

**ENERGY SECURITY AS A TOOL OF SOFT BALANCING IN RUSSIAN-AMERICAN
RELATIONS UNDER VLADIMIR PUTIN**

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by

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Russia is a country that no matter what you say about it, it's true.

Will Rogers

This paper is a part of a large project studying the pattern of Russian-American relationship after the fall of the Soviet Union in 1991 onwards. In the present work I suggest theoretical framework for the study based on the revisited theory of balance of power, namely on the concept of *soft balancing*. The goals of the study are to question if this concept can explain the sophisticated pattern of Russian-American relations better than other theoretical tools? The limits of the paper don't allow a thorough verification as such; the issue chosen for demonstration purpose is Russian behavior on the energy market.

Empirical pattern

The pattern of Russian-American relationship since the fall of the Soviet Union is sophisticated and rather contradictory. The proclaimed opening to the West after decades of the Cold War, the willingness to join Western alliances and institutions and the abandoning of the arms race seemed to be main characteristics of Russian foreign policy during Boris Yeltsin's presidency, although his foreign policy was controversial and never completely coherent, and anti-Western and especially anti-American rhetoric were far from absent in the discourse of Russian decision-makers. This rhetoric remained mainly verbal under Boris Yeltsin's administration. In the beginning of his presidency, Yeltsin's successor Vladimir Putin seemed to pursue the policy of cooperation with the West and to accept the role of a junior partner imposed to Russia by her Western partners without exploiting great power reminiscences. However, things have changed

by the middle of this decade and now Kremlin not only uses a lot of anti-Western and especially anti-American rhetoric and emphasizes the unique great Russia's role in the world, but does much to turn words into concrete foreign policy decisions. Moscow benefited of changes in the global energy market that had strengthened the hands of supplier countries and also of the result of structural economic reforms. The acquired wealth helps to exhibit a new assertiveness that is not without invoking memories of the USSR. Russia has been reinvesting considerably in its military industry and the development of new armaments including nuclear, but mainly uses its energy tools to promote its national interests without much democratic rhetoric and respect to its G-7 partners. Russia tends to re-impose itself as a major player in all crucial international issues (Iran nuclear program, peacekeeping operations, and separatism issues) and often its engagement challenges the position of the United States.

The vector of partnership and alliances changes its direction and even if Kremlin declares itself open for fruitful cooperation with any country, but surprisingly its new (or, sometimes, old!) partners are considered not so friendly by Washington. For example in 2006, Russia simultaneously hosted the G-8 summit in Saint-Petersburg and received the official visit of the new Hamas government of Palestine.

As recently as in 2004, International Energy Agency considered energy cooperation with Russia as an opportunity to reduce energy dependency of Western countries on OPEC. The situation is quite different today when the United States and European Union are trying to riposte Kremlin's monopoly of gas supplying, and Moscow uses energy supplies as a tool to re-establish the great power status of Russia without democratic rhetoric and respect to its G-8 partners. Moscow's

increasing control of the energy infrastructure and markets in Europe, of access to gas and oil fields as well as Russia's eventual participation in the gas suppliers cartel and especially its dramatically increasing engagement in controlling of pipelines have long-term implications on security, and not only energy security, of the West. After several years of cooperation that was including energy domain, Russia seems deeply disappointed with its partnership with the West and reinforces cooperation with non-Western countries.

I argue that this shift in Russian foreign policy was triggered by the fact that, from Russian perspective, cooperating with and accommodating the West didn't bring anticipated results. Moreover, Russia considers Western and especially American policies, like NATO actual and potential enlargement or Western engagement in post-Soviet space, as a threat to its security. Thus, Kremlin chooses to balance against this threat and its policy should be considered as a part of the overall strategy of balancing against the United States.

