U.S. government analysts consistently identify two groups, the Islamic Movement of Uzbekistan (IMU) and Hizb ut-Tahrir (HT), as Islamist organizations. Central Asian leaders have a more expansive conceptualization of political Islam and identify Tablighi Jamaat and the variously named reformist/conservative/Salafi movement as co-travelers of the IMU and HT. Everyday Central Asian believers, in contrast, rarely dwell on the political Islamist tendencies of any of these groups. Paradoxically, ordinary believers do perceive the state muftiates (the closely controlled institutions of “official” Muslim belief) as highly politicized. Table 1 summarizes these differing U.S. and Central Asian state and society perspectives (see below). I explore the views of each of these groups in turn and conclude with a brief discussion of the implications of these diverging views for U.S. policy toward Central Asia.

The Perspective of U.S. Government Analysts

The U.S. Department of State’s *Annual Report on Religious Freedom* consistently identifies two Central Asian groups, the IMU and HT, as Islamist. The IMU, as group leader Tohir Yoldosh explained in a March 1999 interview, seeks:

- 1) The release of religious scholars and Muslim youth from Uzbek jails;
- 2) The safe return of Uzbek religious scholars currently in exile;

3) The replacement of secular-authoritarian rule with an Islamic polity.

Yoldosh emphasized that the IMU preferred to achieve these goals through negotiation rather than armed struggle. “It is not too late,” Yoldosh suggested, “to settle the problem without bloodshed and by peaceful means.” At the same time, the IMU leader did not rule out the use of force if the Uzbek government’s “present oppressive policy toward Muslim people continues.” State Department analysts believe the IMU is responsible for a series of bombings in Tashkent in 1999 and 2004. Across the Uzbek border in Afghanistan, the IMU has also fought with al Qaeda and the Taliban against U.S. and coalition forces.

Table 1: Central Asian Muslim Groups and Who Perceives Them as Islamist

	U.S. Government Analysts	Central Asian Leaders	Central Asian Society
Islamic Movement of Uzbekistan	✓	✓	
Hizb ut-Tahrir	✓	✓	
Reformist / Conservative/Salafi		✓	
Tablighi Jamaat		✓	
Muftiate			✓

While the IMU is predominantly focused on Central Asia and, more specifically, Uzbekistan, HT is a transnational Islamist organization active not only in Central Asia, but also in Europe, South Asia, and the Middle East. HT’s stated Central Asian ambition is to peacefully overthrow the region’s secular autocracies and replace them with a Muslim Caliphate. The organization’s rhetoric is anti-U.S., anti-Western, and anti-Semitic. In Central Asia, prominent HT members such as Ayub Khan Mashrabov, the self-styled press secretary in southern Kyrgyzstan, openly seek confrontation with the state. Not all Central Asian states, however, respond to HT’s challenge. HT leaders in southern Kyrgyzstan, for example, have lamented that the Kyrgyz government, unlike the Uzbek government, rarely tortures HT activists. Torture, these leaders explained, helps HT demonstrate the political illegitimacy of Central Asian states.

The literature, pamphlets, and DVDs circulated by the IMU and HT provide solid grounds for labeling these groups as Islamist. However, the U.S. government’s additional identification of the IMU as a “foreign terror organization,” because of the group’s purported role in the 1999 Tashkent bombings, is problematic. At the time, the State Department initially noted that it was the Uzbek, not U.S., government that believed the IMU was responsible. In September 2000, however, it definitively linked the IMU to the 1999 Tashkent bombings.

A few months prior, the Uzbek government, under President Islam Karimov, granted the United States permission to launch Predator drones from Uzbek airfields.

Some U.S. government analysts have suggested that the September 2000 designation of the IMU as a terrorist organization was Washington's attempt to "throw Karimov a bone" in return for the Uzbek leader's blessing of the Predator operation.

The Perspective of Central Asian Leaders

Central Asian governments perceive all Muslim groups other than the state muftiates as Islamist. This perception, though it may appear strange to someone living in a democratic society, makes sense within the context of an autocratic regime. Post-Soviet autocracies are predicated on patronage politics, or the top-down distribution of economic rents. Leaders provide regional and local appointees with either direct cash payments or licenses to skim revenues from economic enterprises. These appointees, in turn, carry out the directives of the central government.

Religion presents a challenge to this kind of patronage-based autocratic politics on two levels. First, Islam provides a normative framework that exposes the pathologies of state-sponsored corruption. At the same time, on the level of local civil society, Islam also builds interpersonal trust, which, in turn, encourages people to form business partnerships. When these partnerships succeed, the autocratic state's economic comparative advantage weakens. Regional and local bureaucrats break away from the top-down patronage system and, instead, shift their allegiance to regional and local economic and religious elites.

The IMU and HT are part of this state, society, and religion dynamic. As such, the U.S. designation of the IMU as a terrorist group was indeed a boon to President Karimov and his struggle to maintain legitimacy.

At the same time, Karimov and other Central Asian leaders target more than just the IMU and HT. Other groups, most notably Tablighi Jamaat and the variously labeled "reformist," "conservative," and "Salafi" movement, are equally identified as radical and deserving of repression. Tablighi Jamaat is a transnational revivalist movement, the goal of which is to teach Islamic beliefs and practices to those who, for whatever reason, have had limited access to religious education. Central Asia's growing reformist/conservative/Salafi movement seeks to restore "true" Islam and supplant the "distorted practices" that the muftiates perpetuate, practices such as birth, death, and wedding rituals, pilgrimages to locally-designated religious sites, and the annual pay-to-pray Hajj visa racket run by muftiates and ministries of foreign affairs. Both Tablighi Jamaat and the reformist movement are notable, and thus threatening to Central Asian leaders, because rather than extort believers they organize local charities, build local businesses, and provide local alternatives to the centralized muftiates.

The Perspective of Central Asian Society

Rediscovering faith is difficult in post-Soviet societies where religion, particularly Islam, was portrayed in a negative light. Adding to this challenge, Muslims in post-Soviet Central Asia have been inundated by groups seeking to capitalize on the widespread popular discontent with the existing muftiates. The lines of divergence and convergence among these differing groups, however, are far from clear.

Imam Muhammadrafik Kamalov and his mosque in Kara Suu in southern Kyrgyzstan illustrate this point well. The charismatic and popular Kamalov faced frequent government censure for allowing all Muslims, including members of HT and the IMU, to pray at his mosque. Kamalov was shot and killed by Kyrgyz security forces in August 2006. The Kyrgyz government's initial explanation of the imam's death was that Kamalov was shot while he was attempting to drive two Islamist militants across the border to Uzbekistan. In the face of public outrage, the Kyrgyz government revised its explanation and claimed that the two militants were holding Kamalov hostage and that the imam was accidentally shot as Kyrgyz forces tried to free him. What is most revealing about this story is not the Kyrgyz government's about-face in explaining Kamalov's death, but the roster of attendees at this purportedly "radical" imam's funeral: prominent members of HT, the clerical elite of Kyrgyzstan's conservative Salafi movement, and the official representative of state Islam, Kyrgyz mufti Murataly Jumanov.

Kamalov's funeral demonstrates the complex and often bewildering environment within which ordinary Central Asians form their Muslim identities and beliefs. Was a mourner at Kamalov's funeral to conclude that the imam was an Islamist because he welcomed HT members into his mosque? If so, what would this same mourner make of Mufti Jumanov, the state's public voice against radical Islam, who praised the deceased imam? Is the mufti an HT sympathizer because he stood alongside HT's spokesman at Kamalov's funeral?

The reality for most Central Asians is that these categorizations, to the extent that they exist at all, exist only in the minds of the narrow religious elite, who claim to lead these amorphous groups, and those of government and academic analysts, who study the rhetoric of this narrow religious elite. There is no denying that this rhetoric can be reprehensible; however, it is important to note that this rhetoric is largely absent at the local level.

Policy Implications

Why might an ordinary Central Asian gravitate to a group like the IMU, a group he may well understand to be Islamist and militant? Clifford Bond, acting principal deputy of the Office of the Special Adviser to the Secretary of State, answered this question before the House International Relations Committee in June 2001.

We do not see Islamic fundamentalism right now as a threat to the states of Central Asia, but the policies that are being pursued by the governments now are driving the young, particularly because there is a lack of economic opportunity, into the arms of extremists. And that's a message which we have to make and continue to make with the leadership in Central Asia.

Ambassador Bond's analysis is powerful and applies not just to Islamist groups like the IMU but to the diverse range of overlapping Islamic organizations in Central Asia. Rarely are Central Asians attracted to any of these groups because they want to cultivate radical, militant Islamist identities. They are attracted because they are struggling to make sense of and survive the economic and political wasteland that

constitutes much of post-Soviet Central Asia. Perhaps the best way to limit the potential for religious militancy and extremism in Central Asia, then, is not to fixate on Islam, but on the pervasive graft and corruption that serve the interests of Central Asian government elites at the expense of Central Asian societies.

Citizens and Compatriots

The Politics of Citizenship Policy in Russia

PONARS Eurasia Policy Memo No. 77

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September 2009

When Russian forces went into South Ossetia last year, Russia cited the protection of its citizens as one justification for its actions. That more than half of South Ossetia's 70,000 residents have taken Russian citizenship is often mentioned. Less well known is the fact that South Ossetians (as well as residents of other breakaway regions who have obtained Russian citizenship) have usually been granted passports only for foreign travel, not internal passports that would allow them to settle in Russia. Citizenship policy is a cornerstone of state- and nation-building everywhere, but it can also be an instrument of foreign policy, including military action abroad, and it has the potential to affect domestic economies and societies.

Analysis of the politics behind Russian citizenship policy since 1991 reveals that the goals of the policy have been fluid and, at times, contradictory. Particularly revealing is the persistent tension between ideological and practical objectives. The understanding of the nation, which continues to prevail in Russia, mandates an inclusive citizenship policy for former Soviet citizens (Russian-speaking Slavs in particular), while economic and security concerns tend to mandate a more restrictive citizenship policy. Russian elites continue to negotiate these different objectives and, lately, seem to have come to the conclusion that keeping legal categories and definitions vague may be the best solution. This gives Russian policymakers room to maneuver and to pursue expedient citizenship policy without having to change the law.

Russia's First Citizenship Policy: Ideology and Realpolitik Go Hand-in-Hand

Like every new state, post-Soviet Russia had to answer a fundamental question: who collectively constitutes the nation that gives legitimacy to the state? This question is

formally answered by citizenship laws that define what can be called the “official” nation of a given state: the group of people who are included in the initial body of citizens, plus those who are able to acquire citizenship under simplified procedures (i.e., without having to fulfill standard naturalization requirements).

The origins of Russian citizenship policy date back to the last years of the Soviet Union, when the citizenship issue, closely tied to the symbolic issue of sovereignty, emerged as a battleground between the Soviet leadership and republican authorities. In an effort to gain more sovereignty for Russia, republican president Boris Yeltsin supported the adoption of a Russian citizenship law. This law was adopted in November 1991 and entered into force in February 1992. The law automatically recognized as Russian citizens those who permanently resided on Russian territory at the time the law entered into force. Importantly, however, Soviet citizens who lived in other republics could also register to become Russian citizens within three years of the law’s promulgation; the registration deadline was subsequently extended until the end of 2000.

