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RUSSIA'S RESPONSES TO GLOBALIZATION UNDER VLADIMIR PUTIN:
ENERGY AND FOREIGN POLICY

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METU 2007

SEPTEMBER 2007

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ENERGY AND FOREIGN POLICY

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
THE MIDDLE EAST TECHNICAL UNIVERSITY

BY

SEVİL ÇAKIR

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
EURASIAN STUDIES

SEPTEMBER 2007

Approval of the Graduate School of Social Sciences

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ABSTRACT

RUSSIA'S RESPONSES TO GLOBALIZATION UNDER VLADIMIR PUTIN: ENERGY AND FOREIGN POLICY

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M. Sc., Eurasian Studies

Supervisor: Assist. Prof. Dr. Oktay F. Tanrıseven

September 2007, 98 pages

This thesis seeks to analyze Russia's responses to globalization under Vladimir Putin in the fields of energy and foreign policy. This thesis argues that Russia under Vladimir Putin has redefined its process of globalization through a nationalistic perspective as its policies in the field of energy and foreign policy demonstrate. The thesis has seven chapters including introduction and conclusion chapters. The concept of globalization is explored in Chapter 2. Chapter 3 examines Russia's globalization under Boris Yeltsin and his energy and foreign policies. In Chapter 4, responses of Russian communist, nationalist and liberal intellectuals, to the globalization of Russia under Boris Yeltsin are evaluated. Chapter 5 explores the energy policy of Vladimir Putin while Chapter 6 discusses foreign policy of Russia under Vladimir Putin.

Keywords: Vladimir Putin, Globalization, Russian energy policy, Russian foreign policy, Russian intellectuals.

ÖZ

VLADIMIR PUTIN YÖNETİMİNDEKİ RUSYA’NIN KÜRESELLEŞMEYE TEPKİLERİ: ENERJİ VE DIŞ POLİTİKA

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Yüksek Lisans, Avrasya Çalışmaları

Tez Yöneticisi: Yard. Doç. Dr. Oktay F. Tanrısever

Eylül 2007, 98 Sayfa

Bu tezin amacı Vladimir Putin liderliğindeki Rusya’nın enerji ve dış politika alanlarında küreselleşmeye verdiği tepkileri incelemektir. Bu tez, enerji ve dış politika alanlarında uygulanan politikaların da gösterdiği gibi, Vladimir Putin liderliğindeki Rusya’nın kendi küreselleşme sürecini milliyetçi bir perspektifte yeniden tanımladığını ileri sürmektedir. Bu tez, giriş ve sonuç bölümleri dahil olmak üzere, yedi bölümden oluşmaktadır. İkinci bölümde küreselleşme kavramı incelenmiştir. Üçüncü bölüm Boris Yeltsin liderliğindeki Rusya’nın küreselleşme sürecini ve Yeltsin’in enerji ve dış politikalarını incelemektedir. Dördüncü bölüm ise, komünist, milliyetçi ve liberal eğilimli Rus entellektüellerinin Boris Yeltsin yönetimindeki Rusya’nın küreselleşme sürecine tepkilerini değerlendirmektedir. Beşinci bölüm Vladimir Putin’in enerji politikasını incelerken, Altıncı bölüm Vladimir Putin yönetimindeki Rus dış politikasını tartışmaktadır.

Anahtar Kelimeler: Vladimir Putin, Küreselleşme, Rus enerji politikası, Rus dış politikası, Rus entellektüelleri.

ACKNOWLEDGEMENTS

I would like to express my gratitude to all those who gave me the possibility to complete this thesis. In particular, I am deeply indebted to my thesis supervisor, Assist. Prof. Dr. Oktay F. Tanrısever whose help, stimulating suggestions and encouragement helped me throughout research and writing of this thesis. The completion of this study would have been impossible without his help. I also wish to thank the members of my thesis committee: Assoc. Prof. Dr. Ceylan Tokluođlu and Assoc. Prof. Dr. Sevilay Kahraman for their useful comments and suggestions. Their support and guidance has been invaluable in the completion of this thesis.

I have no proper words to express my indebtedness to my parents, on whose constant encouragement and love I have relied throughout all my life. I want to express my sincere thanks for their morale support and patience. The encouragement and motivation given to me to carry out my studies by my father, my mother and my sister will always be remembered. I would like to give my special thanks to my greatest support, Deniz Taner Kılınçođlu whose confidence in me has kept me afloat in times I felt hopeless. He deserves a special mention for his support and motivation in this process.

To My Parents

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ABBREVIATIONS

ABM:	Anti-Ballistic Missile
BTC:	Baku-Tbilisi-Ceyhan Pipeline
BTE:	Baku-Tbilisi-Erzurum Pipeline
CIS:	Commenwealth of Independent States
CSTO:	Collective Security Treaty Organization
EU:	European Union
EVRAZES:	The Eurasian Economic Community
FDI:	Foreign Direct Investment
G-7:	Group of Seven
G-8:	Group of Eight
IGO:	Intergovernmental Organizations
IMF:	International Monetary Fund
INGO:	International Non-governmental Organizations
MNCs:	Multinational Corporations
NAFTA:	The North American Free Trade Agreement
NATO:	North Atlantic Treaty Organization
NEG:	The North European Gas Pipeline
OECD:	Organization of Economic Cooperation and Development
OSCE:	Organization for Security and Cooperation in Europe
SCO:	Shangai Cooperation Organization
SES:	The Single Economic Space
TNCs:	Transnational Corporations
UES:	Unified Energy Systems of Russia

UK: United Kingdom
UN: The United Nations
US: The United States
WB: World Bank
WMD: Weapons of Mass Destruction
WTO: World Trade Organization

CHAPTER 1

INTRODUCTION

1.1. Scope and Objective

This thesis seeks to analyze Russia's responses to globalization under Vladimir Putin in the fields of energy and foreign policy. After discussing the assumptions concerning Russia's integration into globalization, the thesis will primarily emphasize the suggestions of Russian intellectuals about the style of Russia's development and their effects on Vladimir Putin's approach. The energy field will be examined because of its peculiarity as the most active issue area during Vladimir Putin's term. Then, developments in Russia's relations with other countries will be explored in order to demonstrate the nature of Russia's globalization under Vladimir Putin.

1.2. Literature Review

With the collapse of the Soviet Union, Russia's political and economic power in the international arena has declined seriously. This period has been dominated by the process of globalization and its assumptions to integrate Russia into the 'global' world. The strategy developed to 'globalize' Russia was known as 'shock therapy'. It was based on free market capitalism with a set of economic rules such as opening,

deregulation, and privatization. However, Vladimir Putin's coming to the power in 2000 has improved Russia's position while changes in domestic and foreign policies caused much controversy and concern worldwide. Consequently, a proactive energy policy, as one of the most important instruments of effective foreign policy, has attracted most attention. A tremendous amount of study dedicated to comment on the objectives, style and results of Vladimir Putin's energy and foreign policy have appeared in media and academic circles.

To begin with, Martha Brill Olcott, in her article, 'Vladimir Putin and the Geopolitics of Oil'¹, points the role of state in the energy sector of Russia in Vladimir Putin's term. She argues that although Vladimir Putin is eager for energy partnership with the West, he has some conditions. For example, Vladimir Putin appreciates increased investment by the Western energy firms in Russia, but these investments must be made in a manner that will not create problems for Russian state's control over the country's oil and gas assets. This control can be realized in the form of state regulation, partial state ownership or state control of energy transport, however, the primacy of state in energy sector is non-negotiable. According to her, Vladimir Putin uses energy as an income for economic development and as a lever in its foreign relations.

¹ Martha Brill Olcott, *Energy Dimension in Russian Global Strategy: Vladimir Putin and the Geopolitics of Oil*, www.rice.edu/energy/publications/docs/PEC_Olcott_10_2004.pdf (Accessed on 13.06.2007)

Bobo Lo also emphasizes on the use of energy as a foreign policy instrument in his article 'Evolution or Regression? Russia's Foreign Policy in Putin's Second Term'.² He claims that economization of Russian foreign policy is not only motivated by the desire to build a strong domestic base for Russia's recovery; it is a response to the impact of globalization and the primacy of economic power in global affairs. Besides, Lo also asserts that Russia is not only seeking for economic benefits from its vast energy resources and pipeline politics but also political and strategic ends. Although he admits that the challenges of globalization for Russia are growing, Russia has been still able to give its priority to its national interest in its relations with the West and the CIS.

A different voice comes from Celeste Wallander³ in the identification of Russia's energy policy. She argues that, Russia is neither a post-imperialist nor a neo-imperialist power, but, it is a modern, transnational and imperialist power which she terms as 'transimperialist'. For her, this is the result of both the authoritarian political-economic system of Russia and the globalized strategic context of twenty-first century. In other words, she argues that Vladimir Putin uses the opportunities provided by globalization to realize his imperialist ambitions. Some of the ways Vladimir Putin uses to achieve his ambitions are: a) Intervention in the internal affairs of states of former Soviet Union; b) state to state relations in bilateral form instead of complying with the rules of multilateral organizations such as the WTO; and c) building personal ties with leaders of other states.

² Bobo Lo, *Evolution or Regression? Russian Foreign Policy in Putin's Second Term*, NUPI Report, September 2006.

³ Celeste A. Wallander, 'Russian Transimperialism and Its Implications', *The Washington Quarterly*, Vol.30, No.2, 2007.

Another author criticizing Vladimir Putin of having imperialistic ambitions is Stanislav Secieru. In his article 'Russia's foreign Policy under Putin: "CIS Project" Renewed'⁴, he attributes all energy policy activities of Russia in the CIS to its imperialistic ambitions since Russia aims to gain a great power status again through strengthening its regional power.

However, there are also writers, like Michael Fredholm, who considers Vladimir Putin's foreign and energy policy not in terms of imperialistic concerns but pragmatic and strategic ones. Although, he accepts, in his article 'The Russian Energy Strategy & Energy Policy: Pipeline Diplomacy or Mutual Dependence?'⁵, the active involvement of Russia in the energy fields of the CIS countries, he insists that this should not be interpreted as an attempt to gain political control over these countries. According to him, Russia is right that it is economically beneficial for both sides and it is a kind of re-integration discourse not a political control. In other words, its motivation is patrimonial and realpolitik rather than imperialistic. Additionally, Fredholm also claims that there is a mutual energy dependency between the West and Russia which prevent Russia from using energy as a political instrument.

⁴ Stanislav Secieru, *Russia's Foreign Policy Under Putin: "CIS Project" Renewed*, Unisci Discussion Papers, No.10, January 2006.