Balance of power theory

It logically leads to consider the concept of balancing. Initially introduced by realist scholars, balancing refers to the strategy when 'faced with the prospect of domination and possibly elimination, weaker actors flock together to form balancing coalitions'¹ or to obtain countervailing military capabilities to balance a rising power's military strength. Although there are much liberal, constructivist and other criticisms raised against the prediction that 'faced with the prospect of domination and possibly elimination, weaker actors flock together to form

¹ Paul, T.V, Wirtz, James J. et Fortmann, Michel (dir.). *Balance of Power: Theory and Practice in the 21st Century*. Stanford University Press, 2004.
Pape, Robert. "Soft Balancing Against the United States." *International Security*, Vol. 30, No 1, Summer 2005.

balancing coalitions'² or to obtain countervailing military capabilities to balance a rising power's military strength, it is still useful to explain, at least partly, foreign policy behaviors. It is true that the United States, the world's only superpower, is overwhelmingly strong militarily and economically, attractive culturally and have a huge nuclear superiority; and at the same time, international institutions provide arenas for addressing salient international issues and as a mean to constraint American freedom of action, if needed, they 'directly coerce and restrain those who break the peace, serve as agents of mediation and arbitration, or reduce uncertainty in negotiations by conveying information. '³. Liberal scholars in IR also emphasize that the attraction of the American economic power and democratic principles are greater than the fear possibly posed by their military superiority. Constructivists point out the importance of the normative context and social practices as the frame of foreign policy decisions.

Revisited Balance of Power Theory

However, this doesn't change the core postulate of balance of power theory: states still seek to protect themselves from a threat posed by another country's capacities and/or its aggressive intentions. Nevertheless, the traditional theory needs revisiting to catch new conditions of the near unipolarity, where the United States dominate overwhelmingly making costs of traditional balancing too high for any other country. T. V. Paul and his co-authors suggest that the main explanation should be not the outcome (balance of the system), but the strategy of a state which is balancing. They also offer several adjustments adapting the traditional theory to complex choices

² Paul, T.V, Wirtz, James J. et Fortmann, Michel (dir.). *Balance of Power: Theory and Practice in the 21st Century*. Stanford University Press, 2004.

Pape, Robert. 'Soft Balancing Against the United States.' *International Security*, Vol. 30, No 1, Summer 2005.

³ Russett, Bruce; Oneal, John. *Triangulating Peace; Democracy, Interdependence, and International Organization*. New York, WW Norton, 2001. See also John Ikenberry. 'Liberal Hegemony and the Future of American Postwar Order' in Paul, T.V.; Hall, John. *International Order and the Future of World Politics*. Cambridge University Press, Cambridge, 1999.

of the actual world situation: Paul introduces the concept of the soft balancing, which is defined as 'non-zero-sum;... limited arms build-up, informal, tacit or ad-hoc security understandings among affected states, within or outside of international institutions; preventive strategies'⁴ or 'nonmilitary tools to delay, frustrate and undermine aggressive unilateral ... policies'.⁵ This concept explains better the dynamic of international relations being not the only possible, but one among others foreign policy options.

Thus, I argue that the reorientation of Russian foreign policy in general and especially towards the United States is submitted to the logic of a balancing behavior against American unilateralism, which challenges Russia's security interests. Russian foreign policy between 1993 and 2003 represents a mixed pattern of cooperation and balancing. Roughly from 2003-2004 Russia takes a clear turn to balancing behavior, becoming quite evident today. Since the costs of the tools of traditional balancing, 'intense, open, zero-sum game with open arms build-up and joining formal alliances'⁶, are obviously too high, Russia has adopted a soft balancing behavior.

However, this needs to be clarified in several respects. Too various ways in which the balance of power has been used by scholars led R. Cobden to call it 'a chimera – an undescribed, indescribable, incomprehensible nothing'⁷. Critics point out the vagueness of the concept of soft balancing and the difficulty to distinguish between 'routine diplomatic frictions'⁸ between countries and this type of strategy. Thus, it is crucial to explain *when* and *why* does soft balancing

⁴ Ibidem.

⁵ Pape, Robert. 'Soft Balancing Against the United States.' *International Security*, Vol. 30, No 1, Summer 2005.

⁶ Paul and al (2004), p. 18.

⁷ Cited in Levy, Jack. 'What do Great Powers Balance Against and When?' In Paul and al. (2004)

⁸ Brooks, Stephen; Wohlforth, William. 'Hard Times for Soft Balancing'. *International Security*, Vol. 30, No. 1, Summer 2005.

occur and then to emphasize the main properties of this strategy, which makes a difference with other types of foreign policy behavior.