A definition of the official Russian nation that embraced all Soviet citizens was consistent with both practical concerns and the dominant national idea. A major concern of the time was the situation of Russians and Russian-speakers in the Soviet Union’s other republics. Fears of their massive migration to Russia were high when the 1991 citizenship law was discussed. Making Russians and Russian-speakers outside Russia eligible for Russian citizenship could be expected to make them more secure and, thus, less likely to migrate. At the same time, the policy also reflected the dominant national idea that the true Russian nation transcends the borders of the Russian Federation and includes most, if not all, former Soviet citizens.

2002 Citizenship Law: Realpolitik Conflicts with and Trumps Ideology

The policy of allowing all former Soviet citizens to become Russian citizens abruptly ended shortly after President Vladimir Putin took office in 2000. Within a year, the presidential administration submitted to the State Duma a new edition of the citizenship law, which was adopted after much heated debate and which entered into force in July 2002.

The 2002 citizenship law dramatically redefined the official Russian nation. It allowed only those former Soviet citizens who were born on the “territory of the Russian Federation,” plus those who were legally stateless, to acquire Russian citizenship under simplified procedures. Other former Soviet citizens now had to satisfy a battery of requirements: evidence of a legal source of income, acquisition of a permanent residency permit, legal proof that prior citizenship was relinquished, and competency in Russian.

Such dramatic changes to Russia’s citizenship policy were precipitated by the conclusion of the “centrist” political elite at the time that the 1991 citizenship law was too costly for the state. It gave access to Russian citizenship, and thus to the Russian state and its resources, to millions of people. In the State Duma, supporters of the law argued that “whole villages of Tajiks” and “criminals, scoundrels, and other bums”

were moving to Russia, jeopardizing the country's security and economy. The law's authors and supporters reasoned that the new definition of the official nation would facilitate the task of state management. However, it cut against the grain of the dominant national identity.

The new citizenship law was decried by Russian political actors across the spectrum, and opposition to the law was couched in the language of national identity. The law was criticized for equating most former Soviet citizens with "far abroad" foreigners. While in the first post-Soviet decade ideological and practical concerns could be addressed by the same citizenship policy measures, by the early 2000s, these concerns came into conflict with one another and pushed citizenship policy in different directions. That the 2002 law was amended less than a year after its implementation demonstrates the difficulty in sustaining a policy that goes against the dominant national identity. At the same time, later changes to the citizenship law reveal a more complex picture than one in which national identity simply trumps practical concerns after a brief setback. Russian citizenship policy is becoming more nuanced as political elites try to make the citizenship law serve both practical and ideological goals.

Recent Years: Negotiating Ideological and Practical Concerns

In October 2003, the State Duma unanimously approved a series of changes to the 2002 law. These amendments did not extend citizenship as broadly as did the 1991 law, but they extended the official Russian nation to include more categories of former Soviet citizens. These categories included former Soviet citizens who arrived in Russia before July 2002 and received a permanent or temporary residency registration (*propiska*) stamp in their passports; World War II veterans who had Soviet citizenship and now lived in Russia; former Soviet citizens who served in the Russian armed forces for three years or more; and former Soviet citizens who received higher education in Russia after July 2002. In October 2008, an additional set of amendments to the 2002 law simplified access to Russian citizenship for participants in the "compatriots" resettlement program (see below), launched in 2007.

These amendments to the 2002 law addressed identity-based considerations, but they also pursued practical objectives. By granting simplified access to Russian citizenship for former military personnel and individuals with higher education, the 2003 amendments sought to limit the negative impact of brain drain and demographic decline. The amendments simplifying citizenship for those participating in the compatriots' resettlement program aimed to reinvigorate the program, which had not brought nearly as many people back to Russia as its designers had hoped. When the program was launched, it was estimated that 100,000 "compatriots" would move to Russia in 2007 and a total of 300,000 by 2012. By late 2008, however, the program had only relocated 5,862 families to Russia.

Lessons Learned and Looking to the Future

Nearly two decades of Russian citizenship policymaking teaches important lessons. First, it shows how citizenship policy is driven both by national identity considerations (the predominant image of the nation and the boundaries of the imagined "us") and

also practical economic and security concerns. There is much debate over whether ideological or other factors drive citizenship rules. It may be more productive, though, to refocus the debate on how the two factors interact with each other and the conditions in which one or the other is likely to be more decisive.

The history of Russian citizenship laws clearly shows how ideological and practical concerns can, at times, push citizenship policy in the same direction, and, at other times, they can conflict with each other and push citizenship policy in different directions. When this happens, the outcome is not predetermined. In Russia, *realpolitik* decidedly trumped identity concerns in 2002, only to be pushed back by identity-inspired opposition a year later.

The post-2002 changes to Russian citizenship also demonstrate that legal ambiguity may be an intentional policy that allows elites to negotiate potential conflicts between ideological and practical concerns and, more generally, pursue policies deemed expedient in the short term without having to change the letter of the law. For instance, most recent changes to Russian citizenship legislation made “compatriots” a target group for simplified citizenship acquisition, but the definition of a compatriot has remained vague. A 1999 law defined compatriots as those who were born in one state and who share common language, religion, cultural heritage, customs, and traditions. This is sufficiently vague to support both an interpretation that all former Soviet citizens and their descendants are compatriots and one that dictates that only those former Soviet citizens whom Russia finds desirable (those who are culturally Russian or those who have desirable professional skills) are welcome. Russian officials seem to prefer to maintain this ambiguity, arguing that “compatriots” is not a legal term but a matter of “spiritual self-identification.”

Legislation that would explicitly target ethnic Russians or all Russian-speaking Slavs has proven difficult to adopt in Russia. However, the vague definition of compatriots allows authorities to tailor citizenship policy as needed, as in the case of South Ossetia. If such legislative vagueness becomes a trend, it will make it easier for Russia to pursue various domestic and foreign policy objectives by means of citizenship policy.

Russia's New Model Army

The Ongoing Radical Reform of the Russian Military

PONARS Eurasia Policy Memo No. 78

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September 2009

Last August, the Russian army undertook its first offensive action on foreign soil since the end of the Afghanistan war in 1989. After the initial outburst of patriotic fervor faded, the Russian military did not have long to bask in the glory of its first definitive military victory in many years. In early October, the civilian leadership of the Ministry of Defense announced a radical restructuring of the armed forces, one that, if enacted in full measure, would completely change the military's structure and mission capabilities for the foreseeable future. More than nine months have passed since the initial outlines of this reform were announced. This memo will describe the reform's main goals, the military's reaction to it, and the extent to which it has been implemented. It concludes with a discussion of the likely trajectory of the reform process.

A Radical Break

On October 14, 2008, Defense Minister Anatoly Serdyukov announced that, over the next four years, the Russian military would undergo a radical restructuring. The main elements of the reform were to include the following:

- A cut in the total number of military personnel from 1,130,000 to one million, including a cut in the total number of officers from 355,000 to just 150,000. The General Staff would be particularly affected, with 13,500 of its 22,000 personnel positions slated for elimination;
- Remaining officers and contract soldiers will see a significant pay increase over the next four years. The hope is that this will help retain officers, aid in recruiting contract soldiers, and reduce incentives for corruption;

- Henceforth, all military units will be considered permanent readiness units and be fully staffed with both officers and enlisted soldiers. The previous practice of maintaining numerous units staffed only by officers will be eliminated. Prior to the reform, only 17 percent of all units were fully staffed.
- The existing 140,000 non-commissioned officers (NCOs) will be replaced by 85,000 professional sergeants trained over the next three years;
- The four-tiered command structure will be replaced with a three-tiered structure, with the brigade serving as the basic unit;
- The military's Main Intelligence Directorate (GRU) will be cut in size and subordinated directly to the civilian defense minister (it was previously under the control of the chief of the general staff);
- Numerous overlapping military institutes and medical facilities will be consolidated.

This reform was made possible, as Pavel Baev has described, by the removal of many top military commanders at General Staff headquarters, including Chief of the General Staff Yuri Baluyevsky in the summer and early fall of 2008. These commanders were replaced by generals sympathetic to Serdyukov's reform agenda or beholden directly to the defense minister for their careers.

These reforms amount to the complete destruction of Russia's mass-mobilization military, a legacy of the Soviet army. Such a change was completely anathema to the previous generation of Russian generals, who continued to believe that the Russian military had to be configured to protect the country from a massive invasion from either Europe or China. This perception explains the military leaders' reluctance, for two decades, to dismantle key aspects of the old Soviet army and, most especially, its vast caches of outdated and unneeded weapons overseen by an equally vast number of officers with very little battlefield training and no combat experience. These officers and weapons are the remains of an army designed to fight NATO on the European plains and have served no functional purpose since the end of the Cold War.

However, this reality contradicts the culture and interests of Russia's military elite, who were educated to regard the Soviet army as a world-class military that could match any adversary, including (and especially) the United States. For them, the transformation of the Russian military to a smaller and more mobile force, equipped to fight local and regional conflicts, primarily against insurgents and other irregular forces, is damaging to morale, prestige, and future funding. It was thus inevitable that they would resist these reform efforts at all costs.

Past reform efforts have foundered because they were opposed by the military's top leadership. As president, Vladimir Putin understood that military reform could not succeed unless the power of the generals was taken away first. He did this gradually, putting civilians in charge of the Defense Ministry and then breaking the power of the General Staff. Once Baluyevsky and his immediate subordinates were replaced with Serdyukov's supporters, the plan could proceed. But the intensity of resistance to reform among top generals was such that, even then, Serdyukov felt he could not announce the ultimate goal of the reform: the elimination of the mass mobilization army left over from the Soviet Union.

The Counterattack

Immediately after the announcement of the reform program and in the months that followed, traditionalist figures in the military and analytic community did their best to derail the reform. They were helped in this effort by the Defense Ministry's poor handling of the rollout of the reform package. Rather than putting out a complete reform package, various aspects of the reform were announced piecemeal over a period of two months. These announcements usually did not take the form of official documents; reform measures were simply mentioned in speeches and interviews by top civilian and military officials such as Serdyukov and the new chief of the general staff, Nikolai Makarov. Many of the details mentioned in the various speeches contradicted each other, and the extent and sources of financing for the reform were left unclear.

As a result, reform opponents did not have to focus on the substance of the reform and were initially content to criticize the various inconsistencies of and secrecy surrounding the program. The majority of the substantive criticisms focused on fears that the government would not be able to provide officers forced to retire with the apartments that were legally guaranteed to them. This became a focus of reporting on the reform efforts, especially in the aftermath of the serious downturn in the Russian economy after the collapse of oil and stock prices in the late fall of 2008. Analysts repeatedly stated that given the country's budget deficit, it seemed virtually impossible for the government to build or buy the tens of thousands of apartments necessary to fulfill the obligations to retiring officers.

At the same time, some critics argued that, if implemented, the planned reforms would destroy the Russian army as a functioning military force. They argued that only a mass mobilization army would be able to withstand an attack by China in the Russian Far East. In their analyses and interviews, these experts calculated the necessary size of the Russian military based on either the area of the Russian Federation or the length of its border. Given Russia's size, this method allowed them to justify a numerically large army, though they never questioned why Russia would need to defend its land border with Kazakhstan or what role the military would play in protecting its vast interior land area.