⁵ Michael Fredholm, *The Russian Energy Strategy & Energy Policy: Pipeline Diplomacy or Mutual Dependence?*, Conflict Studies Research Center, September 2005.

In the same context, Saltanat Berdikееva and Erin Mark in their study *Russian Energy Politics*⁶, take energy issue in the context of ‘security’ perceptions of each side involved. According to them, as long as the West continues to depend on Russia for energy and as long as Russia continues to keep its control on the production and transportation of energy; present energy security dilemma for both sides can not be solved. They regard the nature of Russia-CIS relations as something hard to change in present circumstances, since Russia still retains its economic and political power over the region.

There are also studies that focus on the reasons of Russia’s failure in transition from a state-centric model of economy to a market-driven economy whose development had been assured as a result of globalization process. For example, Paul Sanders, in his study ‘Why Globalization did not Rescue Russia?’⁷, states three areas in which the globalization paradigm fails in the Russian case. First, according to him, domestic pressures for change have not been as strong as globalization suggests because of the existence of a strong hostility among Russians against American consumerism. Second, the economic pressure for reform has not been as strong as globalization predicts because it has been known that Russia’s abundant resources and large domestic markets would draw investment from large MNCs even if the country makes minimal changes in its economy and policy. Third, there is a lack of persuasive relationship between economic reform and democratization for Russians. For example, while the economic goals of Vladimir Putin’s government can be

⁶ Saltanat Berdikееva and Erin Mark, *Russian Energy Politics*, www.eurasia21.com/cgi-data/document/files/russian_energy_politics.pdf (accessed on 10.08.2007)

⁷ Paul J. Sanders, ‘Why “Globalization” Didn’t Rescue Russia’, <http://www.hoover.org/publications/policyreview/3479217.html> (accessed on 03.04.2007)

regarded as suitable to the necessities of globalization, his political program is authoritarian. Thus, Vladimir Putin did not hesitate to begin a two-front war on regional governors and so-called oligarchs.

In the same issue, Bernhard Seliger, in his article, 'The Impact of Globalization: Chances and Risk for Russia as a Transformation Country'⁸, focuses on a different point. He argues that the most of the emphasis has been mainly put on distributional consequences of globalization by Russian intellectuals. It means that the attention has been on the negative sides of it. Moreover, according to him, the debate about globalization has been shaped by intellectuals who are in coalition with authoritarian regimes, so, they have rejected foreign influence and taken a hostile stance to globalization.

From a different point of view, Thane Gustafson, in his book, *Capitalism Russian-Style*,⁹ predicts that Russian development will not result in similar form of the developed countries. Russia has unique features of its own, so they are not temporary and transnational but traditional national features. It is the Russian model of capitalism which possesses its own local dynamics and processes which will not be homogenized into a global model.

As can be seen from this analysis, there is a lack of globalization discourse in the literature on Russia's energy and foreign policies. On the other hand, the studies on

⁸ Bernhard Seliger, 'The Impact of Globalization: Chances and Risk for Russia as a Transformation Country', *Eastern European Economics*, Vol.42, No.1, January-February 2004.

⁹ Thane Gustafson, *Capitalism Russian-Style*, New York, Cambridge: Cambridge University Press, 1999.

the effects of globalization and Russia's reactions do not deal with the energy and foreign policy dimensions. Thus, I will try to draw a conclusion by examining the literatures on globalization and Russia's foreign and energy policy.

1.3. Argument

This thesis argues that Russia under Vladimir Putin has redefined its process of globalization through a nationalistic perspective as its policies in the field of energy and foreign policy demonstrate. Contrary to main globalization assumptions concerning the power of MNCs, fate of nation state, and evolution of inter-state relations, Vladimir Putin's energy and foreign policy follows a 'unique path' which is based on strong leadership, strong state and geostrategic and geopolitical concerns. There are four main points supporting this thesis' argument.

Firstly, contrary to the assumption giving an important role to MNCs in globalizing world, in Vladimir Putin's term, Russia has experienced nationalization of energy sector and introduction of numerous measurements to restrict foreign participation in the industrial sectors of strategic importance the most important of which is energy. Second, the power of state, which is supposed to decrease and even disappear, has been felt mostly in the energy sector due to absolute state control over certain energy companies. Besides, the role of the state in the energy policy is obvious in the diplomatic supports given to the interests of the Russian energy companies abroad and in active dialogues with other states in the energy field.

Third, the energy issue is regarded in the context of national security which is a realist concept and should not exist in a globalizing world. Russia's energy resources are critical to Russia's economic recovery and to the country's reemergence as an important international actor, therefore, Vladimir Putin has not believed in relying on global market forces to achieve these goals. Finally, in most of the cases political considerations determine the choices of states as much as the economic ones. In this sense, energy field provides us with the adequate evidences since the market drivers and the political concerns conflict with each other in the energy relations of states. For example, no side wants to be dependent on another country in the issue of energy although it is economically viable. In this context, Vladimir Putin's search to diversify its energy export routes is derived from the political considerations not from the economic ones.

Finally, it can be claimed that Vladimir Putin's energy and foreign policies are not motivated by market forces but by national, geostrategic and geopolitical interests of Russia. Therefore, this thesis argues that Russia, as a powerful global actor under Vladimir Putin, has been able to respond globalization process in ways unique to its traditional dynamics. In this context, energy provides Vladimir Putin with a powerful hand in his foreign policy implementations.

1.4. Organization of Chapters

This study is composed of seven chapters including introduction and conclusion. After the introduction, the second chapter gives a brief summary of main assumptions of globalization and counter arguments to these assumptions. The

emergence and essential debates of globalization are discussed in the form of two opposing camps. Arguments of each camp are presented concerning main issues of globalization. These are as follows: political, cultural and economic aspects of globalization and at the end the critics against all these aspects are discussed.

In the third chapter, Russia's transformation under Yeltsin in the 1990s in accordance with the assumptions of globalization is given to introduce the Russia's place in the globalization discourse. Yeltsin's strategy and approach in the energy and foreign policy fields are summarized to understand the difference between Vladimir Putin and Boris Yeltsin in these fields. Meanwhile, the evolution of Russian foreign policy thinking in 1990s, which was heavily influenced by the policies of Yeltsin, is given as well as Vladimir Putin's position in it.

Then, in the fourth chapter, perception of globalization among Russian intellectuals is observed since their ideas have always been effective in the political thinking of Russian leadership as in the examples of Eurasianism and Westernism. A general negative perception is detected heavily because of the results of Russia's globalization under Boris Yeltsin during 1990s. Finally, reactions and strategy suggestions of Russian communist, nationalist, and liberal intellectuals for Russia's recovery and development are summarized to observe whether they are taken into consideration or not by Vladimir Putin administration.

In the fifth chapter, politicization of energy as a result of economization of foreign policy is explored in Vladimir Putin's Russia. Energy policy implementations in internal affairs and usage of energy as a political lever in foreign relations are

analyzed to understand the logic of Vladimir Putin's energy policy. In this chapter, energy factor is taken as an important determinant in the shape of recent relations with the West and the CIS. Ukrainian gas crisis at the beginning of 2006 is explored as an exemplar of perceptions and anxieties of the sides involved in the issue.

In the sixth chapter, firstly, general tendencies and objectives of Vladimir Putin's foreign policy are evaluated in the light of concrete facts and events. The drawn conclusion, a pragmatist non-globalizing foreign policy, is explored in Russia's relations with the West and the CIS. While tactical changes in Vladimir Putin's foreign policy as a proof of his pragmatism is detected in the changing positions after the events of September 11 and invasion of Iraq; geopolitical and geostrategic characteristic of his thinking is proven in Russia's relations with the CIS countries in the last years.

Finally, in the concluding part, the findings of this thesis are summarized.

CHAPTER 2

CONCEPTION OF GLOBALIZATION

2.1. Introduction

This chapter will focus on the concept of globalization and its development since 1970s. The three main areas of globalization, -economic, political and cultural, will be examined in separate titles with their implications for the future of the world. Finally, critiques from different perspectives and thinkers will be explored against the arguments and assumptions of the supporters of globalization concerning the these areas of globalization.

2.2. Concept of Globalization

The term ‘globalization’ generally began to be used in the late 1970s. The 1970s was the ‘golden age’ of rapidly expanding political and economic interdependence, especially between Western states. This increasing interdependence generated some reactions about the inadequacies of orthodox approaches.¹⁰ Realism, for example, which had dominated international relations for a long time with its assumptions seems no longer satisfactory for the explanation of contemporary developments. Therefore, in the context of the debate about the growing interconnectedness of

¹⁰ David Held and Anthony McGrew; *Globalization / Anti-globalization: The International Economy and The Possibilities of Governance*, New York: Polity Press, 1996, p.2.

human affairs; world system theory, theories of complex interdependence and the notion of globalization itself emerged as rival models. Then, following the collapse of state socialism and consolidation of capitalism worldwide, academic and public discussion of globalization intensified dramatically.¹¹

Firstly, it is supposed that, in a globalized world, actions of one agent -social, political or economic- began to have a significant impact on the others in a distant place. Second, advanced communication technologies have been eroding constraints of time and space on interaction. Third, because of the accelerating interdependence between national economies and societies, the events in one country can directly affect others. Fourth, borders and barriers have been wiping out before social-economic activities. In addition to these, global integration and a consequent global perspective, reordering of interregional power relations and intensification of interregional interconnectedness can be listed as the main developments attributed to globalization.¹²

In a very general sense, there are mainly two opposing groups in the globalization debate: the supporters and opponents of globalization. There are some variations within both groups; however, they share at least the common argument of the group they represent. The main question when defining globalization in a historical context is that: 'What is the difference between internationalization and globalization?'

There are of course concrete technological developments in some areas such as

¹¹ David Held and Anthony McGrew; 'An Introduction to the Globalization Debate', in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p.1.

¹² Ibid. p.3.

communication, transportation or information. They have tangible impacts on the flows of trade, capital and people across the globe. However, there is nothing like a harmonious world society we started to live in or a universal process of global integration in which there is a growing convergence of cultures and civilizations.¹³ So, what makes today's globalization different from inter-national system of the 'past'?

As a response to this question, the supporters reject historicist or determinist interpretation of globalization; for them, it should be read as an open-ended conception of a global change.¹⁴ Friedman, by regarding globalization as an international system such as the Cold War system, asserts that globalization is a dynamic but not a static system. It is an ongoing process involving integration of markets, nation-states, and technologies to a degree never witnessed before.¹⁵ The growing effectiveness of Multinational Companies (MNCs) and world financial markets; the diffusion of Western popular culture; and the increasing consciousness of global environmental problems are all the signs of this continuous change in a global scale.