Threats

According to the theory, the ultimate purpose of a balancing strategy is to reduce or match the capabilities of a powerful state or a threatening actor. So, the main feature of a balancing strategy is its *reactive* character. Thus, to argue about balancing in foreign policy it is necessary to consider the security environment. However, there is a difference between the presence of a powerful actor and the existence of a *threatening behavior*. Stephen Walt's balance of threat theory offers a nuanced understanding of how states assess external dangers. Walt identifies four attributes of a state that determine how threatening it is perceived to be by others: aggregate power; offensive military capabilities; physical proximity to the perceiver; and past and present demonstrations of offensive intent. Walt improves upon earlier balance of power theories by emphasizing that it is not power alone, but power coupled with offensive intentions, that constitute the threats against which states balance or bandwagon.⁹

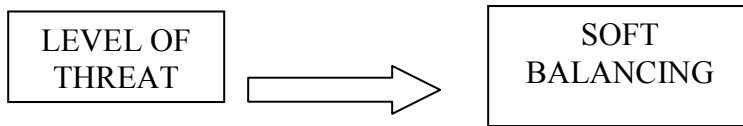
In the context of nearly unipolarity, which suggests a presence of a far more powerful actor by definition, Walt's modification of balance of power theory is very important. To avoid an attack or to 'share the spoils of the victory'¹⁰, states can also bandwagon with a powerful state, if the latter can offer them security and economic advantages. However, Walt points out that preserving a state's freedom of actions is 'preferable to accepting subordination'.¹¹

⁹ Walt, Stephen. *The Origins of Alliances*. Ithaca and Cornell: Cornell University Press, 1987.

¹⁰ Ibidem.

¹¹ Ibidem.

Thus, threats provoke balancing, but since costs of a traditional balancing are too high, threatened state resorts to a soft balancing strategy. The more threatening is the behavior of a powerful state, the more probable balancing strategies will be adopted.



Economy

The above hypothesis is meant to explain the presence of soft balancing in Russian foreign policy. It challenges the opinion of such scientists as W. Wohlforth who repeatedly argues that balance of power theory applies very weakly in post-Soviet Eurasia¹². He argues as late as in 2004, that ‘a serious polarization in relations with the United States or any other major power could have catastrophic consequences for the state budget and the Russian economy. Moreover, Putin insists that the major near- and medium-term security threats Russia faces do not emanate from other great powers but rather demand their cooperation.’¹³ He identifies Russia’s military and economic weakness as a key driver of Russian strategy and the main reason of the absence of balancing against the United States (although in his most recent work he admits the presence of several elements of soft balancing). It means that Wohlforth sees a causal relationship between a country’s capacities and the choice to balance.

¹² Wohlforth, William. ‘Revisiting Balance of Power Theory in Central Eurasia’. In Paul and al. (2004) Wohlforth, William. ‘Russia’s Soft Balancing Act’. *Strategic Asia 2003-2004*

¹³ ‘Russia’s Soft Balancing Act’, p. 168.

Mark Brawley also examined this relationship¹⁴ and states that estimating of who poses a threat is not complete without an assessment of when the threat will arise and how long it will take to reply to it. The key objective is thus to bid for time with the hope of accruing wealth that can be translated into power.

The issue of costs of balancing is very important to assess for explaining why balancing arises. The CCB is a core assumption of a rational policy. Even if it is by no means always rational, this issue remains crucial. It is logical to suggest then that if state aggregate capacities are too weak to affect those of its rival, or to be interesting for its potential allies, this state just cannot afford soft balancing.

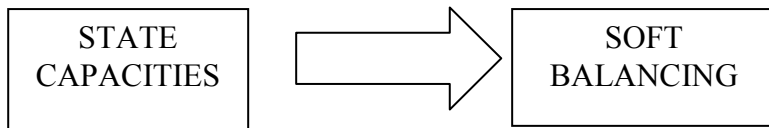
In the context of the study, I have to ask why there was no or little balancing *before* 2003-2004 and there is balancing *now*. What incited Russia to choose the strategy of balancing? The main difference between Russia's situation in 1991 and in 2003 is the country's obvious weakness 15 years ago and its relative strength in the beginning of the 21st century. As Jacques Lévesque put it in his recent article: 'Since 1999, Russia has an annual growth rate of about 6 % and ... its cumulative expansion is about 65 % in last seven years. With annual budget surpluses, Russian government accumulated in its so-called 'stabilization fund' about 70 billion dollars. Russia paid its debt to the *Paris Club* and has now third most important monetary reserve in the world.'¹⁵

¹⁴ Brawley, Marc. 'The Political Economy of Balance of Power Theory'. In Paul and al. (2004)

¹⁵ Lévesque, Jacques. « La résurgence de la Russie : où, comment et pourquoi ». *Conflits dans le monde*, 2007.