Staying the Course

Despite this criticism, the Defense Ministry's civilian leadership has pressed ahead with their reform plans. Furthermore, both President Dmitri Medvedev and Prime Minister Putin have expressed their support for Serdyukov and his reform plans on several occasions in the last six months. In the first round of personnel cuts, several hundred generals and other senior officers were dismissed in the first months of 2009. The transition to a brigade-based structure commenced on schedule, with 46 of the 90 new brigades formed by the end of June. The rest are expected to be formed by December 1. This means that, as far as retaining the mass mobilization army is concerned, the point of no return has already been reached.

Serdyukov has continued to systematically remove opponents of the reform from their positions, including the heads of the medical service, the military housing agency, and the Navy's chief of staff. The removal in April of Valentin Korabelnikov, the head

of military intelligence, was particularly critical, as the GRU was traditionally independent of the Defense Ministry and was seen as the last bastion of opposition to Serdyukov's reform program.

At the same time, Russia's financial troubles have had an impact on the implementation of reforms. In April, the relocation of the naval headquarters from Moscow to St. Petersburg was postponed. The deadline for reducing the number of officers was extended from 2012 to 2016, giving the government more time to arrange for apartments and to finance pensions for thousands of retirees. The two-year program for professional sergeants, which had been planned to start in February, was delayed until September, likely because there was not enough time to recruit the requisite personnel or develop a training program in time for a February start. This delay will inevitably result in more time passing before the transition from NCOs to professional sergeants can be completed.

These delays, however, appear to be mere bumps in the road for the military reform juggernaut. After almost two decades of false starts and unfulfilled promises, the current iteration of military reforms seems destined to fundamentally change the Russian military.

The Future of the “New Model Army”

Given recent developments, it appears that, sometime in the next 3 to 5 years, Russia will have a more or less functional modern professional army, one that is able to fight effectively in the kinds of conflict in which Russia has actually engaged over the last twenty years. The new structure will allow the military to be more effective in fighting small wars on difficult terrain against adversaries that are likely to combine traditional military tactics with irregular warfare. This is the main, if unstated, goal of the reform. It is thus not surprising that the reforms have left the paratroopers largely untouched; they are a force that is already effective at the tasks for which the new military will be designed.

Largely missing from the discussion among either proponents or detractors of the reform effort has been the question of how to make this “new model army” more effective. While the elimination of the mass mobilization model and the move to professionalization are excellent first steps, there has been very little discussion of the extent to which the new Russian military will still be equipped with old Soviet weapons. The various rearmament programs promulgated by the government in the last ten years have all shared one feature: none has come close to even partial implementation.

Once the initial conflicts surrounding the personnel reforms are resolved, the Russian military will have to deal with the fact that the country's military industrial complex is no longer capable of producing modern weaponry in the quantities necessary to reequip the Russian military in a timely manner. In the short term, it will have to shed its insistence on buying only domestic military hardware and make more purchases from abroad, such as the unmanned drone aircraft it recently purchased from Israel. In the long term, it will have to reform and modernize its defense industry, a project that may also require foreign assistance.

Russia's Place in the World

An Exit Option?

PONARS Eurasia Policy Memo No. 79

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September 2009

In 1992, Russia's new leadership, led by Boris Yeltsin, explicitly committed to making Russia part of the Western hegemonic system. By the following year, and for the decade after, Russia under President Yeltsin and, from 2000, under Vladimir Putin increasingly identified itself in opposition to U.S. hegemony, but remained agreeable to participation in some kind of multipolar collective hegemony led by the West. Since 2003, however, a "new" Russia has emerged, interested neither in participating in Western hegemony nor in actively balancing against or undermining it. Instead, the new Russia, committed to being authentically Russian and not a kind of Western or Eurasian hybrid, has chosen the exit option, a strategy of selective disengagement from the West and non-participation in its hegemonic order.

Two conclusions emerge from an analysis of Russia's material circumstances and the emergent new Russian identity. The first is that Russia is materially situated in the semi-periphery of the world capitalist economy; it is a regional economic power and yet a raw material appendage of the West. Russia's semi-peripheral nature tracks closely with only the most selective engagement with Western institutions, as if it were trying to avoid participating in the reproduction of the Western hegemony of which it is a subordinate, but supportive, part. Secondly, a new Russian identity of "authentic Russia" is emerging, a Russia that consciously understands itself as apart from the West and materially capable of defending its own unique Russian self from Western interference.

Russia's Material Position

Russia's semi-peripheral status is evident in statistical comparisons with the United States and the West on a host of relevant indicators. Russia's population of 143 million

is less than half that of the United States and is declining at a rate of almost half a percent per year, while the population of the United States increases one percent annually. Russia's infant mortality rate is twice that of the United States; Russian life expectancy, at 68 years, is 10 years less.

Economic indicators paint a similar picture. Russia's gross domestic product is about 10 percent of the United States, while its per capita GDP is less than 20 percent. Its accumulated foreign direct investment (FDI) of \$324 billion (2007) pales in comparison to the U.S. total of just over \$2 trillion. While FDI in Russia continues to grow, it remains concentrated in extractive industries. Moreover, about 70 percent of current investment comes from just two sources, Cyprus and the Netherlands, suggesting repatriated Russian capital.

Russia's emergence as a significant source of foreign investment in its own right underscores its semi-peripheral status. Russian foreign investment, totaling \$257 billion in 2007, began in the 1990s and is concentrated mostly in the Commonwealth of Independent States (CIS). Armenia, Belarus, and Uzbekistan account for over three-quarters of Russian investment, which includes electricity supply monopoly RAO UES's investment in energy distribution systems in Armenia, Georgia, Moldova, and Ukraine; Gazprom's investments in energy infrastructure in Kazakhstan and Moldova; and cell phone companies VimpelCom and AFK Sistema, which, together, control 40 percent of the CIS market. According to the Boston Consulting Group, only seven Russian companies are "global challengers," compared to 21 from India and 44 from China.

Russia's relative isolation from the rest of the world capitalist economy is evident in the extremely small number of foreign affiliates of multinational corporations located in Russia. Between 1993 and 2005, Russia had 1,200 affiliates, whereas China had 281,000. Russia's preference for isolation is especially apparent in the area of hydrocarbon recovery. Controls on foreign capital have delayed the exploration, development, and recovery of vast energy reserves. The huge reserves projected in the Arctic Ocean off of Russia's northern continental shelf, for example, are out of reach without technologies and expertise developed in the North Sea fields of the United Kingdom and Norway.

Still, Russia's natural resources are among its greatest assets. It has the largest oil and natural gas reserves outside the Middle East. Its oil production in 2008 was 47 percent greater than that of the United States. Of Russia's \$468 billion in total export earnings in 2008, two-thirds came from energy deliveries, one-third of which went to the European Union. In terms of tonnage, however, Russia has increased annual production by only 4 percent since 1990. Its own production is peaking for the short term, and Gazprom has to rely increasingly on the purchase of natural gas from Central Asia and Azerbaijan to meet European demand. Still, this is expected to be a short- to medium-term problem, as gas extraction is expected to grow more than adequately in the future. Russia also provides the EU with a quarter of its coal imports. Since 2000, the volume of these exports has grown 250 percent. Russia's foreign trade overall is also centered on Europe. In 2008, nine of its top ten export markets were in Europe, accounting for over 40 percent of Russia's exports. Six of Russia's top ten sources of imports are also European countries.

Unlike the East Asian "tigers," whose states adopted the managed market approach

to economic growth and development, Russia has adopted a strategy that privileges isolation over competitiveness. Instead of using state-directed investment to funnel capital to industries aiming to create competitive export producers in the medium to long run, it has relied on revenues from energy and raw material exports to subsidize the price of energy and electricity for otherwise uncompetitive industries and to maintain lower housing, heat, electricity, and transportation costs for average Russians. The Balassa index of “revealed comparative advantage,” a rough measure of competitiveness, shows that Russia is competitive only in raw materials and energy. Finished products rarely figure in the mix, with the important exception of weaponry.

Levels of productivity and competitiveness in Russia lag far behind the West. In 2007, the United States had 241,000 resident patent applications to Russia’s 12,000; the United States has 2,400 scientific journals, while Russia has 10. Russia’s human capital is aging and in numerical decline. According to the 2008 *Times Education Supplement* rankings of the world’s top 100 universities, Russia had none, while the United States had 37. Along with education, information technology and communications infrastructure are critical to an information economy. While land-based telephone lines are fast being eclipsed by cell phones, they are still critical for internet access in places that have not yet upgraded to digital. By that measure, Russia’s 31 telephone lines per 100 inhabitants places it behind the United States’ 54 in 2007 (U.S. landlines peaked in 2000, reflecting its transition to broadband and cable, while BRICs are either stable or growing their terrestrial telephony). In 2007, Russia had 21 internet users per 100; the United States had 74. Russia has three broadband subscribers per 100; the United States has 24. Russia has 13 personal computers per 100 inhabitants, while the United States has 81. The 2009 Network Readiness Index of the World Economic Forum ranked Russia 74 of 134; China, 46; India, 54; and the United States, third.

Russia and the WTO

Russia’s recent decision to forego membership in the World Trade Organization perfectly exemplifies Moscow’s search for an exit option. Russia, dependent on raw material and energy exports, can expect little benefit from tariff reductions, as foreign markets erect no barriers to Russia’s most important exports. Instead, by most calculations, including that of the World Bank, the chief economic benefits of WTO membership will come from the internal reforms it promotes. However, a newly authentic Russia has no interest in pursuing such reforms. For example, World Bank economists point to the liberalization of FDI in services as a potential gain for Russia through accession to the WTO. However, the risk of penetration by Western insurance companies, retail banks, and other services into Russia’s domestic market and society is too high a price to pay; daily interactions with the West can only erode Russia’s new and vulnerable identity. Better to pay more for mortgages and life insurance than expose Russian firms to competition and Russian society to Western soft power. Since Russia is not pursuing a neoliberal economic model of competitive export-led industrial growth, making domestic industries more price-efficient has no net benefit.

Russia and Globalization

One way a hegemonic order reproduces itself is through the education, training, and

cultivation of global elites, who will govern and manage their native country's polities and economies. Russia, however, is not participating in these institutions of globalization. Business schools are one site for the cultivation of economic elites who subscribe to the Western neoliberal model. No Russian business schools made the *Financial Times'* top 100 in 2009. Russia's isolation is also reflected in the low, and still decreasing, number of international nongovernmental organizations operating within its territory. It also hosts relatively few international meetings. In 2006, there were 8,900 such meetings; Russia hosted 75, while the United States hosted 900. In international postal traffic, Russia ranks second to last, with only 32 million letters crossing its border in 2007, compared to 800 million to and from the United States. *Foreign Policy* magazine's "globalization index" in 2007 ranked Russia 62 out of 72 countries assessed.

New Russia's Identity

Russia's identity-building project has been underway for 17 years. In 1992, its elite identified with Western hegemony, manifesting itself in the efforts of Yeltsin, Gaidar, and Kozyrev to remake Russia into a liberal democratic market economy and a willing ally of American power in the world. The collapse of this project in December 1992 was caused by economic misery, corruption, violence, miserly Western aid, and indifference to Russian efforts to be that willing ally. With the liberal Russian identity discredited, a centrist Russia identity emerged, envisioning Russia as part of Europe, a social market economy, and dedicated to restoring Moscow's authority over the rest of the country and restoring Russia's participation in world politics as one of several great powers co-managing the system and restraining U.S. unilateralism.