Although they are not denying that the period covering late nineteenth century and early twentieth century also pointed a rapid integration of world economy, the supporters consider the current globalization as a new phenomenon with particular

¹³ Ibid., p.3.

¹⁴ Ibid., p.4.

¹⁵ Thomas L. Friedman, *The Lexus and the Olive Tree*, New York: Farrar, Straus and Giroux, 1999, p.13.

dynamics different from the earlier integrations throughout the world history. This is the ‘unprecedented’ characteristic of the globalization that the world is now experiencing. For example, Jagdish Bhagwati, in his book *In Defence of Globalization*, states that “the earlier integration of the world economy was driven more by technological developments in transportation and communication than by political changes.”¹⁶ However, the role of state action in today’s globalization is equal to that of technological change. Most governments’ policies are designed to reduce obstacles to the flow of trade and investment. In addition to this, ‘magnitude and speed’ of flows are much more than those of the earlier periods.¹⁷

2.3. Economic Globalization

According to Manuel Castells, the global economy is “an economy with the capacity to work as a unit in real time on a planetary scale.”¹⁸ The assumptions about the economic globalization are generally concentrated on the main processes and actors such as the increase in the flows of trade, capital and people; widespread activities of MNCs; the growing role of international organizations such as the International Monetary Fund (IMF), the World Bank (WB) and the World Trade Organization (WTO); and their effects on states, peoples and environment.

¹⁶ Jagdish Bhagwati, *In Defense of Globalization*, Oxford: Oxford University Press, 2004, pp.11-12.

¹⁷ Ibid. p.12.

¹⁸ Manuel Castells, ‘The Global Economy’, in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p. 259.

In the context of economic globalization, the argument of the supportive point of view is that, as Friedman indicates; free market capitalism is the driving idea of economic globalization with a set of economic rules such as opening, deregulation, and privatization. Free trade can be realized only through these rules and in this way it increases the potential for efficient wealth 'trickle down'.

Another point on which most of the debates are concentrated is about the role of multinational and multilateral actors such as the MNCs, WTO, IMF and WB and the effects of their policies. The supporters of globalization regard MNCs as the leading forces of economic globalization. By the existence of them, henceforth, it is the global corporate capital, rather than states, that exercises decisive influence over the organization, location, and distribution of economic power and resources. Just because of this, their activities put pressure on national governments, make borders erode, and increase the integration of production process worldwide.

2.4. Political Globalization

As mentioned earlier, the role of the nation state is one of the most debated issues of globalization. There are again two opposing arguments on this issue. The hyperglobalists like Kenichi Ohmae, claim that global markets have rendered nation states practically irrelevant and global economy is dominated by homeless

corporations.¹⁹ Besides, he argues that nation states are declining because their fixation on borders is not in line with today's transnational world.²⁰

Although being criticized for decreasing the authority of state to solely economic power, the supporters of globalization insist that the Multinational Corporations (MNCs) pose a real threat to the power of states. According to them, the growth and power of the MNCs are enormous and also unprecedented. They account for about a third of world output and two-thirds of world trade and around a quarter of world trade occur within multinational corporations.²¹

There are also other threats to the authority of states. Its power is constrained in local, regional and global levels. New forms of multilateral and global politics have been established involving governments, intergovernmental organizations (IGOs), and a wide variety of transnational pressure groups and international non-governmental organizations (INGOs). Their number has increased considerably in last years. These new actors are replacing the authority of states in political, economic and cultural spheres. While the sovereignty of states is being threatened by the growing role of new transnational economic and political actors in the international arena, and finally, its legitimacy, which depends on the ability to serve its citizens is challenged domestically.

¹⁹ John Gray, *False Dawn: The Delusion of Global Capitalism*, New York: New Press, 2000.p. 67-68.

²⁰ Kenechi Ohmae, 'Beyond the Nation State', <http://www.theglobalist.com/DBWeb/StoryId.aspx?StoryId=4615> (accessed on 23.07.2007)

²¹ John Gray, *op.cit.*, p.69.

2.5. Cultural Globalization

Another issue on which many speculations have been made concerning the impact of globalization on peoples is the fate of national cultures. They are generally concentrated on the impacts of technological developments in communication and information sectors on cultural, social and daily life of people. Thanks to the spread of the mass media, through the export and import of cultural products such as television, film and radio broadcasts, newspapers and books, and especially through the Internet, people all around the world has become more aware of different cultures, events and ideas, and this creates a global awareness.

In his book *Runaway World: How Globalization Reshaping Our Lives*, Giddens, claims that there are changes in the structure of social organizations as a result of globalization. Transformations in the traditional family system or in the place of women in society and the increasing awareness of local cultures should all be considered in this context. So, “nations have to rethink their identities now the older forms of geopolitics are becoming obsolete”²² and new patterns of identification are taking their place. According to this view, cultural flows are transforming politics of national identity since many national controls over information have become ineffective due to the accelerating diffusion of radio, television, the Internet and satellite and digital technologies.²³

²² Anthony Giddens, *Runaway World: How Globalization Reshaping Our Lives*, London: Profile, 1999, p.18.

²³ David Held and Anthony McGrew, *Globalization / Anti-globalization: The International Economy and The Possibilities of Governance*, New York: Polity Press, 1996, pp. 33-37.

As the basis for their argument, the supporters particularly emphasize the constructed nature of national cultures: “if these cultures were created more recently than many are willing to recognize...then they are neither immutable nor inevitable in a global age.”²⁴ While some moderate supporters of the global culture, such as Leslie Sklair²⁵, believe in the possibility of a global society as a result of developments in science, technology, industry and universal values; radicals like Robertson believe that the spread of the mass media, with its imposition of the same images on everyone in the world, causes the whole world to be a sort of ‘global village’.²⁶

2.6. Critiques of Globalization

Against the supporters’ approach, the opponents have developed considerable arguments for the definition and conceptualization of the globalization. Firstly, the opponents argue that since the globalization, as an historical movement began several centuries ago and the measurements of globalization such as the growth of international trade or openness of national economies were higher in the pre-1914 period, present globalization is not a new phenomenon. “The present highly internationalized economy is not unprecedented” said Paul Hirst and Grahame Thompson in their book *Globalization in Question* and they further argued that, “[i]n some respects, the current international economy is less open and integrated than the

²⁴ Ibid p. 30.

²⁵ Leslie Sklair, “Competing Conceptions of Globalization”, *Journal of World-Systems Research*, Vol.5, No.2, 1999, p.150.

²⁶ Ibid., p.151.

regime that prevailed from 1870 to 1914.”²⁷ Historical critiques point out that “if the globalization is an historical expansion of capital accumulation due to the inherent dynamics of capitalism, then the capitalist world system has been globalizing for quite some time.”²⁸ Wayne Ellwood is also one of those who hold the idea that globalization is a new word which describes an old process. She claims that the integration of the world economy began with the launch of the European colonial era five centuries ago.²⁹

Another point of view in the opponents’ camp, Marxists, describe the present epoch as a new mode of Western imperialism.³⁰ Thus, according to them, this last period, called globalization, is the creation of the US as a response to its economic stagnation and declining profitability resulting from the capitalist crises of overcapacity and overproduction. Ellen Meiksin Wood summarizes the process in her book *Empire of Capital*:

In what came to be called the ‘Washington Consensus’, and through the medium of the IMF and the World bank, the imperial power demanded ‘structural adjustment’ and variety of measures which would have the effect of making [developing] economies even more vulnerable to the pressures of US-led global capital: for instance, an emphasis on production for export and the removal of import controls, which made producers market-dependent for their own survival, while opening them, especially in the case of agricultural production, to competition from highly subsidized western producers; privatization of public services, which would then become vulnerable to takeover by companies based in the major capitalist powers...³¹

²⁷ Paul Hirst and Grahame Thompson, *Globalization in Question, The International Economy and The Possibilities of Governance*, Cambridge: Polity Press, 1996, p.2.

²⁸ Iain Watson, *Rethinking the Politics of Globalization: Theory, Concepts and Strategy*, Burlington: Ashgate, 2002, p.23.

²⁹ Wayne Ellwood, *The No-Nonsense Guide to Globalization*, UK: Verso, 2001, p.13.

³⁰ David Held and Anthony McGrew, *Globalization / Anti-globalization: The International Economy and The Possibilities of Governance*, New York: Polity Press, 1996, p.5.

³¹ Ellen Meiksin Wood, *Empire of Capital*, London: Verso, 2003, p.133.

When the economic dimension of globalization is concerned, for the opponents, neither in terms of finance, technology and labor nor in the area of production the evidences fail to confirm either the existence or the emergence of a single market economy.³² For example, most of the flows of trade, capital and technology are being realized between OECD states by excluding much of the rest of the world. In addition to North-South divide, a so-called ‘triadization’ of the world economy undermines the existence of a worldwide single market by concentration of economic activities among a limited number of states at the expense of the others. In the triadization, in each of the core blocs -the Europe, Asia-Pacific and the Americas-, there have been created an economic and financial interdependence between a center and a periphery through both the formal structures such as NAFTA and the EU and the regional production and marketing strategies of the MNCs and the national firms.³³ As a result, this process can be called as the internationalization of the world economy in a more increased and intensified manner rather than as a global economy executing under a single market. Besides, main flows of trade and investment are mainly shared among the advanced industrial economies; and the Third World remains marginalized in both of them.³⁴

On the other hand, though the opponents admit the importance of MNCs in the current economic system, they define their role in a very different context. “Crisis of overaccumulation and underconsumption forced MNCs to search for markets and

³² David Held and Anthony McGrew; ‘An Introduction to the Globalization Debate’, in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p.19.

³³ Ibid. p.20.

³⁴ Paul Hirst and Grahame Thompson, *op.cit.*, p. 2.

cheap labor whilst the nation state aims to capture and protect these markets on behalf of its national bourgeoisie.”³⁵ They remain to have most of their assets in their home countries. So, they are seen as a little more than ‘the national corporations with international operations’. Among the Fortune 500 list of the World’s largest companies, a few are headquartered outside the US, UK, Germany and Japan.³⁶

Finally, the immobility of labor, the existence of nation states as powerful actors, and the concentration of economic activities on some regions and between particular states or in accordance with the interests of one hegemon or more economically powerful states can be counted as the obstacles before the realization of truly global market economy. Thus, the opponents continue to state that globalization is not just about free trade and that the liberal argument willingly misses the immobility of labor.³⁷ This asymmetry between mobile capital and immobile natural labor is intrinsic to the capitalist global economy.³⁸

Regarding the assumptions of political globalization, the opponents of globalization still emphasize the importance of state in world politics. Firstly, they warn the danger of enthusiastic approach of the supporters to the state. According to the realists, state is still the most important actor in the international affairs. For example, John

³⁵ Iain Watson, *op.cit.*, p.24.