It logically leads to consider the issue of state economic capacities and to suggest that the apparent absence of balancing before 2003-2004 can be explained by Russia's economic weakness. Accumulated wealth resulted in resorting to soft balancing strategies.

Growing state capacities increase the probability of soft balancing.



Soft Balancing Tools

Soft balancing tools include external balancing, i. e. alliance formation, which translates in informal, tacit or ad-hoc security understanding among affected states; and internal balancing, i. e. limited arms build-up. However, to prove empirically that Russia (or any other country) uses soft balancing, it is necessary to set several criteria to distinguish soft balancing from other types of foreign policy behavior. I already stated the importance of emphasizing its reactive character. Thus, to be considered as balancing, the given policy should be a reaction to a threat to security interests.

These security interests can be military and economic. The economic aspect is equally important for defining tools of soft balancing. Indeed, economy can also become a powerful tool to affect the adversary state's capacity. In case of Russia, the issue of energy can be considered as such a source. Since Russia, as President Putin stated on the eve of Saint-Petersburg summit, possesses oil and gas reserves that are higher than those of all others members of the G-8 altogether,

Kremlin can use these reserves as a pressure tool to promote its national interests. Moscow's aggressive use of energy supplies as a political weapon is becoming one of the foremost security issues in Russia's relations with Europe and its neighbors in the Post-Soviet space. Kremlin uses its extraordinary energy leverage to advance its strategic ambitions in Eurasia. In this respect, the United States are certainly less vulnerable than Europe, but nevertheless, Russian energetic pressure is able to affect American interests in Eurasia. It is not simply a coincidence that senator Lugar recently raised the question of energy security during the summit of NATO in Riga. The security understanding includes also the activities inside international institutions, especially in the United Nations. Opposite positions taken by adversary countries on salient international issues can be considered as soft balancing (which is sometimes called *institutional balancing*) if they are related to a threat posed by unilateralism or another type of aggressive behavior.

Economic capacities are crucial not only as a pre-requisite for balancing but also as a determinant for its form. Since, the source for Russia's actual wealth is huge energy resources (though not the only one), it is logical to suggest that its policy will be aimed at preserving and reinforcing its position of a big, and ideally the biggest, energy resources supplier. Thus, Russian energy policy should be considered in the context of soft balancing strategy as a main framework of Russian foreign policy aimed at an explicit and firm protection of its national interests. The main tool to obtain and reinforce this position is to set a dominant position on the energy market. It will provide Russia with considerable leverage of influence especially relevant for energy depending Western economies. However it is important to note that this broad context is beyond Russian-American relations, which recently became the most frequent topic. Russia's purpose is not to challenge American interests by stubborn demonstrations of what is used to be traditional power,

but to build new long-term capacities especially in energy domain, which would allow balancing against *any* threat in a timely manner. Thus, the reaction of Russia (strategy of soft balancing) has overcome the scope of the threat posed by American unilateralism. To be able to balance against what is considered as a threat from the United States, Russia chose to reinforce its position not only at bilateral, but also at the systemic level. It is not surprising in this period of relative unipolarity: to challenge the unique leader, a state should accumulate capacities at the highest level.

As said above, economy becomes at least as important as military power. I suggest calling this new foreign policy strategy *pragmatic balancing*. Vladimir Putin was explicit enough stating in his last presidential address to Federal Assembly that “the economy is a synonym of security”¹⁶. Thus, Russian foreign policy priority will be to secure its economic interests through balancing. However, this policy is not overwhelmingly anti-Western. Putin’s Russia is willing to protect its economic interests without labeling either permanent rivals or allies and declares itself open to any potentially beneficial partnership.

Soft Balancing in Russian energy (gas) policy

Soft balancing is defined as ‘nonmilitary tools to delay, frustrate and undermine aggressive unilateral ... policies’¹⁷ by affecting rival’s capacities. For the purpose of demonstration, I choose the sector of energy. This choice is based on two considerations: first, it is obvious that it is a vital economic sector; second, because I see a connection between the form of capacities allowing balancing and tools for balancing, i. e. since Russia’s capacities originate mainly from

¹⁶ www.kremlin.ru, the official site of President Vladimir Putin.