September 11 caused a brief pause in this trend, as the United States declared Russia its single most important ally in the war on terror. For a few months, Russian elites understood themselves and their country in a neo-Soviet fashion, as if once again Washington and Moscow were going to settle global security issues themselves, fighting a global war on terrorism and managing the proliferation of weapons of mass destruction. However, the unilateral disregard of Russia's interests by the George W. Bush administration, manifest in the abrogation of the Anti-Ballistic Missile (ABM) treaty, the invasion of Iraq, further expansion of the North Atlantic Treaty Organization, and support for color revolutions in Georgia, Ukraine, and Kyrgyzstan, ended this brief neo-Soviet interlude.

Since 2003, a new Russian identity has emerged, one that has broad and deep social support. This is a Russia that no longer defines itself in terms of Western or Eurasian "Others," but sees itself instead as restoring Russia's "natural" identity. Its components include a strong and centralized authoritative state in Moscow, social protections for the population, secure sovereign borders, and, consequently, engagement with Western hegemony on a strictly selective basis. While this new Russian identity has absolutely none of the universalist pretensions of Soviet communism or Western liberalism, it promises a very powerful, albeit local, counter-hegemonic ideology.

Conclusions

A semi-peripheral player in the world capitalist economy, existentially secure behind its

nuclear arsenal, and a possessor of enormous natural resources desired by the core members of the Western hegemonic system, Russia has become a deliberately self-limiting participant in the perpetuation of that system.

Nuclear weapons have given Russia the ability to contemplate an exit from Western hegemony, if not the means to challenge it. The size of the Russian economy is large enough to permit contemplating an import-substitution strategy on a continental scale, permitting a market economy with Russian characteristics such as social protection, a strong state, centralized order, and reduced interaction with, and dependence on, the West. This aids Russia's exit from Western hegemony. Foreign direct investment in Russia is permitted on strictly Russian terms and is reflected in the low multinational corporate presence in Russia.

Global demand for Russian energy and metals is foreseeable in the medium to long term. Price declines are tolerable, as the demands of Russian society are not reducible to maximum prosperity but are leavened with ideas of social protection, secure borders, and Russian uniqueness, all advanced by a strong state.

Russian foreign direct investment abroad also reinforces Russia's role as a semi-periphery of Western hegemony. Russian capital penetrating the weaker economies on its borders is precisely the kind of material advantage offered by the world capitalist economy which justifies Russia's participation in and support of it. The only friction in this area will be any continued Western efforts to encourage regime change or NATO membership on Russia's borders.

Russia's self-limiting position in Western hegemony appears quite sustainable, both materially and ideationally. One could argue that, for the very first time since Soviet collapse, Russia's material power, elite national identity project, and mass social identity are reinforcing each other, sustaining Russia's trajectory out of the West.

Russia's "Over-Managed Democracy" in Crisis

PONARS Eurasia Policy Memo No. 80

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September 2009

Two years ago, when evaluating the hybrid regime of "over-managed democracy" (OMD) that Vladimir Putin constructed during his two presidential terms, I concluded that this regime was transitory; it had to develop toward either democracy or authoritarianism. Since then, Russia's OMD has survived not only a presidential succession, but a year of economic crisis that has exacerbated the system's shortcomings. Its survival raises the question of whether I underestimated OMD's sustainability or whether an unforeseen political evolution took place that provided a new stability to the system. The short answer is neither; the political system has undergone slight modifications, but with no increase in managerial effectiveness. The respite has been bought at the expense of huge financial resources, accumulated at a time of high oil prices.

The Putin-Medvedev Administration: Variation on a Theme

The term "over-managed democracy" does not imply that Russia is democratic. The over-managed democracy built in Putin's Russia is a complex multi-tiered system that enables the government to eliminate public control and accountability while preserving a façade of adherence to democratic procedures. There are three tiers of control in Putin's OMD system: (1) a strong presidential system of management that supersedes all other institutions and actors, including parliament, the judiciary, business, and regional elites; (2) state control of the media, which shapes public opinion through carefully dosed and filtered messages; and (3) controlled elections, which serve to legitimize decisions made by the political elite.

As is commonly observed, it would be a mistake to regard Dmitri Medvedev's ascent to the presidency in Russia as a real transfer of power. When Medvedev was

elected, the word "tandemocracy" was coined to describe the new political system. This regime, however, is simply a continuation of the one that coalesced during Putin's second presidential term. Russia's personified system of power, coupled with the weak institutions that Putin created, made a real transition impossible without risking the many intra-elite agreements Putin himself guaranteed.

The system did undergo some slight adjustments, however. These included:

- A shift to autopilot, i.e., the adoption of an economic strategy, as well as domestic and foreign policy doctrines, to guide the regime;
- The utilization of state corporations, controlled by Putin's cronies, to manage key branches of the economy and industrial modernization;
- The distancing of *siloviki* politicians with roots in Russia's "power" ministries from influential *siloviki* operatives, cutting the latter out of power; and
- The installation of Medvedev as, effectively, the head of the public relations department of "Russia, Inc.," while keeping Putin on as chairman and chief executive officer.

The political reforms that have taken place since Medvedev took office in May 2008 can be roughly classified as democratic, antidemocratic, and those that have no real impact. Other than a few purely decorative features, there is still no democracy in Russia. In fact, its dismantling has continued over the past year. If a few years ago, the "glass was half-empty, and leaking," to use Michael McFaul's colorful expression, it is now three-quarters empty.

Ultimately, despite numerous stylistic changes, the essence of the regime remains as it was before. There has been no clear movement in one direction or the other but rather a series of chaotic moves. Top-down democratic change has been modest and often implemented after relevant institutions, such as political parties, have already been emasculated. Any real steps toward democratization have resembled a kind of reactive liberalization from below, less formal than more institutionalized antidemocratic reforms, and potentially less stable.

Still, large-scale change in the political system is not only inevitable, it is happening. There is a revival of public engagement in politics, and political competition is intensifying, if only mainly within the United Russia ruling party. The party has held primaries, stumped for public support in large-scale meetings, conducted internal discussions on party development, and held public debates with other parties. Civil servants and regional party functionaries are increasingly showing signs of open defiance of the federal leadership. Political organization is becoming more complex, as evidenced by an increase in effective centers of influence. These changes, though fragmentary and unsystematic, are positive, and their accumulation may soon lead to evolutionary change.

The question, however, is whether the system can survive until then. Russia's political system may look stable, but its stability is based not on the country's institutions, but on the personal popularity of the ruling duo (with Medvedev's popularity largely reflecting that of Putin). Nothing has been done to strengthen

political institutions in the last two years, and the single institution strengthened under Putin, the presidency, has now also weakened. Moscow is currently expending colossal resources to preserve its paternalistic relationship with the population and to keep public approval high. When resources run out, there is a risk that approval ratings will collapse.

The Kremlin Doctor

Medvedev frequently sounds tough, and his public diagnosis of Russia's condition is often correct. His solutions, though, are utterly inadequate for the problems and challenges he articulates.

Political Parties

In Russia today, political parties fail to act as channels of direct feedback between government and society; their role in the political system is insignificant. Rather than strengthen the institutional role of political parties, Medvedev has proposed legislative amendments that are decorative, if not derisory. He slightly lowered the number of members required to register a party, and he offered one or two consolation seats in the State Duma to parties that cannot surpass the 7 percent barrier for entry but that exceed 5 percent (in the last parliamentary election, there were no such parties). Legislation alone cannot improve the party system.

The Staffing Crisis

The curtailing of public engagement in politics, particularly through the rejection of free elections and the direct appointment of governors, has resulted in a staffing crisis. Restoring free competition could have solved this problem. Instead, at Medvedev's behest, the Kremlin set up a so-called "personnel reserve" list, a multilevel system of qualified personnel with a "presidential" reserve at the top. Anonymous "authoritative" experts under the leadership of Sergei Naryshkin, head of the presidential administration, and Vladislav Surkov, his first deputy, compiled their own lists, which were then culled to put together the "presidential" list.

Regional Interests

Local and regional interests are crucial in light of Russia's enormous socioeconomic and ethnocultural diversity. The 2000-2002 reform of the Federation Council almost destroyed the system by which regional interests are represented at the center. Instead of restoring it, Medvedev's political reforms replaced one set of formal requirements for senators with another more formal set. Not only are regional interests not taken into account when decisions are made at the center, no attention is paid to the regional consequences of federal decisions. This leads to crises, as occurred in the Far East after the federal government raised tariffs to import used cars at the end of 2008, and in the North Caucasus the following year when the government doubled the minimum wage, leading to rising unemployment in some regions.

Nongovernmental Organizations

NGOs have been under heavy pressure from the federal government since 2005. The Kremlin viewed the color revolutions as NGO revolutions and thus aimed to legally

and financially control their activity. Not only did this result in a substantial decrease in NGOs, it also caused a drop in activism. Medvedev has tried to be friendlier to NGOs and has sought to facilitate their existence, especially of those organizations that do not receive financial support from abroad. However, simply tolerating these organizations does not repair the damage that has already been done. The lack of appropriate NGOs in Russia is clearly illustrated by the almost complete absence of public discussion on policymaking and strategies.

Elections

With such stringent electoral legislation, the only remaining function for elections is to legitimize power. As participation in elections declines, however, managing even this function becomes more difficult. At a time of crisis, elections should facilitate dialogue between government and society. They should also strengthen the social bases of power and make possible the selection and training of effective managers and the removal of ineffective ones. Finally, elections offer an opportunity to air frustrations. Far from strengthening the institutional role of elections, however, the Kremlin has increased its control. Parties and candidates can no longer register by paying a cash deposit, only by collecting signatures.

The Last Stage of Over-Managed Democracy?

The regime is reacting to Russia's crisis as if it were a fire brigade. It is concentrating on the socioeconomic aspects of the crisis, whereas Russia's really disastrous problems are in its flawed model of political organization. The gap between reality and this flawed political management is growing dangerously wide. There are no signs, however, that the regime realizes this and is prepared to react. Until the money runs out, a review of economic strategy, or of domestic or foreign policy, remains unlikely.

The current modification of Putin's model of over-managed democracy does not only fail to work well, it works less efficiently than it has in the past. In each sphere of official activity, several formal and informal centers of decisionmaking conflict publicly with one another, with Putin as the only real decisionmaker. The system resembles a model of late 18th or early 19th century tsarist autocracy, complete with Potemkin-style democratic institutions.

Russia's OMD has to be redesigned to meet new challenges, or it will be incapable of controlling the country. Four pillars of the model have to be revised: economic development, the crony-corporatist model of industrial modernization, domestic politics, and foreign policy. These revisions are already underway, but the rate of change is not fast enough to maintain, let alone increase, the system's sustainability in a time of crisis.

Will the Financial Crisis Lead to Political Change in Russia?

PONARS Eurasia Policy Memo No. 81

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September 2009

It is widely accepted that the stability of Russia's political regime and Vladimir Putin's high approval ratings, first as president and then prime minister, have depended mainly upon a steady increase in Russians' real incomes. Between 2000 and 2007, Russia's gross domestic product grew 72 percent, while real incomes grew 141 percent. Combined with the accessibility of cheap credit, rising incomes produced a consumption boom. Consumerist values displaced concerns for democracy and freedom and made the nature of the political system irrelevant to a depoliticized population. In the private sector, high profits allowed entrepreneurs to bear the costs of corruption and undercut incentives for collective action to combat it.