³⁶ David Held and Anthony McGrew; ‘An Introduction to the Globalization Debate’, in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p.21.

³⁷ Iain Watson, *op.cit.*, p.16.

³⁸ Dani Rodrik, ‘Has Globalization Gone too Far?’ in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p. 326.

Mearsheimer explains the present developments concerning the state from a realist point of view:

The international economy has been buffeting states for centuries, and they have proved remarkably resilient in the face of that pressure. Contemporary states are no exception in this regard; they are not being overwhelmed by market forces or MNCs but are making the adjustment necessary to unsure their survival.³⁹

Another perspective from the opponents has been underlined by Michael Mann and Stephen Krasner. They claim that the supporters both exaggerate the former strength of the nation states and their current decline⁴⁰. Instruments of state including economic, ideological and military ones still have efficacy because they provide conditions for social life which is still structured within territorial limits of states. Although capital, goods and ideas are increasingly mobile, it is not true for the citizens of states. They continue to live in accordance with the structure of nation states. In a sense, they remain 'national', dependent on passports, visas and, residence and labor qualifications. In other words, states maintain the role of the regulation of populations.⁴¹

However, states vary greatly; they differ in size, power, geography, level of development and infrastructure. Some states have the power to preserve their territory and autonomy; others do not.⁴² Therefore opponents ask that: can

³⁹ John J. Mearsheimer, *The Tragedy of Great Power Politics*, New York: W. W. Norton and Company, 2001, p.365.

⁴⁰ Michael Mann, 'Has Globalisation Ended the Rise and Rise of the Nation State?' and Stephen D.Krasner, 'Compromising Westphalia' in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000.

⁴¹ Paul Hirst & Grahame Thompson, *op.cit.*, p. 171.

⁴² Stephen D. Krasner, *op.cit.*, p.133.

globalization render all these variations irrelevant and have the same effects on all countries?⁴³

Finally, concerning the global culture issue as a result of technological developments, opponents raise their counter argument: it is the Western culture, - Western way of live, thinking and consumption- that is to be globalized. The critiques also argue that the account alleging national identities as being constructed structures misses an important characteristic of an identity. When the main components of shared experiences are taken into consideration, such as a sense of continuity, a collective history and a sense of common destiny, nations can be understood as historic identities; this is what global culture lacks in its existence and can not be ignored easily.⁴⁴

Globalization, in its cultural sense, has in fact different effects. One effect of globalization has paved the way for the dissolution of the frontiers and the divisions between different cultures; it is an ideal that has been promoted by global corporations to create global consumer citizenship.⁴⁵ Meanwhile, another effect of globalization has been giving way to the resurgence of national or religious identities in a form which they stand out against the pressure coming from globalization.⁴⁶

⁴³ Michael Mann, op.cit., p.137.

⁴⁴ Anthony D. Smith, 'Towards a Global Culture?', in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p.241.

⁴⁵ Kevin Robins, 'Encountering Globalization', in David Held and Anthony McGrew (eds.), *The Global Transformations Reader: An Introduction to the Globalization Debate*, Malden, Mass.: Polity Press, 2000, p.198.

⁴⁶ Ibid. p.200.

Although it is generally supported that the cultural globalization does not mean homogenization, it has been creating its own counter movements thanks to its own instruments as in the examples of ethnic or religious radical or separatist movement. Therefore, the critics point out the fact that awareness of differences between peoples, not only in cultural but also in economic sense, may strengthen the divisions.

2.7. Conclusion

To sum up, the arguments of each camp are based on some basic assumptions. Generally, the assumptions are related with the role of state. While the supporters assume that global markets have rendered nation states practically irrelevant, the opponents of globalization emphasizes on the still continuing importance of state in world politics. For the opponents, it is still the powerful states, or even one hegemon state, not the multinational or multilateral organizations that lead the process in terms of economic, political and cultural senses.

CHAPTER 3

RUSSIA'S GLOBALIZATION UNDER BORIS YELTSIN

3.1. Introduction

This chapter will analyze the process of Russia's globalization under Boris Yeltsin. The nature of Russia's transition and evaluation of the foreign policy thinking during 1990s will be examined. The chapter will also examine the developments in the energy and foreign policy of Boris Yeltsin and the effects of Westernist and globalization oriented policies of him will be explored.

3.2. Russia's Transformation under Boris Yeltsin

The end of Soviet Union was considered to be the result of developments attributed to globalization; and Russia's transformation took place in an environment dominated by the process of globalization. Although the collapse of the Soviet Union is generally seen as a major result of globalization, Russia's progress since then is ignored by worldwide intellectual attention except neoliberal definitions of Russia's transition.⁴⁷ One of the writers who examine and criticize the style of Russian transition is Joseph Stiglitz. As the Former Chief Economist of the World Bank, he

⁴⁷ Leo McCann, 'Introduction to Russian Transformations', in By Leo McCann (ed.) *Russian Transformations*, London: RoutledgeCurzon, 2004, p.1

admitted that Russia was transformed from an industrial giant into a natural resource exporter as a result of the mismanaged globalization.⁴⁸

The strategy developed to ‘globalize’ Russia was known as “shock therapy”. Its implementation was begun by Yeltsin government on January 1st, 1992, with the elimination of price controls on most goods. The objective of the shock therapy was to create a market economy in Russia as quickly as possible. The aim was to stimulate competition by freeing prices and liberalizing trade policies and to create private property by privatization policies.

In the course of time, most of those who believed in the possibility of a big leap forward for Russia to a capitalist future were disappointed and started to use concepts like “liberalization without democratization”, “peripheralization”, “balkanization” and “thirdworldization” to describe the situation in countries “used to be the Second World of more or less developed socialist welfare states”.⁴⁹

Consequently, the studies about Russia’s transformation moved their focus towards on the reasons of Russia’s failure in transition from a state-centric model of economy to a market-driven economy whose development had been assured as a result of globalization process. For example, Paul Sanders describes four areas in which the globalization paradigm fails in the Russian case.⁵⁰ First, domestic pressures for

⁴⁸ Joseph E. Stiglitz, *Küreselleşme Büyük Hayal Kırıklığı*, İstanbul: Plan ve İletişim Yay., 2002.

⁴⁹ Mikhail A. Molchanov, ‘Russia and Globalization’, *Perspectives on Global Development and Technology*, Volume 4, issue 3-4, 2005, p.401
http://people.stu.ca/~molchan/pdfs/russia_and_globalization2005.pdf (accessed on 11.08.2007)

⁵⁰ Paul J. Sanders, ‘Why “Globalization” Didn’t Rescue Russia’,
<http://www.hoover.org/publications/policyreview/3479217.html> (accessed on 03.04.2007)

change have not been as strong as globalization suggests because of the existence of a strong hostility among Russians against American consumerism. Second, the economic pressure for reform has not been as strong as globalization predicts because it has been known that some investment would eventually come to Russia even if the country makes minimal changes in its economy and policy. Russia's abundant resources and large domestic markets would draw investment from large MNCs. Third; there is a lack of persuasive relationship between economic reform and democratization for Russians. Finally, the linkage between democracy and peace seems weak in the eyes of Russians as the notion claims that the democracies do not fight with each other. The reason derives mainly from the US-Russia relations. Even if Russia was transformed into a prosperous democracy, the relation between them would remain tense and complex because of the disagreements about some important issues ranging from NATO's proper role after the Cold War to the issue of humanitarian intervention. Because of the existence of all of these negative factors in Russian case, globalization has begun to lose most of its plausibility in its allegations concerning Russia's transformation and integration to globalizing world.

However, there are also alternative arguments searching reasons of the failure in Russia's own dynamics. For example, Bernhard Seliger⁵¹ claimed that the reasons are lying in misunderstandings about the nature of globalization and the Russian transformation crisis. Firstly, according to him, it should be accepted that Russia was preoccupied with domestic issues and its economic and political relations with the near abroad during 1990s. Then, for him, globalization was taken as a geopolitical

⁵¹ Bernhard Seliger, 'The Impact of Globalization: Chances and Risk for Russia as a Transformation Country', *Eastern European Economics*, Vol.42, No.1, January-February 2004, p.8.

term by the Russian politicians and intellectuals. In spite of this, domestic choices and domestic failures of reform were interpreted as the results of globalization by Russian intellectuals. Besides, most of the emphasis was mainly put on distributional consequences of globalization; it means that the attention was on the negative sides of it. Finally, he argues that the debate about globalization was shaped by intellectuals who were in coalition with authoritarian regimes, so, they rejected foreign influence and took a hostile stance to globalization.

Another important study for the search of reasons of the failure came from Gustafson. In his book 'Capitalism Russian-Style', he predicts that Russian development will not result in similar formations of the G7 countries. Russia is exhibiting unique features of its own, so they are not temporary and transnational but traditional national features. We are witnessing the emergence of the Russian model of capitalism. Moreover, like all the other forms, Russian model of capitalism possesses its own local dynamics and processes which will not be homogenized into a global model.⁵²

Consequently, after ten years in transition under Yeltsin, the results of large-scale market reforms in Russia have been controversial at best. But it is obvious that the expected rapid passage towards a functional market economy providing equally shared benefits has largely failed to materialize. So, it is claimed that the intentional weakening of the economic and administrative role of the state in the early stages of

⁵² Thane Gustafson, *Capitalism Russian-Style*, Cambridge: Cambridge University Press, 1999.

reforms has increased the economic and social cost of transition.⁵³ As a result of wrong policies followed in this period, “many Russians came to see the economic and social chaos of the early 1990s not as the product of a collapsed communist economic system, but as a result of the capitalist regime that was being forced on Russia at Western insistence.”⁵⁴ In fact, both the free market capitalism and Westernism were intentional choices of Boris Yeltsin since his first coming to power to realize Russia’s integration into global world; and their effects were felt in both energy and foreign policy areas during his term lasted throughout 1990s.

3.3. Russian Energy Policy under Boris Yeltsin

After the collapse of communism a new generation of leaders, represented by Boris Yeltsin, Andrei Kozyrev and Yegor Gaidar, who saw liberal democracy and free market capitalism as principles capable of providing Russia with necessary instruments for its recovery and rebirth as a strong state came to power in Russia. Yeltsin’s policy strategy placed primary emphasis on US-Russian relations. He intended to draw Russia closer to Washington and the West and end the vestiges of the Cold War. His strategy was based on the search for entrance into Western organizations and cooperation with Western partners such as participation in the OSCE, cooperation with NATO and participation in UN peacekeeping.⁵⁵ Therefore,

⁵³ Andrei Kuznetsov, Olga Koznetsova, ‘Institutions, Business and the State in Russia’, *Europe-Asia Studies*, Vol.55, No.6, September 2003, p.907.