¹⁷ Pape, Robert. ‘Soft Balancing Against the United States.’ *International Security*, Vol. 30, No 1, Summer 2005.

energy sector, the privileged form of balancing would be also situated in energy domain. Thus, if the hypotheses are valid, we should find soft balancing strategy in the context of a considerable level of threat and increased state's capacities.

The access to Russia's energy resources is considered as the indicator of soft balancing behavior for obvious reasons of the importance of this sector for state's security. If energy abundance provides additional power leverage, energy dependency can create considerable vulnerability. The development of the situation around most important Russian gas fields demonstrates that the strategy of soft balancing shapes decisions in state's foreign policy. Let's consider biggest gas fields projects as illustrations for this strategy.

Shtokman gas field is one of the biggest gas fields in the world (3.7 trillions cubic meters and perhaps the most difficult to access to from many points of view. Technically, it is because it is located in Arctic polar waters, 500 km from the coast. Politically, it is because Russian energy giant Gazprom holds 100% license for exploration. The only possibility for the 'globalize' world to get access to these resources is to get a subcontract for construction and exploitation. Criteria for selection are simple: to keep Russia's dominant position on the market and to weaken the position of rivals. As such, Conoco Philips and Chevron, very interested to participate in the project and in race for it until 2006, were definitely rejected, while StatOil Hydro (Norway) and Total (France) were given 24 and 25 % respectively, the control package being hold by Gazprom. This was a wise choice, because France apparently promised to protect Russian interests in anticipated anti-monopolist European legislation in exchange to participation in this project. Speaking about Norway, it is necessary to consider its unique experience in gas exploration in Arctic waters: the technical side of project couldn't be realized without StatOil Hydro.

Considering Shtokman case, it is important to mention that a big part of anticipated gas should be delivered not to the United States, that was the initial plan, but to Europe through new gas pipeline North Stream, another ambitious project that intends to avoid Baltic countries traditionally opposed to Russia, and to create a ghost of cleavage in the West emphasizing a special relationship between Germany and Russia.¹⁸

The same model is reproduced in Sakhalin 2, another big gas field and important project. Begun in 1994, it was Western-controlled with participation of Royal Dutch Shell (45%), Mitsui (25%) and Mitsubishi (20%). The field contains 500 billions cubic meters of gas. Accepted and approved during the period of Russian-Western partnership, the project was provoking more and more discontent in Kremlin. To get control over the project, Gazprom (where the State holds 51% shares) bought minor investors' shares and then decided to play political ecology card: since 2004, the project is widely criticized from environmental point of view and the Ministry of Ecology repeatedly threatened the company to retire its license. To protect their investments in a very profitable project, Shell and two Japanese companies partially conceded their parts (20, 10 and 10) to Gazprom, which holds now the controlling package.

Kovykta, a huge gas field strategically located in Siberia near Chinese frontier, has become another meaningful example of the strategy of soft balancing in Russian energy policy. The initial license for the exploration and exploitation was delivered in 1993 to a non-State company called Rusia Petroleum; in 1998, British Petroleum became a shareholder and in 2003, Russian private company TNK and BP created a joint-venture. However, Gazprom put in doubt the lawfulness of the initial license in 2004 and used approved tools of political ecology and tax non-compliance

¹⁸ The issue of the pipeline to be discussed later.

demanding in 2005 to pay 1 billion dollars additionally to exert pressure on this joint-venture. In 2007, authorities threaten to cancel the license and categorized the field as a strategic resource. All this pressure resulted in the sale of the controlling package to Gazprom for a ridiculously low price.

The strategy of soft balancing logically leads Russian decision makers to expand control on their soft balancing tools. It is important to underline that every project mentioned above (and these are the most important gas industry projects in Russia) anticipates a construction of a gas liquefying unit. To control prices on liquefied gas is much easier than on natural gas, so liquefying will greatly facilitate and diversify export possibilities as well as opportunities to monopolize prices.