At the start of 2009, however, it became clear that major economic trends had reversed. Recession hit most sectors of the economy, industrial regions, and (especially) company towns, causing a corresponding rise in unemployment. If the political stability of the Putin era has, indeed, rested solely upon the fruits of economic growth, then economic decline should cause political change. Are there signs of pending change? If so, what forms might it take?

The Parameters of the Crisis

Since September 2008, Russia has passed through several consecutive phases of crisis. After prices declined in world commodity markets, Russia's stock market lost 73 percent of capitalization. \$500 billion in corporate debt, of little concern when the economy was on the rise, put many companies on the brink of collapse overnight. The liquidity crisis, capital flight, and a controlled devaluation of the ruble led the Russian government to spend \$200 billion, a full one-third of its currency reserves, during the first four months of crisis. At the same time, a decline in the extractive and metal

industries dramatically reduced official budget revenues and rents. In 2009, federal budget revenue is projected to be 42 percent less than originally planned, leading to an unprecedented deficit of 7 percent of GDP. Industrial production also fell, while unemployment rose. In the first half of 2009, the volume of cargo transportation by Russian Railways, the state-owned rail transportation company, dropped by 22.7 percent, reflecting the overall decline in Russian economic activity. The indicators for the first half of 2009 (see Table 1) show the Russian economy sliding into recession after years of growth.

Table 1: Russia's economic indicators

	2004	2005	2006	2007	2008	2009		2009*
						Q1	Q2	*projected
GDP (% of previous year)	7.2	6.4	6.7	8.1	5.6	-9.5	-10.4	-8.6
Industrial production (%)	6.1	5.1	6.3	6.3	2.1	-14.3	-14.2	-22
Railway cargo transportation (%)		5.3	4.1	4.2	2.5	-24.4	-20.1	-19
Retail trade turnover (%)	13.3	12.8	14.1	15.9	13	-0.1	-5.6	
Real income (%)	10.4	11.1	10.2	12.1	2.7	-0.2	0.2	
Unemployment, million people	6	5.6	5.3	4.6	5	6.1	6.3	7.4

Sources: Rosstat, Government of the Russian Federation, Russian Railways

Mass Political Protest Unlikely

In assessing whether economic crisis will lead to political change in Russia, one may start with simple but reliable assumptions. First, change can come either from below, as a result of mass pressure and protest, or from above, through a shift in the power balance of the ruling elite or a conflict within that elite. Furthermore, economic decline does not translate directly into political protest and regime change. It operates through intermediary mechanisms and requires the articulation of political alternatives.

Mass protest is more likely to ensue if the welfare of a population drops, not if it simply ceases to grow. With the exception of company towns, industrial decline has yet to undermine the general welfare of the Russian population. A decrease in retail trade turnover in the first half of 2009 was not as dramatic as the decline in industry and transport (see Table 1).

This is due to savings from previous years and to a government policy of increasing social spending. In 2007, savings by the Russian population equaled about three average monthly salaries (meaning that an average family can sustain itself for three months out of its savings). In addition, the government increased public spending by

5.5 percent as it revised the 2009 federal budget and pressured regional governments to maintain or increase welfare programs. Salaries constitute 67 percent of incomes, while social welfare adds another 14 percent. Thus far, salaries have declined by only 2 percent, and this has been partially compensated for by the increase in social payments and benefits from federal and regional budgets. Official statistics show that, at least in the first half of 2009, the population's real income did not fall.

Most Russians are likely to preserve their pre-crisis level of consumption at least until the end of 2009, especially if the government manages to reduce inflation. The crisis did compel people to give up or indefinitely postpone upgrades and new purchases, especially of real estate and durables, such as cars and household equipment. Though painful, forgoing the purchase of a new car, and generally having to readjust family consumption patterns, is not the kind of incentive that leads to mass political protest.

Moreover, the government has forcefully addressed protest at the local level. Since the beginning of 2009, there have been only a few instances of local protest. In January, traders and drivers in the Far East protested after Putin endorsed protectionist measures that included a ban on the import of used cars from Japan. Riot police dispersed protesters, while state-controlled television explained that protest actions were subsidized by the shadow economy and foreign interests. Protests in Pikalevo, a company town near St. Petersburg where desperate workers from three shuttered enterprises had blocked the highway, prompted the personal interference of Putin. Playing the part of a crisis manager, Putin resolved the conflict in front of television cameras, establishing that central authorities can still compel large business owners and regional authorities to keep enterprises afloat, contrary to the logic of the market that doomed them to closure.

During the summer, large enterprises began to cut employment. As a result, social tensions may grow in some regions and company towns. However, political change from below is also unlikely in the absence of a strong political movement or an influential opposition party that can articulate collective discontent, mobilize people, and translate local actions into a national movement. No alternative leaders or parties yet exist that can convince the majority of the population that they will gain more from changing the regime than by demanding material benefits from the existing one.

A Medvedev-Putin Split Unlikely

As in previous years, most of the Russian population invests its hopes and expectations not in parties or institutions, but in state leaders. Approval ratings for Prime Minister Putin and President Dmitri Medvedev, although slightly lower than in 2008, remain significantly higher than those of other political institutions or actors (see Table 2). That their approval ratings were not significantly affected by the crisis might be explained by the fact that real incomes did not significantly decline. The stability of their ratings can also be attributed to the effects of state-controlled media, which project the idea that a strong and unified leadership is vital in hard times.

Table 2: Approval ratings for Putin and Medvedev

	Aug 08	Sept 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
Putin's activity approved	83	88	83	86	83	83	78	78	76	78	79
Medvedev's activity approved	73	83	76	78	76	75	71	71	68	72	71
Putin's activity disapproved	15	10	14	12	15	14	20	20	21	18	19
Medvedev's activity disapproved	22	14	18	17	21	22	26	25	27	23	27
No answer for P	2	2	4	2	2	3	2	2	3	4	2
No answer for M	5	3	6	4	4	4	4	4	5	5	3

Source: Levada Center

Note: Figures represent % of respondents in a nationwide representative sample who answered the question, "In general, do you approve or disapprove of the activity of Putin/Medvedev in his capacity as Chairman of the Government/President?"

Despite episodic polemics between members of the presidential administration and the government, Putin and Medvedev have avoided public confrontation and enjoy roughly equal coverage on national television. They also continue to observe the implicit contract that divides responsibilities between them. Putin handles large business, industrial policy, state investment, and the executive and legislative branches, while Medvedev tends to foreign policy, human capital, small and medium-sized business, and the judiciary.

The crisis did not significantly affect popular perceptions of power sharing within the Putin-Medvedev tandem (see Table 3). About 50 percent of those surveyed continue to think that real power is shared equally. Among those who think the distribution of power is unequal, the share of those who endow Putin with more power is higher and has grown. However, this trend began well before the economic crisis.

Table 3: Who holds real power in Russia?

	Aug 08	Sept 08	Nov 08	Dec 08	Jan 09	Mar 09	Apr 09	May 09	Jun 09
Medvedev	14	16	11	10	11	12	12	11	9
Putin	26	28	30	32	32	34	30	30	32
Both equally	49	48	51	49	50	50	48	50	51
Hard to say	10	8	8	8	8	4	10	10	8

Source: Levada Center

The crisis has objectively increased the value of government decisions and, on the whole, the power of the state. State investment programs and orders have revived the aerospace sector, continue to support the defense industry, and promise to recover shipbuilding. Both state companies and private businesses look to the state for credits, guarantees, and the easing of tax burdens; large employers expect rescue packages. Small and medium-sized businesses depend upon public measures to keep up consumer demand and to reset the banking sector. Given such conditions, cooperation with government agencies is much more likely than conflict.

Institutional Reforms

Finally, the government may yet address some of its own shortcomings. Critics of Putin's political-economic model have cited the government's failure to reform the economy and the weakness of the judiciary and private property as the main reasons why the global crisis hit Russia so hard. In years of high oil and commodity prices, budget revenues were generated by a small number of large enterprises, the economic activity of which was regulated by personalized, informal agreements between owners and state officials. In such conditions, the government had no incentive to improve the business environment or to stimulate the development of small and medium-sized business. Personified governance (*ruchnoe upravlenie*, or manual control) of the economy left no chance for legal reform; independent courts and the rule of law would have undermined the discretionary powers of the state bureaucracy, particularly its coercive agencies.

While Russia's top political authorities habitually talk about the need to reduce bureaucratic pressure on private business, the state's tax, regulatory, and coercive agencies have become even more active, increasing informal pressure and extraction from the private sector. The narrowing of the resource base due to the reduction of hydrocarbon rents has sharpened contradictions over the distribution of private profits and stirred new property disputes. Surveys of entrepreneurs, as well as criminal prosecutions against businessmen, including new trials for Mikhail Khodorkovsky and Platon Lebedev, indicate that those parts of the state bureaucracy endowed with coercive and administrative powers pursue their own interests and successfully resist all efforts to improve the business environment.

At the same time, the crisis has returned institutional reform and economic restructuring to the center of the policy agenda. Fearing massive unemployment and a falling standard of living, the government has continued to support large, inefficient enterprises and to postpone the restructuring of the economy. However, the outlook for institutional reforms is better now than it has been in the last several years; it is reminiscent of the three-year period before the 2003 YUKOS affair. Members of Medvedev's advisory team, the presidential administration's associated think tank (INSOR, the Institute of Contemporary Development), and a number of independent expert communities are working on various dimensions of institutional reform. Several anti-corruption laws have been adopted by the Duma; reform of the state service has also returned to the agenda. However, decisive changes in legal and law enforcement systems have yet to be made.

Conclusion

Despite the deepening economic crisis, the likelihood of political change in Russia, be it through a change of leadership or political regime, is rather low. If there is a change in Russia over the next year, it will be designed and conducted from within the existing power structures rather than from below or by external actors. The government has unlimited powers and sufficient financial resources to mitigate potential social unrest. At the same time, Medvedev's administration is likely to proceed with several institutional reforms, concentrating on measures to improve the rule of law in the hope that political consequences will eventually follow.

Petro Power

Can Russia Use Its Energy Endowment and the World Oil System To Its Advantage?

PONARS Eurasia Policy Memo No. 82

Andrew Barnes
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September 2009

Russia was hit hard by the drop in oil prices in the second half of 2008 and also by the financial turmoil that has since spread around the world. While in 2008 the Organization for Economic Cooperation and Development (OECD) estimated the growth of Russia's gross domestic product to be 5.6 percent, it predicts a decline of 6.8 percent for 2009. The rebound in oil prices in the first half of 2009 has mitigated some of Russia's problems, as has the relatively small role of Russia's banking sector in its overall economy, but recovery may still be a long way off.

Regardless of how its economy performs, however, Russia's endowments as an oil producer and transporter continue to give it potential power in the world petroleum system. Russia, still the second largest oil producer in the world (behind Saudi Arabia), lifts almost 10 million barrels a day. Similarly, although exports have declined as world demand has contracted, Russia still exports nearly 5 million barrels a day to customers around the world, mostly in Europe, but increasingly to China as well. Russia also continues to be a dominant force in the regional pipeline system, despite the efforts of others to develop alternative routes.