⁵⁴ Dale R. Herspring and Peter Rutland, ‘Putin and Russian Foreign Policy’, in Dale R. Herspring (ed.), *Putin’s Russia: Past Imperfect, Future Uncertain*, Lanham: Rowman&Littlefield Publishers, 2003, p.229.

⁵⁵ Bruce D. Porter, ‘Russia and Europe after the Cold War: The Interaction of Domestic and Foreign Policies’, in Celeste A. Wallander (Ed.), *The Sources of Russian Foreign Policy After the Cold War*, New York: Westview Press, 1996, p.133.

primary focus of the Yeltsin's government was on developing close relations with the West, including military withdrawal, the acceptance of the defeat of communism and the negligence of the former Soviet states.

The negligence towards the CIS states caused the omission of also the energy relations with those countries. In fact, the realm of energy was remained more or less business and the fact that oil and gas flowing north through Russian pipelines was taken as it means that Russia controlled the economic lifeline of the region.

However, by the mid 1990s, it began to be argued that a more assertive Russian policy in the region is necessary because of the fear of losing Russia's position in the region. Actually, Russia's worries were not ungrounded. There occurred the reality of an active US involvement in the region, moreover, the emergence of a pronounced role for foreign states and actors became most clear in the energy sector. For example, major Western companies including Chevron, British Petroleum, Exxon, Elf, Agip, Shell and Texaco signed deals with the countries in the region, particularly with Azerbaijan and Kazakhstan. They were encouraged by Western governments, especially the United States which saw the energy issue in geopolitical terms and rejected Russia's claims for an energy monopoly.⁵⁶

The response from Russia to Western involvement in the region was unorganized and fragmented. The reasons of this fact are: firstly, Russia lacked the capacity to push its competitors out of the region. Second, Russian leadership under Yeltsin still

⁵⁶ Paul Kubicek, 'Russian Energy Policy in the Caspian Basin', *World Affairs*, Vol.166, No.4, Spring 2004, p.208.

believed that Russia and the West could cooperate in some projects in the region.⁵⁷ However, the rivalry became obvious given the fact that Russian firms had only small stakes in the main energy projects in the region. Furthermore, the new pipeline routes were designed and supported by especially the US to bypass Russia as in the examples of Baku-Tbilisi-Ceyhan and Turkmenistan-Baku-Tbilisi-Erzurum pipelines.

Even though Russia was aware of the danger of the presence of Western companies backed by their government, it had very limited things to do. The main problem was that Russia had few carrots to offer its neighbors, and its sticks also grew weaker over time. Therefore, emboldened by Western support, countries like Azerbaijan and Kazakhstan started to resist Russian pressures in the 1990s, for instance in the issue of dividing up the Caspian Sea in a manner that would give Russia an effective veto over other states' use of undersea resources.⁵⁸

On the other hand, despite loud protectionist rhetoric, the energy industry at home was also being opened to Western companies and investments. The US companies including Mobil, Exxon, Conoco, Texaco, and Amoco had already advanced in the sector as a result of privatization policies of Yeltsin government. In addition, in December 1995, a production-sharing law was approved to guarantee access by non-Russians to Russian energy resources.⁵⁹

⁵⁷ Ibid., p.208.

⁵⁸ Ibid., p.209.

⁵⁹ Igor Khripunov and Mary M. Matthews, 'Russia's Oil and Gas Interest Group and Its Foreign Policy Agenda', *Problems of Post-Communism*, Vol.43, No. 3, May/June 1996, p.41.

As a matter of fact, the opposing ideas have also influenced the oil policies in 1990s. For example, on 21 July 1994, President Boris Yeltsin signed a secret directive ‘On Protecting the Interest of the Russian Federation in the Caspian Sea’ with the support of then Foreign Minister Andrei Kozyrev and Yevgeny Primakov. The aim of the directive was to prevent involvement from foreign companies in the development and export of from the CIS states. This view was opposed by other government officials such as Prime Minister Victor Chernomyrdin and several oil industry members who regarded foreign participation as the main instrument to achieve capital investment and advanced technology.⁶⁰

As a result, especially after 1993, as a result of the privatization trend in the oil sector, oligarchs like Mikhail Khodorkovsky of YUKOS, Boris Berezovsky and Roman Abramovich of Sibneft emerged and started to take the control of the energy sector. It is worthy to add that, unlike the oil industry; the gas sector was not caved up in the 1990s and controlled by the state-dominated monopoly, Gazprom.⁶¹ The raise of oligarchs in the strategic sectors of Russia’s economy as well as energy, also shape the course of energy policy implementation of Yeltsin government. Finally, Yeltsin’s Westernist approach together with liberal reforms like privatization both lower the Russia’s hand in it’s near abroad and state’s control over the energy sector domestically.

⁶⁰ Michael Fredholm, *The Russian Energy Strategy & Energy Policy: Pipeline Diplomacy or Mutual Dependence?*, Conflict Studies Research Center, September 2005, p.8. [www.defac.ac.uk/colleges/csdc/document-listings/russian/05\(41\)-MF.pdf](http://www.defac.ac.uk/colleges/csdc/document-listings/russian/05(41)-MF.pdf) (accessed on 20.07.2007)

⁶¹ Fiona Hill, *Energy Empire: Oil, Gas and Russia’s Revival*, The Foreign Policy Center, p.12. September 2004. fpc.org.uk/fsblob/307.pdf (accessed on 10.08.2007)

3.4. Russian Foreign Policy Thinking in 1990s

Discussions about Russia's foreign policy in its long history display a continuation after the collapse of the Soviet Union in many senses, during 1990s. There have always been great arguments about the origin, direction and objectives of Russian foreign policy even in Soviet times. Throughout 1990s, main foreign policy schools have continued their existence. In this context, Eurasianists, Westerners, integrationists, balancers, etc. have all had different suggestions for Russia's foreign policy problems in Russia's transition period.

To begin with, Eurasianism has been an historical political philosophy in Russian foreign policy thinking. For the 1990s, inherent in Eurasianist thinking are the notions of benevolent imperialism and Orthodox messianic qualities, and a belief that a 'third way' is possible between capitalism and communism.⁶² It stresses the Russia's uniqueness and originality. One of the most famous representatives of Eurasianism was Alexander Dugin who emphasizes the importance of geopolitics. He argues that the moral enemy of Russia and Eurasia is not Europe; it is the US.⁶³ Anti-Americanism can be seen also in the writings of other Eurasianist thinkers.

A traditional tendency of 'isolationism' in Russian history can be seen also in Eurasianism with its ideal: "to catch up with the world by using its own resources".⁶⁴

⁶² Dmitry Shlapentokh, 'Russia's Foreign Policy and Eurasianism', *Eurasia Insight*, 9 February 2005, <http://www.eurasianet.org/departments/insight/articles/eav080205a.shtml> (accessed on 03.04.2007)

⁶³ Ibid.

⁶⁴ Viacheslav Nikonov, 'Towards Russia's National Revival', *International Affairs: A Russian Journal*, no.4, 2001. <http://www.ciaonet.org/olj/iarj/niv01.html>. (accessed on 23.07.2007).

They believe that this is the most convenient scenario for Russia historically and culturally: it should have its own influence and a role of its own. Russia's success in being one of the world centers lies in Eurasia not in integration with the West.⁶⁵

On the other hand, Westerners have supported that the interests of Russia and those of the West are identical. They have advised Russia's membership to the Western institutions including the EU and the NATO. According to them Russia should stop objections to West and join the Western civilization. In fact historically Russia is a part of this civilization despite it stayed apart from it temporarily in Soviet times. Westernism was the most influential school in the first half of the 1990s.

'Integrationists', in 1990s, came from the Westerners' camp. They have emphasized Russia's integration into the West since they view it as the most viable and progressive civilization in the world. Mikhail Gorbachev and Russian Federation's first foreign minister Andrey Kozyrev, can be mentioned among many others as the advocates of integrationist school of thought in 1990s. Members of the Russia's business elites, liberal media have always been the supporters of integrationism since the fall of the Soviet Union. For integrationists, Russia's very system of values has to be changed and Russia should accept the primacy of the individual and free market over society and state in order to develop partnership with Western countries.⁶⁶ As a

⁶⁵ Alexei Pushkov, 'Quo Vadis? Scenarios for Russia', *International Affairs: A Russian Journal*, State of the Nation, 2002. http://www.ciaonet.org/olj/iarj/iarj_02_01b.html. (Accessed on 13.06.2007)

⁶⁶ Andrei P. Tsygankov, 'New Challenges for Putin's Foreign Policy', *Foreign Policy Research Institute*, Winter 2006, p.154.
http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6W5V-4HHGNYS-1&_user=10&_coverDate=02%2F28%2F2007&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=5f7922e0514477683c2bda3c6a015661 (accessed on 03.04.2007)

result of domination of this school in the first half of 1990s in Russia's political elites, Russia followed a policy of integration into the West under the guidance of certain Western institutions such as the IMF and World Bank. However, failures in reforms and continuing downgrade in economic conditions in addition to an unsuccessful international image caused a search for change in foreign policy approach especially after the rise of Primakov, the second prime minister of the Russian Federation.

Another important and effective school in 1990s is 'balancers' who consider Russia as a geopolitically and culturally distinct entity. They were nationalist and coming from both Eurasianist and anti-Westernist traditions. Anti-Westerners had been another camp that accuses the West of purposeful destruction of Russia. They are against globalization which means, for them, Western imperialism and hegemony. Contrary to Westerners, they claim that Russian and Western interests clash in many areas; especially in CIS.⁶⁷

The supporters of balancing vision are generally military industrialists, the army and the security services. Primakov, the second foreign minister of the Russian Federation, has represented a leading position of this view especially during the second half of the 1990s. According to him, Russia as an independent power must strive for becoming a pole of multipolar world and it should be motivated by its own great-power interests, not by the desire to be a part of the West.⁶⁸

⁶⁷ Viacheslav Nikonov, *op.cit.*

⁶⁸ Andrei P. Tsygankov, *op.cit.*, p.154.

As an established critique of Primakov's balancing foreign policy was formed by the advocates of 'great-power normalization'. Instead of the concept of multipolar world which they regard as outdated and potentially confrontational they propose "selective engagement".⁶⁹ While they are loyal to the idea of great-power, the way of achieving it differs from that of balancers. This school has especially risen with the Vladimir Putin's coming to power after 2000.