We found the same will to dominate energy markets by monopolizing them in Russian decisions on alliances. During Vladimir Putin's second term, Russia renewed and reinforced commercial and strategic partnership with many non-Western countries (Algeria, Malaysia, Syria, very recently, Saudi Arabia, and Venezuela, among others) in bilateral format as well as in the context of such alliances as Islamic Conference and Shanghai Cooperation. However, speaking about gas policies, it is especially relevant to mention first steps to creation of the organization similar to the OPEC for gas exporting countries, known as Summit group or the gas cartel.

Once created, the organization would dramatically increase Western dependency on energy supply from states members of the cartel, 16 gas exporting states including Russia and Iran controlling about 70% of world gas production. The declared purpose of this organization is to set up common methods to fix gas prices, what can be a way to world gas market

monopolization. Russia has accepted to host the next meeting in 2008 and to serve as coordinator of the group, organizing marketing research and covering administrative costs.

It is important to note that it was not the first discussion of “Gas OPEC” where Russian officials participated. Previous meetings were not widely commented. Thus, Russian Minister of Energy Khristenko met his Algerian peer in respect with the creation of the cartel in January 2007. Anonymous sources of Russian newspaper *Izvestiya* assert that every mention of gas cartel was excluded from official press release. A very important meeting was held in Tehran between Igor Ivanov and Khomeney in February 2007. Various sources suggest that Iranian religious leader wrote a letter to President Putin where he widely supported the idea of the cartel. However, Russian media comments were rather mitigated: « Impossible for now; possible only for liquefied product (7% of overall production, probably 15% by 2010)” and even “they [Iranians] force Russia to enter the cartel.” (Izvestiya, Kommersant, Nezavissimaya, January-March 2007)

However, a few weeks later all interested sides met in Qatar. Even if no formal decision was taken, the creation of such a body seems very probable. Moreover, the idea itself can be used as a pressure tool on consumers. An anonymous Russian official told to *Izvestiya* after Qatar summit: “In the context of market globalization, it should be a common coordination body, and it isn’t important whose idea it was. Russia can play a very important if not a decisive role inside this organization.”¹⁹ If realized, this agreement together with the trend to build liquefying gas units at every important gas field, means that world gas prices will be primarily defined by countries with a non-Western and even anti-Western orientation. Because of Western dependency on gas supply, the set up of the gas OPEC could create serious threat to economic safety of the

¹⁹ *Izvestiya*, April 11th 2007.

West. Norway alone is not able to provide enough gas to Europe. The argument that Russian dependency on Europe as a big consumer market seems weak because of the booming China economy, more and more avid for energy supply.

The agreement, though informal, with gas exporting states is a part of a vast Russia's program aimed to dominate in the world energy market. Several weeks later during its Central Asia trip, President Putin provides another proof of it. Putin reached an agreement with Nazarbaev about the creation of the Grand Gas Union (Moscow, Astana, and Ashgabat) and a construction/modernization of the gas pipeline on the Eastern boarder of the Caspian Sea²⁰. Obviously, it challenges Western plans. Russian media greet the results of Putin's Central Asian trip on the eve of the visit of Condoleezza Rice (May 2007), and it is true that this agreement is one more serious argument in Russia's balancing against the United States. It is important to underline that it is not hazardous that Russian efforts are concentrated in Caspian. Per se, Caspian oil reserves are not very important and Baku-Ceyhan pipeline is not very attractive economically speaking. However, its political attractiveness is considerable: it allows bypassing Russia, exporting resources via Western friendly Azeri and Georgian territories. The agreement to construct the Prikaspiisky natural gas pipeline along the Eastern shore of the Caspian Sea undermines Western efforts to spread its influence in the region and to decrease energy dependency on Russia. The new pipeline would carry Turkmen and Kazakhstani gas to Russia, enabling the Kremlin to tap into Central Asia's oil and gas reserves in the long term. Also, another main component of this Central Asia-Russia gas transport system will detour from Turkmenistan to Uzbekistan and continue passing through Kazakhstan to Russia. This is a major

²⁰ <http://www.kp.ru/daily/23900/67041/>, 11th May 2007

blow to U.S. and especially EU hopes of becoming less dependent on Russian gas imports. Moreover, U.S. and EU energy projects in the Caspian basins look now futile.