What can Russia do with these potential levers of power? This memo explores actions that Russia could take to influence its neighbors, reshape the world oil system more broadly, or both. The possibilities are many, but few are easy and none is without cost. The memo concludes by cautioning against seeing Russian actions only in terms of the damage they might do.

Physical Levers

Export

The most obvious source of leverage for an oil producer is the threat of supply cutoffs. The West has feared such a move since the 1973 embargo, and it is a strategy Russia has employed with natural gas, most famously in its relations with Ukraine. With oil, Russia seems to have taken a similar approach in its negotiations with China in recent years. In accordance with an agreement from late 2004, Russia exported about 10 million tons of oil to China in 2005 and 15 million tons in 2006. In 2007, however, exports were much lower, as Russia sought to pressure China into paying for a pipeline spur from Skovorodino to Daqing and to increase the price it paid for Russian oil. China eventually agreed to both.

China, of course, is not helpless in this relationship. Its dependence on Russia is limited. Even the 15 million tons China imported from Russia in 2006 represent only a fraction of its total oil consumption. China is also famously pursuing oil sources in other areas of the world, from Central Asia to Africa and beyond. China, therefore, has been able to moderate Russia's demands for a higher oil price. Still, Russia appears to be at least on even footing with China in matters related to oil.

Russia supplies much more oil to Europe than to China, but its leverage vis-à-vis the former has been more limited, as the limitations of the cut-off threat are more apparent in the European context. An oil embargo may be painful to the target in the short run, but in the medium and long run supplies can be replaced, if at a higher price. Target countries can also prepare for an embargo by accumulating strategic reserves, thereby mitigating even short-run problems. Meanwhile, the embargoing country itself loses revenues. With regard to all three of these issues, Europe is in a better position than China.

Transit

It is thus the oil exporters in Russia's vicinity, rather than the oil importers, that may be the most vulnerable. Russia can block pipelines that carry their oil across or near its territory. The Western-financed Caspian Pipeline Corporation (CPC) pipeline runs from Kazakhstan around the northern edge of the Caspian Sea to the Russian port of Novorossiysk, while a Soviet-era pipeline carries oil from Turkmenistan and Kazakhstan to central Russia and into the main export lines to Europe. These exporting countries are in a relatively weak position when negotiating transit tariffs or volume quotas.

Russia can still affect transit routes that do not cross its territory. In certain strategic areas, most notably the Caucasus and Central Asia, Russia can cause uncertainty and instability at a fairly low cost to itself. Gains, too, might not be large, but they would probably include a short-term jump in oil prices. Disrupting trade beyond its own neighborhood is also theoretically possible, but options like blocking maritime trade in a particular region are extremely risky and produce uncertain gains.

Production

While oil power is generally thought to derive from the ability to cut off supplies,

another source of influence lies in the capacity to increase supplies or refuse to do so. Swing producers (Saudi Arabia today, but Kuwait, Iraq, and others in the past) are treated differently than other states. Being in a position to ease world oil shocks grants a state potential leverage in international affairs.

For now, Russia does not appear to have the ability to increase short-term production, and, therefore, it cannot function as a swing producer. Russia's undeveloped oil regions are inhospitable and expensive to work; with today's lower oil prices and scarcer investment capital, developing excess production capacity would seem to be a very tall order. It is, however, at least a theoretical possibility, especially if it becomes a priority for the Russian government.

Furthermore, Russia can enhance its role in export, transit, and production by expanding its presence in oil sectors beyond its borders. It has already begun to do this, most prominently in Central Asia. Lukoil, with the support of the Russian state, has ownership stakes in Kazakh oil deposits, the CPC pipeline, and the westbound pipeline from central Kazakhstan to China. In addition, much of the oil flowing through the Kazakhstan-China pipeline comes from Russia for now. Such a foreign presence does leave Russia more exposed to certain dangers; its deposits, pipelines, and transit oil are all at the mercy of Kazakhstan's government. At the same time, it gives Russia a more direct say in Kazakh affairs and provides it with more oil and global connections.

Financial and Political Levers

The world of oil goes beyond the physical extraction and transportation of petroleum. Futures contracts – promises to buy or sell a certain amount of oil at a certain price on a certain date – are traded in volumes far greater than the total oil produced in the world each day. The prices that result from trading on the two biggest markets, the New York market for West Texas Intermediate (WTI) and the London market for Brent, play a central role in determining the prices companies pay for physical oil. Russia has at its disposal at least two strategies for using the futures market to gain some advantages. One is short-term, disruptive to the market, and difficult; the other is long-term, potentially constructive, and also difficult.

Driving the Futures Price

Futures markets are promoted as mechanisms that allow buyers and sellers of commodities to hedge prices, but they also provide financial investors with opportunities to profit on changes in price. There is nothing nefarious about this arrangement, but it does mean that the price of futures may respond to forces other than supply and demand of the physical product. For example, investors may buy oil futures to hedge against inflation or a declining dollar, diversify their investment portfolios, or reap the rewards of riding a trend. In this context, buying can beget more buying, which benefits oil producers (while selling can beget more selling, which harms them).

One strategy available to Russia, therefore, is to try to foment another sustained rally in the futures markets. Any of the negative tactics discussed earlier – cutting exports, blocking pipelines, causing instability – might create an environment in which

speculators return to oil as an attractive asset. Conceivably, Russia could funnel assets into the futures markets directly, again hoping to prompt an upward trend in prices. Such activities are illegal, however, and today's constrained financial environment would make it very hard to attract a large enough wave of investment into the market to make the strategy work.

Reshaping the Futures Market

A second approach to oil futures markets involves reshaping them in a way that could benefit Russia. As noted earlier, futures contracts allow both buyers and sellers of physical oil to hedge prices. Most blends of crude oil do not have futures contracts that are traded widely; instead, buyers and sellers have to hedge their trades of, for example, Bonny Light oil (Nigeria) with futures deals in WTI (U.S.) or Brent blend (Europe).

From the perspective of both buyers and sellers, this is an imperfect arrangement. Futures contracts do not actually lock in the price of the oil being sold (in this example, Bonny Light) but instead the price of an oil that is usually of similar worth. At least the three types of oil just mentioned, however, are relatively "light" and "sweet." For crude oils that are relatively "heavy" and "sour" – like most crudes, including Russia's – deciding how many futures contracts of WTI or Brent to buy or sell in order to hedge the physical deal becomes even more complicated.

The current system is also imperfect from the perspective of the Russian government. Buyers and sellers of many different types of oil have to hedge with WTI and Brent, potentially driving up their prices more than the price of Russian oil. Russian leaders consistently express their frustration with what they believe to be an unjustifiably high spread between, on the one hand, the price for the world's two "marker crudes" (especially Brent) and, on the other, Russian exports.

There is thus reason to believe that the world could use another widely traded futures contract, one for heavier and sourer crude than WTI or Brent. Russia, however, is not the only country that wants to create one. In fact, Dubai's futures contract is the most established in the region right now. The New York Mercantile Exchange (NYMEX), the Intercontinental Exchange (ICE), and Russia itself have all tried to launch a futures contract for Russian oil, but so far their efforts have failed. Informal forward deals are conducted, but the formal futures market is moribund. Efforts in this direction, however, are likely to continue.

Final Thoughts

Russia has the natural endowment to be a significant oil power, and there are a number of ways it could capitalize on that endowment. To be sure, the list can seem long and worrisome, especially because some of the strategies discussed could be more effective if Russia were to join forces with other countries. It would be difficult for Russia to significantly affect world oil supplies by itself or to mold futures markets on its own, but it might be able to do so by cooperating with other producers, including those in the Organization of the Petroleum Exporting Countries (OPEC). Russian firms resisted such cooperation in the early 2000s, but domestic and international conditions are different today. Collaboration would not guarantee success, but it is one more tool Russia has at

its disposal for making political and economic use of its oil.

Still, it is important to recognize that not every move Russia makes is aimed at coercing another state. Furthermore, not everything that benefits Russia hurts others. Successful development of its oil resources is not pursued simply to entrap the West or force China's hand. It also brings direct benefits to Russia and, in some cases, can be good for the rest of the world as well. Having an additional swing producer in the system, for instance, or a widely traded futures contract for heavy and sour oil would have positive implications well beyond Russia.

Finally, it is important to recognize that the world oil system will evolve, whether the United States likes it or not. Some changes will result from Russian efforts, some will come from other international actors, and some will be entirely unplanned. The question is how the system will develop and with what consequences. This memo can be read as a frightening list of aggressive policies Russia might pursue, but it can also be read as a discussion of some of the parts of the system that are most likely to change: new consumers are on the rise; major producers are growing even less beholden to the United States; transit routes will link American allies to unfriendly governments; and new marker crudes may eventually take the place of WTI or Brent. For Russia, the West, and the world, being alert to such possibilities will be crucial to adapting successfully.

Russia as an Energy Power between Europe, the Middle East, and Asia

PONARS Eurasia Policy Memo No. 83

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September 2009

In May 2009, Russia's National Security Strategy discussed energy for the first time, outlining the country's opportunities and challenges in the international energy market within the framework of broader security issues. Russia's opportunities include further development of sales to the European market, opening the Asian market, and using the profits from energy sales to develop a more diversified domestic economy, one that is no longer heavily dependent upon the sale of fossil fuels. The challenges for Russia include potential natural gas sales from the Middle East that could reduce Russia's market share in Europe, China's growing influence, and the potential for reduced European demand due to unconventional sources of fossil fuels and new energy efficiency and alternative energy technologies. In this environment, Russia must make a number of strategic investments simply to maintain its current position in the world energy system.

Russian Energy and Europe

While Russia and Europe are undeniably interdependent, both sides seek to take maximum advantage of the situation in pursuit of their interests. Russia wants to have as much control over European supplies as possible. It is the European Union's third largest trade partner and its most important energy supplier. Russian oil and natural gas deliveries account for more than 25 percent of European consumption. In turn, these sales make up nearly half of Russia's government revenue and 60 percent of its exports. European companies are also key investors in Russian energy production.

Due to Russian gas cutoffs in the winters of 2006 and 2009, Europeans have serious concerns about Russia's reliability as an energy supplier. European observers also worry that Russia is not investing enough in new production capacity to meet future international energy demands. While Europe will continue to consume large amounts of Russian oil and natural gas in the foreseeable future, its overall demand for energy has recently been in decline, a trend that was evident even before the onset of the global financial crisis; between 2006 and 2008, the EU's primary energy consumption dropped 2.5 percent. Since the 2009 gas conflict between Russia and Ukraine, Russia has lost at least a third of its usual market in Europe as the EU has expanded its gas purchases from other sources, including Norway, Qatar, Trinidad, Northern Africa, and Kuwait.

Looking ahead to 2030, the U.S. Energy Information Administration projections for overall European energy consumption indicate the slowest growth rate of any region in the world, with average annual expansion of 0.5 percent. Petroleum consumption is expected to decline, while natural gas consumption is expected to grow modestly. As Europe's indigenous gas production declines, its dependence on imports is expected to increase.