Russia's inadequate vision of the world situation combined with its great power ambitions resulted unattainable goals and ended with failures in the second half of 1990s. The developments such as NATO's expansion, US withdrawal from the ABM treaty or NATO's operations in Balkans could not be prevented. At the same time, ambitions targeting former Soviet region were frustrated.

3.5. Russian Foreign Policy under Boris Yeltsin

Russian foreign policy from 1991 until at least Fall 1993 lacked coherence, design and a sense of strategy. Since the foreign policy primarily focused on the West; no explicit, coherent policy was pursued in relations with the CIS states. Although some pragmatic nationalist tendencies were felt for some time, the necessary price was never paid for neither reintegration nor cooperation with those states during Yeltsin era.

However, the three primary issues changed the face of Yeltsin's foreign policy during the years of 1993 and 1994: the protests for Russian role in the former Soviet

⁶⁹ Ibid., p.156.

republics by Western countries; the conflict in Bosnia; and the thread of NATO enlargement.⁷⁰ These emerging threats in the external environment caused a shift towards an anti-Western discourse in the declarations of both Yeltsin and Kozyrev. Furthermore, at the middle of 1994, for a while, an historical Russian national unity to build a strong state was seemed to be achieved through the avocation of external threats. However, after the perceived threats were lessened or it became apparent that the West would not challenge Russia's priorities in the issues of NATO and Russia's involvement in the CIS, Yeltsin and his advisers returned to follow their pro-Western policies. The only exception was seen in the relations with the CIS states. Since 1994, Yeltsin's foreign policy rhetoric was dominated by the geopolitical importance of the region for Russia's great power status. However, the only active policy was the military involvement in the conflicts in former Soviet republics.⁷¹ Excluding this, there was no concrete development in Russia's relations with its 'near abroad' in the term of Yeltsin.

After 1993, nationalists groups began to be active and dominate foreign policy debates. This also caused a shift in the rhetoric of Yeltsin's group. Even the enthusiastic Westernist Yeltsin began to talk about 'cold peace' as the successor of Cold War in the relations with the West.⁷² However, as stated above, the changes were generally limited in the declarations and rhetoric, and there was no concrete step.

⁷⁰ Bruce D. Porter, op.cit., p.138.

⁷¹ Nicole J. Jackson, *Russian Foreign Policy and the CIS: Theories, Debates and Actions*, London: Routledge, 2003, p.77.

⁷² Mike Bowker, *Russian Foreign Policy and the End of the Cold War*, Brookfield: Dartmouth Pub, 1997, p.205.

Russian foreign policy from 1996 to 2000 also displayed an ad hoc character lurching from crisis to crisis. After somehow solving the enlargement problem with NATO, Russia waited for another external development, such as NATO's military operation in 1999 against Milosevic, and did not create a permanent strategy to shape its response in the face of such crisis except pessimism in political circles about the objective of 'civilized' multipolar world. Moreover, developments such as the Russia-NATO Founding Act could still be greeted with certain optimism as the proofs of international understanding and cooperation.⁷³

3.6. Conclusion

As a conclusion, it can be said that, Yeltsin's energy and foreign policy also reflected his wrong policies in the internal affairs, deriving from the misperception of globalization and misapplication of reforms. As a result, many reactions to both globalization, as an external factor, and Yeltsin, as an internal actor, have emerged among Russian intellectuals and finally they pave the way for Vladimir Putin's coming to power in 2000. Thus, Vladimir Putin's policies have been based on these two dimensional reactions. However, it should be noted that, the reactions have emphasized more on globalization and its effects on Russia since the transition under Yeltsin was supposed to be realized according to the rules of globalization.

⁷³ Bobo Lo, *Russian Foreign Policy in the Post Soviet Era: Reality, Illusion and Mythmaking*, New York: Palgrave Macmillan, 2002, p.25.

CHAPTER 4

RESPONSES OF RUSSIAN INTELLECTUALS TO THE GLOBALIZATION UNDER BORIS YELTSIN

4.1. Introduction

This chapter will emphasize on the responses of Russian intellectuals to Russia's globalization process under Boris Yeltsin. Firstly, opinions of Russian intellectuals about the concept and process of globalization will be analyzed. Then, the ideas of communist, nationalist and liberal intellectuals of Russia will be explored in the context of their reactions and suggestions for Russia to respond in the face of globalization.

4.2. Russian Intellectuals and Their Conceptions of Globalization

The views of Russian scholars about globalization, as can be expected, are largely determined by the transformations taking place in the Russian society during 1990s. Thus, the general attitude towards globalization is negative although it has been welcomed with a great enthusiasm by some circles. As in the worldwide discussion of globalization, among Russian intellectuals too, there are opposing camps regarding their perception of globalization. On the whole, the left and nationalist wings of the spectrum constitute the opponents of globalization. Besides, the groups holding a more liberal stance can be seen as the supporters of globalization.

As an example to opponents' arguments, Mikhail Molchanov claims that the globalization led by the West means increased openness of the world to the spread of Western money, brand names, values, lifestyles and opinions.⁷⁴ In fact, both the adherents, such as Brzezinski, and opponents, like Zinoviyev, of globalization note the tendency of monopolization of the world economy and the desire of the US to become the center of the future world empire.⁷⁵ In the same context, Mikhail Titarenko also stresses the role of the West led by the US. He notes that:

[G]lobalization in fact develops against the background of domination of the United States, which seeks to oppose in every way the objective tendency towards a multi-polar, polycentric world structure likely to be based on major regional groups of countries linked by close economic and civilizational ties.⁷⁶

Globalization is also regarded as directed by an entire system of highly influential international financial-economic, trade and political organizations such as the IMF, the WB and the WTO. Through their actions the process of globalization gives the biggest benefits to highly developed countries which possess a powerful economic, financial and resource potential.⁷⁷ According to Ivanov, the actions of actors of globalization, in pursuing their own interest, have unpredictable results.⁷⁸ Transnational corporations (TNCs) are also among these actors together with transnational banks, states and regional block of states.

⁷⁴ Mikhail A. Molchanov, *op.cit.*, p.401

⁷⁵ Sergey Valentcy, & Lenoid Nesterov, 'Russia in the Changing World: External and Internal Challenges', *Social Sciences*, No.1, 2003, p.20.

⁷⁶ Mikhail Titarenko, 'Russia, China and India in a Globalized World', *International Affairs*, 2002, p.60. <http://eng.globalaffairs.ru/numbers/15/1025.html> (accessed on 03.04.2007).

⁷⁷ *Ibid.*, p.60.

⁷⁸ N.P. Ivanov, 'Challenges of Globalization: the Economic Aspects', in 'Globalization and Russia, A Round-Table Discussion', *Russian Social Science Review*, Vol. 45, No.2, March-April 2004, p.6.

In addition, what draws the attention of Russian scholars most is the results of globalization in political, economic and ethical senses. This is obvious that globalization has negative consequences such as growing gap in living standards between the “golden billion” and the rest including Russia; environmental problems especially in developing countries like shortage of clean water; and increasing gap in development levels between various population strata and regions. But at the same time, some supposedly positive developments have also negative consequences. As Kagarlitsky points, technological developments become negative factors causing contradictions and disproportions. It deepens the gap between people and countries and eradicates the possibility of catch up for those stayed behind.⁷⁹

For the solution of problems created by globalization Russian intellectuals have similar proposals with their Western colleagues. However, the most supported solution is strengthening the state’s power. Zagvaldin and Panarin are among those who claim the importance of the role of state. Nation states and plurality of alternatives are the main hopes for the future.⁸⁰ According to this perspective, “victory of the principles of an open market economy could become a source of many problems that have already been partially resolved within the framework of individual states.”⁸¹

⁷⁹ Boris Kagarlitsky, *New Realism, New Barbarism: Socialist Theory in the Era of Globalization*, London: Pluto Press, 1999, p.4.

⁸⁰ Mikhail Ilyin, ‘Policies of Globalization and Equity in Post-Soviet Russia’, from *Globalization and Equity*, Fourth Annual Global Development Conference, Cairo, Egypt: January 19-21, 2003, p.11. www.gdnet.org/pdf/Fourth_Annual_Conference/parallels2/CIS/Ilyin_paper.pdf (accessed on 10.08.2007)

⁸¹ N.V. Zagvaldin, ‘Challenges to the Structure of the World Order’ in ‘Globalization and Russia: A Round-Table Discussion’, *Russian Social Science Review*, Vol. 45, No.2, March-April 2004, p.20.

Thus, for many Russian scholars, like Kholodkovskii, globalization does not mean the end of nation-state; it continues to be a central player especially in domestic politics. What globalization causes in terms of nation-states is complicating its task while shrinking its resources. The state has to handle the problems that originate completely or partially beyond its borders such as capital transfers, transnational economic networks, migration, organized crime, environmental problems and problems of informational and cultural expansion.⁸²

As a conclusion, at the beginning of 1990s, the dominant neo-liberal argument was that the free market and private enterprise combined with Western-style democracy would bring prosperity to all. However, despite the unprecedented political and ideological strength of capital on a world scale, there is a growing instability, uncertainty and crisis situation in most societies. Last developments such as in Russia proved the defeat of neo-liberalism.⁸³ Moreover, deriving from the example of China we can conclude that the alleged positive correlation between economic development and democracy can not be proved. This example proved that in fact, “globalization does not necessarily portend the triumph either of liberalism or democracy or of free trade and open market economy.”⁸⁴

⁸² K.G. Kholodkovskii, ‘The Domestic Policy Aspects’, in ‘Globalization and Russia: A Round-Table Discussion’, *Russian Social Science Review*, Vol. 45, No.2, March-April 2004, p.22.

⁸³ Boris Kagarlitsky, *New Realism, New Barbarism: Socialist Theory in the Era of Globalization*, London: Pluto Press, 1999, p.2.

⁸⁴ Mikhail A. Molchanov, *op.cit.*, p.413.

4.3. Reactions of Communists to Globalization under Boris Yeltsin

One of the most critical voices, Boris Kagarlitsky, considers globalization as an innovation of international finance capital. It is a cover for neoliberal policies aiming to squeeze extra profits from the working classes and from developing countries. So he indicates:

As a result of these policies, not only are Russian workers in most sectors now on the verge of starvation but American workers are receiving smaller wages than twenty years ago after inflation is taken into account. These policies are not aimed against Russia, any more than against America. It is simply that international finance capital has been victorious over industrial capital.⁸⁵

Kagarlitsky regards globalization as the last stage of capitalism and recalls the Roman Empire's last periods. But what he emphasizes is the perception which considers Western Europeans and North Americans as the representatives of civilization in the current world. Thus, he warns that, according to this perception, Russians with many developing countries have to accept the status of barbarians.⁸⁶

Alexander Dugin also considers globalization as the result of plans of certain powers in search of their interest. For him, it is used in place of discredited terms such as neoliberalism or neoimperialism.⁸⁷ Gennady Zyuganov, the leader of the Communist Party, regards globalization as serving no one but transnational "cosmopolitan elite" and the creation of a "new world order", which he describes it as a "unified global

⁸⁵ Boris Kagarlitsky, 'Globalization and Russia', *Focus on Trade*, no.60, March 2001, <http://www.zmag.org/sustainers/content/2001-03/12kagarlitsky.htm>. (accessed on 10.08.2007)

⁸⁶ Boris Kagarlitsky, *New Realism, New Barbarism: Socialist Theory in the Era of Globalization*, London: Pluto Press, 1999.