Once the modernization and expansion of the main two components of Central Asia-Russia gas transport system are completed, Russia will import 50 billion cubic meters (bcm) of natural gas from Turkmenistan and will double its imports of Central Asian gas to about 90 bcm. To make no doubt about the seriousness of the Russia-Kazakhstan-Turkmenistan energy alliance, Kazakhstan's President Nursultan Nazarbaev and Turkmenistan's President Gurbanguly Berdimukhamedov have assured Putin of their financial contribution for the construction of their respective portion of the Prikaspiisky natural gas pipeline. Caspian East pipeline will insure Russian monopoly on gas export from South East.

From the North, Russia looks forward to build the North Stream pipeline applying the same pattern of moving away immediate rivals (the United States and the UK), avoiding unfriendly or doubtful states (Baltic and Ukraine in this context) and wisely selecting partners. Kremlin is in a very strong position: Russia provides 26 % of supply to Europe including 40% of business and household consumption, and 87 % of import and 60% of consumption to Central and Eastern European countries. North Stream goes from the city of Griazovetz to Vyborg and then by Baltic Sea to Gryvald (Germany) and will exclude Baltic States, Poland and uncertain Ukraine thus decreasing Russian dependency on transit countries. This pipeline pursues the same political goal to create cleavages inside Western community and plays on traditionally good relations between Germany and Russia. It also gives an additional advantage to exert eventual pressure on Ukraine and Belarus without affecting supplies to Europe. The same property pattern is applied to the project: Gazprom holds total control (51%) and partners are chosen on a basis of political benefit.

Very recently, Gazunie (NL) has obtained the right to participate. This in its turn increased “the European significance” of the project contributing to reject negative claims about the pipeline from Baltic States and Poland.

Every important project in Russian gas industry is aimed at the monopolization of the market, it definitely excludes Americans (and their British allies), and plays on the existing differences inside the Western camp. Moreover, Russia emphasizes her engagement with Muslim, gas and oil exporting, countries thus creating an important pole of influence, based on economic similarity, but having distinct political implications, which definitely affect American interests.

However, speaking about pipelines, it is worth mentioning that Russia takes no unconditional engagement of solidarity concerning her partners. Even if a country is considered as an ally, it doesn't necessarily mean that Kremlin will let it affect Russian monopoly interests even slightly. In this respect, the example of Iran is revealing. Traditional geopolitical ally of Russia, Iran benefits of Russian support to its nuclear program as well as shares Russian actual will to create the cartel. However, Tehran is not allowed to encroach on Russian energy monopoly. There is an interesting, though indirect, proof of it. The 19th March 2007 presidents of Armenia and Iran celebrated the opening of the new Armenia-Iran gas pipeline²¹. It means that Gazprom conceded to Iran its monopoly to sell gas to Armenia. Despite the fact that it is a small market and small quantities, Russian company took preventive measures against the possibility to increase the role of Iran as a supplier in the area: the size of pipes is limited to 700 mm (international standard being of 1420 mm). Moreover, Moscow signed the agreement with Yerevan stipulating that

²¹ 101 km from Tabriz (Iran) to Armenian border and 41 km in Armenia from Meghri to Karajan. Next step expected 2008-2009 will have another 100 km up to the center of Armenia and will be added to the existing network controlled by Gazprom.

Armenian section of the pipeline belongs to ArmRosGaz where Gazprom holds 68 % shares. Thus, Kremlin prevents Iran from exporting its gas to Europe in no other way than via Russian territory. Seeking to dominate the energy market, Russia obviously needs Iran as a partner. However, due to the recently increased ambitions as well as its capacities, both acquired and potential, Moscow wants to see Tehran, as others, rather as a junior one. It needs to be said however that the cooperation *à la russe* does allow gas transit to Asian markets through Iranian gas pipelines.

Following from the above, Russian energy policy is a case of soft balancing behavior. It is crucial to emphasize that the shift in Russian policy commences at the same moment – roughly by the end of 2004. To verify if our hypotheses are valid, we should consider the state of Russia's capacities by this moment as well as main characteristics of the security environment (level of threat). This latter variable is represented first of all by the war in Iraq, which can be undoubtedly considered as an example of American unilateralism. Russia was continuously against it, but according to Russian leader, Russian-American relationship could overcome the stroke of Iraqi war: "The United States are one of our most important partners in political and economic domain; and in several respects, the role and the importance of the United States are unique for Russia" (Evian Summit, 2003²²); or during the annual press conference: "The situation in Iraq was a serious obstacle for Russian-American relationship, but we managed to escape with minimal losses".²³ However, I state an important change in the discourse several months later, which coincides with the stated above beginning of balancing behavior. Thus, Vladimir Putin declared during the meeting with chiefs of army headquarters of the Organization of the cooperation of

²² www.kremlin.ru, the official site of the President of Russian Federation

²³ Ibidem.