Accordingly, Europe is seeking to improve its energy security vis-à-vis Russia and other potentially hostile energy exporters by increasing energy efficiency, investing heavily in alternative energy technologies, and adding greater diversity to its supplies of oil and natural gas. In 2007, the EU committed itself to cutting 20 percent of its energy consumption compared to projections for 2020 and increasing the share of renewable energy in overall consumption from the current 7 percent to 20 percent. However, it is far from certain that Europe will be able to achieve its ambitious goals. Improving energy efficiency is the quickest way to reduce energy demand, but this requires up-front investments that consumers often do not want to make. Germany's widely-discussed feed-in tariffs, which guarantee a minimum price for alternative energy generators, have made the country a leader in the use of solar power, but the cost of this measure has been too prohibitive for wider use in places like Spain, where consumers are more interested in keeping energy prices low.

One possible way for Europe to increase the diversity of its fossil fuel supplies is through greater use of liquefied natural gas (LNG). The 2006 Russian gas crisis greatly accelerated the construction of LNG facilities in Europe. While the LNG market is growing, it is far from reaching its potential. Among the key factors that limit market expansion are the lack of standardized liquefaction and regasification infrastructure, a lack of price transparency, and the absence of a commodity exchange and a global information platform (both are in development). In 2009, Europe will be able to import approximately a quarter of its annual gas demand in the form of LNG. By 2011, LNG import capacity could amount to almost 40 percent of annual demand, according to Rice University's Baker Institute for Public Policy. Additionally, the development of drilling technology is making available increased supplies of non-conventional gas in Europe. Such new sources of gas could help Europe diversify away from Russia.

Any attempt by Russia to take short-term advantage of its current position as a key energy supplier to Europe will only accelerate European efforts to find other sources of energy. This could deprive Russia of its markets in the long term if Europe is able to

take advantage of the larger global context to reduce its need for Russian resources. Russia's recent actions in the energy market have greatly undermined its ability to ensure that Europeans will continue to buy Russian energy in the future.

The Middle East

The Middle East has enormous potential to supply Europe with additional natural gas and is, therefore, a threat to Russia's current dominant position. Although the Organization of the Petroleum Exporting Countries (OPEC) severely limited oil supplies in the 1973 energy crisis, and the 1979 Iranian revolution also caused a shortfall, the Middle East has generally been a reliable energy supplier to the West. Accordingly, Europe is examining ways to buy more natural gas from the region.

Natural gas supplies from Iraq, for example, could dramatically affect the nature of European supplies. However, it remains extremely difficult to predict how events will unfold and whether Iraq will be able to deliver substantial quantities of gas to Europe.

Iran, too, presents many opportunities, though the challenges are equally daunting. One of the easiest ways to engage Iran in the future is to offer the incentive of expanded gas sales to Europe. While such sales do not make sense as Iran continues to pursue nuclear weapons and sponsor terrorism, the arrival of a new regime capable of responsibly handling the development of nuclear weapons, while also disavowing terrorist links, could make such sales possible. The opportunity for gas sales to Europe could be a key incentive for Iran to alter its behavior. If Iran expands its gas sales to Europe, it could severely damage its current relationship with Russia.

While there has been considerable work done on the utility of economic sanctions, less research exists on the efficacy of positive inducements, making it unclear how successful offers of gas sales to Europe could be in changing Iranian behavior. Nevertheless, Iranian leaders have indicated that gas is a key element of any potential deal.

A more realistic source of LNG for Europe, in the short term, is Qatar. This country has the third largest reserves of natural gas in the world (after Russia and Iran) and has been investing heavily in export facilities. While much of Qatar's LNG exports now go to Asia, it will greatly expand its export capacity in the next few years.

Asia

Russia wants to maintain control over the flow of energy from Central Asia, keeping prices as low as possible, while also becoming a major supplier to East Asian consumers such as China, Japan, and South Korea. The Europeans and Americans, however, have long supported the proposed Nabucco pipeline through Turkey as a way of transporting gas from the Caucasus, Central Asia, and potentially the Middle East to Europe without crossing Russian territory. The central problem is that there is no guaranteed source of gas for the pipeline. Azerbaijan may not have enough reserves available, while Turkmenistan may or may not be willing to provide gas, depending on the whims of its unpredictable leadership. Major questions also remain about potential deals in Iraq, Iran, and other Middle Eastern states.

Russia's ability to control Central Asian energy flows is slipping. Before the financial crisis began, Russia needed to import natural gas from Turkmenistan to meet its export and domestic needs. While in the past Russia had been able to purchase Central Asian gas for prices much lower than those paid by European consumers, more recently it has had to pay "European prices" to keep the Central Asian exporters focused on working with Russia. Before the oil price collapse, Russia signed an agreement with Turkmenistan to provide gas at a high price. However, given the broader drop in demand for its natural gas, Russia broke its import agreements with Turkmenistan in April 2009 as it no longer needed external supplies to meet the newly decreased levels of demand. The cutoff affected 84 percent of Turkmenistan's exports, roughly half of its \$30 billion GDP. As Turkmenistan seeks to renegotiate its relationship with Russia, it will likely develop stronger ties with China and the West in an effort to counterbalance Moscow.

Even as it negotiates supplies with Central Asian states, Russia hopes to expand its energy exports to East Asia. Russia is not merely interested in becoming a raw material exporter for China's booming economy; Moscow sees energy sales as a way to stimulate development in East Siberia and the Far East, regions that are economically underdeveloped and only tenuously connected economically to European Russia. To date, the actual energy reserves in these regions are unmeasured. The Asian market is attractive as a source of alternative customers, but one in which most of the gains will only be realized in the future. Russia currently exports 3 percent of its oil to Asia, but expects this figure to rise significantly in the next few years. Difficulties with developing markets in Asia include a failure to agree upon a mutually acceptable price for natural gas supplies to China, where the government holds prices to a fraction of what Russia obtains for gas sales in Europe.

The global financial crisis has both slowed Russia's plans in Asia and provided them additional support. In particular, Russia was struggling to build the Chinese link of the East Siberia-Pacific Ocean oil pipeline. In February 2009, the Chinese offered a \$10 billion loan to Russia's oil pipeline monopoly Transneft and a \$15 billion loan to the state-owned oil company Rosneft to facilitate construction. Until the financial crisis, Russia had categorically rejected Chinese involvement in the development of its eastern energy resources.

Ultimately, Russia does not want to become overly dependent on China and, therefore, seeks to extend its energy partnerships to Japan, South Korea, and the United States. At the moment, however, China's access to enormous cash reserves means that it has considerable leverage in its relationship with Russia.

Moving Forward

While Russia has extensive natural resource deposits, it has not been able to leverage these resources into a resilient economy that can thrive with little connection to volatile commodity prices. Currently, the Russian stock market fluctuates in close correlation with the price of oil. To best exploit its position, Russia must work to maximize its sales of fossil fuels while simultaneously developing other parts of its economy.

Russia can better utilize its fossil fuel resources by spurring greater energy efficiency

among domestic users and making strategic investments to ensure its position as an energy supplier amidst the evolving situations in Europe, the Middle East, and Asia. Russia is one of the most energy inefficient countries in the world, and its ability to export oil and gas is increasingly constrained by domestic demand. By making strategic investments in greater efficiency and new production capacity to compete with other producers, Russia could extend the benefits it receives from its fossil fuels.

Used wisely, these resources could help develop new technologies that will make the economy more sustainable moving forward. Greater cooperation between Russia and the West on issues of energy efficiency and the development of non-fossil fuel energy sources could help solve the problem. Such cooperation should consist of:

- Technology and expertise exchanges among scientists, engineers, energy policymakers, and entrepreneurs working on energy efficiency and alternative energy products;
- An effort by the United States and Europe to make energy efficiency and new sources of energy a key element in their relations with Russia;
- New plans among Western governments and foundations to work with official and nongovernmental Russian organizations to develop and deploy new energy technologies in Russia.

None of these efforts will have a quick payoff. However, they will provide real substance for the broader efforts to define Russia's place in the emerging global economy. By developing cooperation in areas of mutual benefit, they could help improve overall political relations between Russia and the West.

Turning Pipe Dreams into Pipelines

Eurasian Energy Transit and the Credible Commitment Problem

PONARS Eurasia Policy Memo No. 84

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September 2009

Russia's 2009 gas cutoff to Ukraine and the European Union and subsequent efforts to establish control over the Caspian Pipeline Consortium (CPC) reignited concerns about a "re-energized" Russian foreign policy across Eurasia. Similarly, the July 2009 intergovernmental agreement on the construction of the Nabucco gas pipeline, a project mired in controversy over sources of throughput and financing, continues to fuel anxiety in Moscow over the "politicization" of Caspian energy exports. The clamor surrounding these episodes is symptomatic of a broader debate on the strategic dimensions of cross-border Eurasian energy transit, in which pipelines are viewed as either instruments of competitive resource nationalism or conduits for strengthening interdependence and regional cooperation. This, in turn, betrays the conventional wisdom that politics and geostrategic posturing trump the economics of pipelines, making the countries between Russian/Caspian suppliers and European/Asian markets mere pawns in the global quest for energy security.

Upon closer inspection, there is both more and less conflict surrounding Eurasian energy transit than is commonly presumed. On the one hand, the small transit states of post-Soviet Eurasia exert considerably more influence over volumes and terms associated with the construction and operation of Eurasian pipelines than might be assumed on the basis of relative power or supplier-customer dependency relationships. Moscow's mixed success in coercing favorable terms for tariffs, pricing, off-take, and debt-equity stakes, or in leveling political retribution at Ukraine and Belarus, are

especially illuminating in this regard. On the other hand, there are fewer problems with opportunism and arbitrary disruption than the structure of pipeline economics and pure cost-benefit analysis would suggest. In this case, the continued operation of oil (CPC) and gas (Blue Stream) pipelines involving Russia, as well as the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, stand out.

This variable record highlights important conditions and practical lessons for advancing and sustaining future cross-border operations among suppliers and transit states in Eurasia and their downstream extra-regional partners. Accordingly, U.S. policymakers interested in alternative Eurasian transit deals would be best served by jettisoning simplistic notions of pipeline politics premised on either circumventing or engaging specific regional states. Instead, they should focus on “getting energy to market” by redressing strategic bargaining factors, which accentuate conflicts of interest and values associated with respective projects.

The Geo-Economics of Eurasian Pipelines

Oil and gas export pipelines constitute physical-commercial ventures subject to economies of scale, long-life cycles, large upfront investment, inflexibility, natural monopolies, and the tyranny of distance (especially for gas). As a fixed infrastructure prone to market failure, the value of a pipeline is directly affected by the dedicated upstream supply, price of throughput, and state intervention. As well, both the construction and operation of export pipelines are fraught with structural challenges, as they involve multiple international stakeholders (suppliers of throughput, owners of pipelines, host transit governments, and importers) who are left to their own devices in resolving natural conflicts of interest, reconciling different national legal regimes, and locating mutually rewarding beneficial outcomes for the reliable delivery of valuable throughput.

These underlying problems are compounded by the fact that owners of cross-border pipelines are not always the owners of the throughput, and variable costs of operation tend to pale in comparison to the huge sunk costs of construction. Accordingly, there are economic incentives for delivery that covers operating costs to continue, even if losses are incurred and initial investment is not recouped. This creates bargaining disparities, as the mobility and profitability of investment that initially empowers pipeline owners becomes a liability due to the long amortization of fixed pipelines and increasing energy prices; over time, the latter encourages transit states to hold resources hostage and renegotiate for more favorable terms for tariffs and off-take. However, the obsolescence of original contracts and the shift in bargaining leverage toward transit states can be mitigated under certain conditions: when the latter are more concerned about their international reputation, face competition from rival pipelines for the same throughput, and rely on the off-take to meet significant domestic needs. Given that post-Soviet transit states are not immune to these conditions, the conflict-prone structure of Eurasian cross-border energy transit is neither unique nor intrinsically unmanageable.