⁸⁷ Julia Rozanova, *Russia in the Context of Globalization*, *Current Sociology*; Vol.51, No.649, 2003, p.651. csi.sagepub.com/cgi/content/abstract/51/6/649 (accessed on 10.08.2007)

network of planetary management, a world superstate governed from a single center and wielding legal priority over the local laws.”⁸⁸

Finally for Molchanov, one of the most common results of globalization can be seen also in Russia: unequal distribution of wealth. He points that, also in Russia, they are only a few members of the country’s newly emerged class of rich and superrich figures who could fully partake of the benefits.⁸⁹ The richest 10 percent of the country’s population appropriate and consume more than 20 times the share of the poorest 10 percent.⁹⁰ As a result of the “liberal individualism” that Russia embraced in the aftermath of the collapse, and the increased openness of the state and the economy, people lost even those few limited channels of participation that had existed under Soviet rule.⁹¹

4.4. Reactions of Nationalists to Globalization under Yeltsin

The concepts like ‘sovereignty’ have emerged in the search of responses to the challenges of globalization among Russian nationalists. To realize sovereignty in terms of Russia’s role and place in the globalizing world, the concepts of self-determination and multipolarity have been taken as the two most important key instruments. Self-determination for Krasin means “the orientation taken in the

⁸⁸ Mikhail A. Molchanov, *op.cit.*, p.417.

⁸⁹ Mikhail A. Molchanov, *op.cit.*, p.401.

⁹⁰ *Ibid.*, p.403.

⁹¹ *Ibid.*, p.399.

ongoing changes; the choice of place in the modern world; and how to get there.”⁹² But it does not depend only on the country itself but also on the world situation. At the same time for the self-determination to be realized a national consensus is necessary, however, in the transformation stage Russian society is characterized by deep contradictions. Thus, a moderate authoritarian regime is taken as the best possible alternative for Russia to construct its stability and unity. This is also supported by the public because they are tired of constant economic and political turmoil.⁹³

As a result, the concept of self-determination is developed by the Russian nationalists to determine the behavior of the country in the globalizing world. According to them the most likely scenario for Russia’s self-determination is to choose the model of moderate authoritarianism. They admit that there is a risk for a future authoritarian dictatorship but they uncover their intention as to prepare conditions for democratic rule in the future.⁹⁴

The second concept is multipolarity which has emerged as the most appropriate environment for Russia’s role and place in a globalizing world. Klepatskii, as one of those who support the objective of multipolarity as most convenient strategy for Russia’s interests, also proposes it as the best foreign policy option for Russia to cope with the negative consequences of globalization. So, Russia should act in accordance with the necessities of its interest depending on particularity of time and

⁹² Julia Rozanova, *op.cit.*, p.655.

⁹³ *Ibid.*, p.660.

⁹⁴ *Ibid.*, p.664.

event, and should not bind itself only one strategy.⁹⁵ To achieve this objective, on the one hand Russia should collaborate with all powers and, on the other hand, broaden collaboration with the former Soviet republics to form a regional level union. By these ways, Russia can raise its standing as one of the world powers; create a balance of interest among the participants of global process; and escape from accepting political, economic and technological leadership of industrially developed countries.⁹⁶

As a conclusion, nationalists strongly emphasize on sovereignty and role of state, and multipolar structure against the hegemony of the US which is generally corresponded to the process of globalization. This is also well known that the majority of Russian population prefers “a unique Russian path” for Russia’s development.⁹⁷

4.5. Reactions of Liberals to Globalization under Boris Yeltsin

Third camp consists of Russian liberals who advocate the idea that globalization gives Russia a certain chance to join the world civilization and to get integrated with the advanced West. However, the interesting point is that even the intellectuals in the second camp have nationalistic and geopolitical reservations for Russia’s foreign policy while supporting liberal democratic reforms in the domestic affairs. For example, according to Sergei Karaganov, globalization is a positive challenge that

⁹⁵ L.N. Klepatskii, ‘The New Russia and the New World Order’, in Gabriel Gorodetsky (ed.) *Russia Between East and West: Russian Foreign Policy on the Treshold of the Twenty-First Century*, London: Frank Class, 2003, p.4.

⁹⁶ L.N. Klepatskii, *op.cit.*, pp.9,10,11.

⁹⁷ I.S. Semenenko, ‘Globalization and Russian Socio-Cultural Dynamics’, *Russian Politics and Law*, Vol. 41, No.5, September-October 2003, p.94.

Russia must meet. Integration into the world economy will best serve its benefit. Therefore, Russia must cooperate with developed countries and carry out the necessary reforms; otherwise, its current situation will worsen. He points that now Russia has a fair chance of winning the new century, as opposed to its situation in 20th century, and becoming a major pillar of the new world.⁹⁸

Again from the same point of view, Ivanov notes that: “[m]aking effective use of domestic resources is the most important condition for utilizing new opportunities opened up by globalization to promote the successful development of a country’s own economic system.”⁹⁹ Thus, he criticizes economists and politicians overestimating the role of domestic cooperation in creating competitive advantages in the world market. But, for him, such kind of policies should/can be carried out in state level. So, he is against the dominant neo-liberal model of globalization and advises an alternative model which emphasizes global cooperation and mutual assistance.¹⁰⁰ For Yuri Federov, who also backs up Russia’s integration with the world economy, if Russia chooses to participate in globalization and associate herself with the community of democracy, this will allow Russia to use her still-strong scientific assets, technological achievements and high educational potential to build a modern post industrial economy and society.¹⁰¹ What Russia needs to do in the world

⁹⁸ Sergei Karaganov, ‘The Changes and Challenges of the New World’, in Andrei Melville and Tatiana Shakleina (eds.), *Russian Foreign Policy in Transition: Concept and Realities*, Budapest: CEU Press, 2005, p.462.

⁹⁹ N.P. Ivanov, *op.cit.*, p.14.

¹⁰⁰ *Ibid.*, p.16.

¹⁰¹ Yuri Federov, *Democratization and Globalization: The Case of Russia*, Carnegie Endowment for International Peace, 2000, p.1. www.carnegieendowment.org/files/federov.pdf (accessed on 10.08.2007)

of globalization is listed by Andrei Kokoshin as follows: modernizing its economy, establishing a post-industrial market economy, a stable system of political democracy, and a genuine civil society. In addition to these policies to be achieved internally, for Russia's foreign relations, Kokoshin suggests some strategies.¹⁰² First, Russia should maintain equal and mutually beneficial relations with the US and the EU. Second, it is important to secure concurrent strategic partnership relations with China and India. Finally, top priority should be given to relations with the near-abroad countries.

4.6. Conclusion

Finally, though there are different groups and perspectives among Russian intellectuals, what most of them suggest for Russia is the formation of a strong state instead of abandonment of its power to integrate into the globalizing world economy as the policies under Boris Yeltsin aimed. It is noteworthy that even Russian liberals, who support the integration of Russia to the process of globalization, have nationalistic and geopolitical reservations for Russia's foreign policy while supporting liberal democratic reforms in the domestic affairs. Therefore, it can be said that, Vladimir Putin's policies have depended on a consensus among Russian intellectuals in the context of Russia's reactions to globalization movement: strong state and strong leadership.

¹⁰² Andrei Kokoshin, 'The Phenomenon of Globalization and the National Security Interest', in Andrei Melville and Tatiana Shakleina (eds.), *Russian Foreign Policy in Transition: Concept and Realities*, Budapest: CEU Press, 2005, p.329.

CHAPTER 5

ENERGY AND GLOBALIZATION OF RUSSIA UNDER VLADIMIR PUTIN

5.1. Introduction

This chapter will examine the responses of Russia under Vladimir Putin in field of energy to the forces of globalization. To do this, domestic energy policy of Vladimir Putin and his implementations such as Khodorkovsky affair will be analyzed. Energy relations with the West and the CIS states will be discussed; and to understand more clearly the concerns and worries of each side the Ukrainian gas crisis will be explored.

5.2. Politics of Energy under Vladimir Putin

The energy needs of the states are rapidly growing as well as competition for it. Russia, with its tremendous energy reserves, promises a future in the energy sector. It is ranked second after Saudi Arabia among world oil producers and the fourth largest electricity producer. Russia has a more significant place in the natural gas production than in oil production since it controls nearly 31 percent of the world gas reserves.

Russian state works through three companies in the energy fields of natural gas, oil and electricity: Gazprom, Unified Energy Systems of Russia (UES) and Transneft.

Gazprom is the largest natural gas producing company in the world with foreign participation which owns 5.7 per cent of its assets.¹⁰³ Gazprom is under state control. It has almost total control over natural gas production and transportation. It exports gas to a large number of countries.¹⁰⁴ Furthermore, with the acquisition of Sibneft on 17 October 2005, Gazprom further increased its control over the domestic energy sector.¹⁰⁵

In the case of the UES; the majority share is owned by the state and it dominates Russia's electricity sector in addition to active involvement in electricity sectors of many CIS countries. The UES exports electricity to Belarus, Azerbaijan, Georgia, Kazakhstan, Moldova, China, Latvia, Mongolia, Finland, Lithuania, and Norway.¹⁰⁶ Finally, in Transneft state has a controlling stake and it has the monopoly over Russian oil pipeline transport. In addition to these companies, Kremlin also has strong formal or informal ties to the major energy companies including Sibneft, Rosneft, Surgutneftegas, Zarubezhneft, and Lukoil.¹⁰⁷ Several of Russia's energy companies are transnational and in general their assets are concentrated in the CIS.

¹⁰³ Michael Fredholm, op.cit., p.18.