Central Asia in 2004: “Russia was always against military actions in Iraq. Now our opinions with President Bush are considerably different.”²⁴

In my opinion, major change in level of threat happened on regional level with unfolding wave of color revolutions in Georgia and Ukraine in 2004. Western and especially American engagement in these events, which clearly challenged Russian position in post-Soviet space, triggered mechanisms of balancing strategies against the United States.

To validate our hypothesis, we should find another increase in the level of threat behind the decision to enter the cartel. This decision is taken in the context of American initiative to deploy ABM elements in Europe, in particular in Poland and Czech Republic. Kremlin felt very concerned by the perspective to find strategic armaments near Russian borders. Since no negotiations could make Americans change their minds, Russia uses soft balancing strategy in energy domain to address the perceived security threat.

According to the hypothesis, Russia should have material capacities allowing soft balancing strategies. By 2004, Russia has enough capacities to afford this shift in foreign policy. Indeed, economic renewal, effects of structural reforms and obviously the vertiginous increase in oil prices fill Russia’s chests. The GDP demonstrates an increase of 7 % a year and reached 16 778.8 trillions rubles²⁵. It is important to note that this increase is sustainable: budget surplus grows gradually since 1999 reaching 435.8 billions in 2004 (3.4 of GDP), a 50% increase comparatively

²⁴ Ibidem

²⁵ *Russia 05*, EBRD report, <http://www.ebrd.com/pubs/general/6388f.pdf>

with 2003²⁶. Trade balance surplus constitutes 87 billions in 2004 (60 billions en 2003)²⁷. Gold reserves reach their historical maximum of 128 billions by February 2005²⁸. As a result, Russia declares her readiness to pay her debt to Paris Club. Becoming less dependent economically from Western partners and Western financial institutions, Russia acquires an important margin of foreign policy freedom. Since economic grow continues, this margin is becoming larger and larger. Thus, Russia's material capacities allow her to balance against the United States in 2004 as four years later.

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As stated above, Russian foreign policy is inspired by the will to protect itself by what is considered as a threat posed by the West and especially by the United States. The strategy behind policy decisions takes the form of *soft* or *pragmatic balancing*. Main characteristics of this strategy are (1) its reactive character and (2) its goal to affect rivals capacities (zero-sum game logic). It should be mentioned though that zero-sum game logic is applied to selected areas considered as most strategically important and doesn't exclude limited cooperation in other, less relevant, domains. The realization of this strategy has become possible due to the increased material capacities of Russia. The content of these capacities, i. e. energy resources, dictates the choice of the tools of soft balancing. Thus, Kremlin looks for the domination on world energy markets through the monopolization of gas market. As such, energy policy decision should be considered in the context of soft balancing strategy against the United States. The context of a perceived threat pushes Russia to seek domination on energy suppliers' market by maintaining full state control over resources. This strategy anticipates moving apart American companies and

²⁶ Federal Statistics Bureau, <http://news.webdigest.ru/archive/1096625886.html>

²⁷ Ibidem, <http://news.webdigest.ru/archive/1107253329.html>

²⁸ Official site of the radio Echo Moskvyy, <http://echo.msk.ru/news/230153.phtml>,

closing supplier market for them. Russia is seeking and concluding alliances with other energy resources exporting countries creating a kind of a power bloc, able to challenge American primacy by imposing its rules of the game on energy markets. Since Russia's new wealth allows soft balancing and the level of what is perceived as a threat from American policies is unlikely to decrease, we should anticipate a further development of soft balancing strategies from Russia, a reinforcement of her alliances with non-Western energy supplying countries all over the world (possibly in Latin America), a growing trend to energy market monopolization (prices and transportation) and an increasing cleavage between American and Russian positions on salient international issues. The danger of this situation is that the logic of balancing is hardly reversible and, once triggered; it becomes difficult to be changed without important changes in security environment.