What distinguishes contemporary cross-border energy transit in Eurasia, however, is that its economic fundamentals are significantly muddled by the Soviet legacy. Since

much of the existing regional pipeline infrastructure was built under the defunct Soviet regime, none of today's stakeholders sunk hefty costs into construction. For legacy pipelines, therefore, there is little concern about realizing returns on investment. Instead, there are incentives to bargain for better terms, as the involved parties (excluding downstream customers) risk incurring only opportunity costs and marginal costs of operation by disrupting delivery. This not only confounds the pure economics of post-construction behavior, but obfuscates relative bargaining power between Russian suppliers, foreign operators, and transit governments.

The proliferation of transitional governments across Eurasia adds another wrinkle. Notwithstanding national differences, Russian and neighboring regimes generally share troublesome characteristics related to weak institutional capacity; market concentration; insider- and patronage-based decisionmaking; blurred ownership and control over national infrastructure; and the fusion of political and economic, as well as public and private, interests. Such chronic and widespread problems of institutional opacity create information asymmetries surrounding preferred costs, tariffs, and revenue streams from respective pipelines. Ironically, this places greater reliance on contract *stability* (rather than rule of law) as an indicator of credible commitments, while increasing legal and regulatory risk and generating parochial incentives to renege on original terms for operating respective pipelines. Economic motives and signals that would otherwise govern strategic interaction for cross-border transit fall short amid transitional institutions of Eurasia that are too frail and nontransparent to alleviate anxieties or resist impulses to arbitrarily renegotiate for more favorable terms.

The bargaining context surrounding Eurasian pipeline operations is affected not only by the pure economics of cross-border transit, but by broader strategic problems of extending credible commitments. The institutional uncertainty, information asymmetry, and range of evolving and conflicting interests can drown out the mutual benefits of smooth operations and make it especially hard for all parties to resist opportunities to renege on cross-border transit deals. Furthermore, commercial incentives for managing energy export relations are confounded by asymmetries in the relative economic and political value Eurasian governments assign to specific transit options, their overarching risk-taking propensities, and their institutional capacities. Together these economic and political factors shape relative bargaining leverage that, depending upon the specific combination, increase or decrease the likelihood of successful operation of "old" and "new" Eurasian pipeline projects.

Lessons from Events and "Non-Events"

The record of Eurasian pipeline politics has been mixed. There have been dramatic episodes of gas and oil cutoffs orchestrated by suppliers, most notably Russia. Similarly, transit states, such as Ukraine and Belarus, have instigated and prolonged showdowns by abruptly revising terms for tariffs and off-take at the expense of Russian suppliers and European customers. At the same time, though less highly publicized, several potential cross-border transit crises have been averted. These events and "non-events" illustrate not that specific states are to blame for disrupting Eurasian energy transit, but rather that bargaining credibility and power turn on the balance of key economic and political conditions.

Russian-Ukrainian Gas Cut-Offs, 2006 versus 2009

The most conspicuous episodes of Eurasian pipeline politics have involved repeated gas showdowns between Russia and Ukraine. These are the only cases in which significant supplies to downstream European markets were disrupted. Russia shoulders considerable blame for these actions, especially in 2006, when it precipitously raised the price, altered the terms for Ukraine's off-take and the role of intermediaries, and subsequently diminished the volume of supply to compel compliance. At the same time, both cutoffs were costly to Russia monetarily and in terms of its reputation, and they resulted from very different bargaining conditions. In 2006, Russia's Gazprom was well motivated and positioned to blackmail Kyiv, given both rising European and Central Asian gas prices that significantly raised the costs of subsidies and non-payments and its success at foreclosing independent deliveries from Turkmenistan. Meanwhile, the newly established Ukrainian leadership was consumed with consolidating domestic power and gradually diversifying energy supply relations. Notwithstanding this leverage, Moscow's concerns about preserving the security of deliveries to lucrative and nervous European markets, along with its reputation as a reliable supplier, rendered it especially sensitive to even marginal knock-on effects of Ukrainian diversions of throughput. This constellation of factors encouraged opportunism, but tempered Russia's ability to resolve the price issue, dictate transit fees, or impose political demands on Kyiv.

The situation in 2009 was quite different. Moscow's bargaining position deteriorated appreciably as it was locked into paying for expensive Central Asian supplies while world prices, domestic production, and downstream European demand were falling. Any disruption of delivery was financially painful (a loss of \$100 million per day) and, in the wake of the European outcry from 2006, especially damaging to Russia's claim to be a reliable supplier. Russia was impotent to extract supply and transit prices from Kyiv that would be significantly more favorable than those it had achieved months before punitively turning off the spigot. At the same time, Ukraine was in a better position to hold Russia's cross-border exports hostage, as Gazprom could ill-afford to default on accumulated debts and because Kyiv had earlier hoarded Russian supplies that it could re-route to domestic customers. With declining consumption and exploration of alternative supply routes in Europe, Kyiv was also motivated to extort the EU for investments to rebuild its pipeline and storage systems; it could raise the specter of disruption with little risk of fundamentally alienating Europe. Moreover, Ukrainian politicians became increasingly risk-prone in the face of heated political crises, a sinking economy, and deteriorating terms of trade. The linkage of Russian intermediaries to "dark forces" within Ukrainian political and energy circles compounded problems of clearly conveying preferences and establishing responsibility for collecting and paying energy debts. Amid this convoluted landscape, none of the parties involved could extend credible commitments to sustain mutually acceptable deliveries or avert significant costs with disruption.

Druzhba Oil Showdown, 2007

Moscow's brief shutoff of crude oil deliveries to Europe via Belarus in 2007 also resulted from mutual frustration and a yawning bargaining gap. Moscow's tolerance for subsidizing imports waned as international oil prices rose, the construction of the

competing second line of Russia's Baltic Pipeline System was proposed, and fatigue with Minsk's failure to institute reforms for the planned state union or preferential access for Russian firms took hold. Russia's pipeline monopoly enjoyed considerable room to impose higher export duties, as downstream European customers had alternative suppliers and maintained a two-month strategic reserve to cushion the blow of a short-term disruption. There were also strong incentives to reset post-Soviet oil relations, especially after rows with Azerbaijan, Georgia, and Ukraine, as well as an earlier success in doubling gas prices and wresting 50 percent control over Belarus' domestic gas pipelines. By contrast, Minsk had only one week's worth of reserves and could not turn to alternative suppliers or allies. Moreover, Belarus depended on the off-take to meet domestic consumption and earned over \$2 billion from the processing and re-export of cheap Russian oil. As Moscow ratcheted up demands, however, it effectively overplayed its hand, presenting Minsk with seemingly dire domestic economic consequences and the near certain loss of its treasured "economic sovereignty." This, in turn, increased the appeal to Belarus of the risks associated with stealing oil and blackmailing Russia.

"Dogs That Haven't Barked"

In contrast to the above, pipelines constructed after the fall of the Soviet Union have experienced far fewer arbitrary disruptions. Notwithstanding the nuisance of occasional physical attacks on the pipeline, the BTC pipeline delivering Azerbaijani crude to European markets via Georgia and Turkey has been insulated from discretionary renegotiation. A number of factors augured well for the costly pipeline to be built (including a committed private champion, convergent political interests of states along its route, and third party support). However, the stakes for maintaining smooth operations have been especially high for Georgia, which receives transit revenues with delivery of total throughput, depends on Azerbaijan for critical supplies of gas and oil, and stands to benefit from a potentially expanding network of Caspian cross-border pipelines. With prospects for landing future transit deals and upgrading oil export terminals, even a strident Georgian leadership has little to gain from extorting the operators. Furthermore, the dispute resolution mechanism that has been agreed upon empowers the United States as referee, strengthening an international commitment to the success of the venture.

Similarly, there are success stories involving Russian participation. The CPC project, the only pipeline in Russia not wholly owned by the state transit monopoly Transneft, has kept Kazakh oil flowing to Europe and remains on track to expand by 2013. Moscow's threats to raise taxes and transit fees, overhaul terms of payment and financing, restructure the consortium's management, and hold up the planned expansion in order to acquire a controlling stake all proved hollow. Critical to the CPC's ongoing success have been a stipulated, phased expansion; the designation of oil suppliers, including Russia's Lukoil, as full joint partners in CPC; options for transiting Russian oil in an expanded pipeline; and agreement by all parties – including private companies and the Russian and Kazakh governments – to international arbitration on equal terms. Viable options for delivering Kazakh crude via BTC or to China, as well as ongoing rivalry between conflicted Russian oil firms and Transneft, also attenuate threats of resource nationalism and inflate the opportunity costs of blocking CPC's

expansion.

By the same token, Russia has reliably delivered gas to Turkey for re-export to European and Middle Eastern markets. Although initial negotiations were marred by informal dealings, this gas trade has become increasingly transparent. The Blue Stream project, in particular, has benefited from Ankara's status as the largest single consumer of Russian gas and Turkey's expanding visions of becoming a global transit hub. In conjunction with lobbying by Moscow, European officials, and private investors for separate follow-on projects and bilateral deals, these factors have effectively raised the stakes for continuing smooth operations.

Recommendations

As U.S. officials consider future policy towards alternative Eurasian pipelines, they should be aware of the economic and political conditions that affect the balance of interests and credibility associated with respective ventures. Although specifics vary across projects, several guiding principles stand out.

Not all Eurasian pipelines are created equal. Because of the peculiarities associated with Soviet legacy pipelines and the huge start-up investment costs of new fixed transit routes, the costs of arbitrary disruption to future ventures will likely be greater for all parties involved than showdowns over inherited pipelines suggest. Statesmen should avoid basing the pursuit of future ventures on the drama of recent Russian-Ukrainian showdowns.

Diversification trumps specific pipelines. The mixed bag of energy export reveals not only that state intervention is a must, but that all governments in Eurasia (including Russia) can play both constructive and disruptive roles in cross-border transit. The advantages of competition in containing opportunism should not be sacrificed either in favor of specific projects or to isolate specific states. Rather, U.S. policymakers should promote general "directions" for diversifying Eurasian energy transit (like a "Southern Corridor") and for mediating future disputes, leaving it to the parties involved to determine the selection, cost effectiveness, and contract terms for specific ventures.

Reassurance is critical to "multi-partner" diplomacy. Risk-prone Eurasian leaderships must be reassured, rather than driven, to take costly gambles on arbitrary disruption. Consequently, U.S. and European "multi-partner" diplomacy should be aimed at either attenuating the risks or increasing the upside of smooth operations of alternative pipeline projects. This could include tying future investment in transit-state energy infrastructure and in phased pipeline extension and development projects to successful delivery of throughput.

Promote institutional transparency. Relative bargaining power matters because the risks, credibility, and capacity engendered by opaque domestic regulatory regimes in Eurasia are so weak. This places added pressure on clearly specifying contract terms and responsibilities, fusing the stakes of suppliers and transit states in cross-border pipeline ownership, and actively engaging in conflict resolution procedures. Over time, greater transparency in domestic legal and oversight mechanisms is a must. This will be key in sustaining self-enforcing transit agreements, and to exposing hostile intentions.