¹⁰⁴ In Europe: Germany, Italy, France, Turkey, Hungary, the Czech Republic, the Slovak Republic, Poland, Austria, Finland, Belgium, Bulgaria, Romania, Serbia and Montenegro, Slovenia, Croatia, Greece, Switzerland, the Netherlands, Bosnia, Macedonia, the UK; in the CIS: Ukraine, Belarus, Kazakhstan, Azerbaijan, Moldova, Lithuania, Armenia, Latvia, Georgia, Estonia; and the US, Japan, South Korea are the countries that Gasprom exports gas.
<http://www.gazprom.com/eng/articles/article23533.shtml> (accessed on 03.04.2007)

¹⁰⁵ Saltanat Berdikееva, *Russian Energy Politics*, p.4.
www.eurasia21.com/cgi-data/document/files/russian_energy_politics.pdf
(accessed on 10.08.2007)

¹⁰⁶ The official website of the UES: www.rao-ees.ru/en/.

¹⁰⁷ Robert L. Larrson, *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, FOI - Swedish Defence Research Agency, March 2006, p.115.
www2.foi.se/rapp/foir1934.pdf (accessed on 11.08.2007)

What is important in the issue of Russia's energy supply is the movement of the issue from the area of business to politics. It means that rather than economic concerns they are increasingly political ones which determine energy related relations of Russia with other countries. In fact, energy has never been separated from international politics and geostrategy.

There is a general tendency in the energy sector worldwide: globalization of energy enterprises. Internationalization of energy companies is realized through acquiring resources and building up new facilities in other places of the world.¹⁰⁸ Actually, there are Western style companies oriented towards international markets among Russian energy companies including Gazprom, Lukoil, Surgutneftegaz, Mosenergo and Irkutskenergo.¹⁰⁹ Internationalization of Russian energy companies is a growing tendency in Vladimir Putin's term although foreign energy companies are restricted to enter in the Russian energy sector and there is an absolute state control over certain energy companies. So, it can be derived from the present situation of the Russian energy policies, that globalization can be used for the sake of energy industry and can be ignored in case it is perceived as a threat.

To understand how Russia regards the issue of energy in its relations with other countries one must look at firstly the official answer: the Russian energy strategy.

The energy policy of the Vladimir Putin government is determined by two

¹⁰⁸ Christian von Hirschhausen, Petra Opitz, Hela Engerer, 'The Globalization of the Russia Energy Industry – A Way out of Financial Crisis?', *International Journal of Global Energy Issues*, Vol. 17, No. 4, 2002, p.4.

¹⁰⁹ *Ibid.*, p.11

documents: “Main Provisions of the Russian Energy Strategy to 2020” on 23 November 2000; and its revision on 23 May 2003: “Russian Energy Strategy”. It envisions that Russia will strengthen its position in the world oil and gas markets and become a key supplier of energy to European countries and the rest of the world community, a policy that would underpin Russia’s economic security.¹¹⁰

Briefly, it determines the international activities of Russia within the energy sector in seven points: 1) the export of energy resources, 2) exploitation of energy resources in other states, 3) increased participation in the domestic energy markets abroad, and taking control over energy resources and energy infrastructure of these countries, 4) attraction of foreign investment to the Russian energy sector, 5) work with neighboring energy firms, 6) transit of energy exports, and 7) international technical and legal cooperation.¹¹¹ It is obvious from the points above that Russia plans to rely on the energy resources of some Central Asian states and to re-export them to the consumer states. Besides, the role of state can be seen in all the instruments to achieve the goals to which the strategy pointed. The declaration Vladimir Putin, in October 2003, can be taken as the affirmation of the state attitude:

The gas pipeline system is the creation of the Soviet Union. We intend to retain state control over the gas transportation system and over Gazprom. We will not divide Gazprom. And the European Commission should not have any illusions. In the gas sector, they will have to deal with the state.¹¹²

¹¹⁰ ‘The Summary of the Energy Strategy of Russia for the period of up to 2020’, Ministry of Energy of the Russian Federation, Moscow, 2003.
www.ec.europa.eu/energy/russia/events/doc/2003_strategy_2020_en.pdf (accessed on 20.07.2007)

¹¹¹ Michael Fredholm, *op.cit.*, p.4.

¹¹² *Ibid.*, p.9.

In this context, the most important issue is whether Vladimir Putin's Russia uses energy as a political lever in its relations with other countries. Here it can be asked that what kind of instruments can be used as energy weapon or lever? Robert Larrson gives a brief list to state the most common ones as follows: supply interruptions, threats of supply interruptions, usage of pricing policy, usage of existing energy debts, creating new energy debts, hostile take-overs of companies or infrastructure.¹¹³

Michael Fredholm argues that Russian government is or was not able to use energy deliveries as foreign policy instrument against important countries such as those of the EU or the US for reasons of credibility and mutual dependence.¹¹⁴ Furthermore, he continues, Russian government can not use major oil companies as foreign policy instruments since they have been privatized. Even if it wants to use gas and electricity companies for the same purposes because they are under government control, they can only be used against some weak countries. Although Russia tries to demonstrate that it is a reliable trading partner at least for the major countries of the West; a full dependency on Russia for energy supplies, in particular for natural gas, creates anxiety among these countries. This means that regardless of Russia's actions, the dependency by its nature causes anxiety. In addition to that when we take the geostrategic concerns into consideration the issue complicates more.

¹¹³ Robert L. Larrson, *op.cit.*, p.177.

¹¹⁴ Michael Fredholm, *op.cit.*, p13.

5.3. Domestic Energy Policy under Vladimir Putin

Since taking the office, to ensure state control, Vladimir Putin has introduced numerous measurements domestically to restrict foreign participation in the industrial sectors of strategic importance. The reason of this is clear: Vladimir Putin does not want powerful private companies, be it domestic or foreign, that would be effective in the determination of Russia's energy policy through their economic and strategic power. In this sense Dieter Helm states the logic of Russian leadership very well:

Russia's energy policies may be disturbing, but they are not wholly irrational. The oligarchs could not simply be left in charge, the reserves could not be simply handed out to foreign companies and Russia could not sensibly open up its networks and contracts to the dictates of the British model. Russia needs western expertise and capital - but it does not have to cede ownership of its reserves to achieve this. Western oil companies can help develop the fields but not necessarily own the reserves.¹¹⁵

For Vladimir Putin's energy policy, the 2003 has represented a corner stone for state control as a result of the Khodorkovsky affair. The event summarizes Vladimir Putin's logic and energy strategy in internal affairs. The CEO of Yukos, Mikhail Khodorkovsky, was arrested in October 2003 and was charged with crimes including falsifying documents and theft. Khodorkovsky affair is generally regarded as the selective application of Russian law to eliminate a billionaire from Russian political life and send a strong message to Russia's other oligarchs.¹¹⁶ In fact, oligarchs had gained strength during the Yeltsin era and their power, especially in the oil sector,

¹¹⁵ Dieter Helm, 'Russia's Energy Policy: Politics or Economics?', www.opendemocracy.net/globalization-institutions_government/russia_energy_4004.jsp (accessed on 20.07.2007)

¹¹⁶ Martha Brill Olcott, '*Energy Dimension in Russian Global Strategy: Vladimir Putin and the Geopolitics of Oil*', p. 11. www.rice.edu/energy/publications/docs/PEC_Olcott_10_2004.pdf (Accessed on 13.06.2007)

made them effective in the settings and implementations of energy policy of Russia. Contrary to Vladimir Putin, oligarchs were generally in favor of foreign firms and their free investment in Russia as well as benefits of privatization for Russia's development. Olcott summarizes Vladimir Putin's view in these issues very well:

He believes that Russian ownership of Russia's resource base is critical to Russia's economic recovery and to the country's reemergence as an important international actor. Vladimir Putin does not believe in relying on global market forces to provide the economic opportunities and social supports necessary for the Russian people to make a successful transition from communist rule to a modern, European-style economic and political system. Instead, he believes that premature globalization of Russian economy will lead to greater hardship for the majority of Russian people and that it will lead to the concentration of vast wealth in a relatively limited number of hands of people with little or no incentive to reinvest in Russian economy.¹¹⁷

This paragraph explains the motivation of Vladimir Putin while waging a war against the oligarchs. Here, it can be said that Vladimir Putin and the oligarchs represent two traditional opposing camps: while Vladimir Putin is backing state control¹¹⁸, oligarchs support the private sector in the energy field. The result of the Khodorkovsky affairs demonstrated the winner: Vladimir Putin.

In the case of Khodorkovsky, there are two main events that stimulated the immediate action. One was the Yukos' relations with China and the other was Yukos' plan to sell some of its stock to ExxonMobil.¹¹⁹ Both were against the strategy of Vladimir Putin. Firstly, Vladimir Putin does not support the construction

¹¹⁷ Ibid., p. 16.

¹¹⁸ Putin's opinion about the energy policy of Russia and the role of state was stated in his article: "Mineral Natural Resources in the Strategy for Development of Russian Economy", published in the Mining Institute journal. In this article he explains the details of state's responsibilities to develop the energy sector and the ways to achieve it. Harley Balzer, 'Vladimir Putin's Academic Writings and Russian Natural Economic Policy', *Problems of Post Communism*, Vol.53, No.1, January/February 2006.

¹¹⁹ Vladimir Milov, 'Russia's Energy Sector and its International Implications', *The Institute of Energy Policy*, Tokyo, March 30, 2005, p.7.

of a pipeline to single consumer as Yukos planned to build one directly to China.¹²⁰ According to him, to invest money in a pipeline leading to a single customer makes the supplier vulnerable to demands from the customer in terms of price and durability of the project.¹²¹ Besides, such kind of cooperation between a private Russian company and foreign state was regarded dangerous to Vladimir Putin's foreign policy which should be determined by the state independently from the activities of private actors.

Second, Vladimir Putin's strategy is against strengthening of foreign companies in the energy sector and Yukos' relation with ExxonMobil was threatening in this sense. Finally, Vladimir Putin was aware of Khodorkovsky's political power and wanted to eliminate his rivalry in the political arena by destroying his economic power. At the end, Vladimir Putin was successful; a powerful oligarch was deleted from the political scene as well as the possibility of others who cowered after seeing Khodorkovsky's payoff.

5.4. Energy Relations with the West

There is a clear interdependency between the EU and Russia concerning energy. The 80 percent of the oil exports and the 60 percent of the natural gas exports of Russia goes to Europe and 38 percent of Europe's gas imports and 25 percent of its oil come

¹²⁰ Isabel Gorst, 'Russian Pipeline Strategies: Business Versus Politics: The Energy Dimension in Russia's Global Strategy', *The James A. Barker Institute for Public Policy of Rice University*, October 2004, p.14. www.rice.edu/energy/publications/docs/PEC_Gorst_10_2004.pdf (accessed on 20.07.2007)

¹²¹ Michael Fredholm, *op.cit.*, p.25.

from Russia. It should be expected that this interdependency will grow given the fact that the EU's gas production gradually falls.

However, at the same time, Western oil companies experienced serious setbacks in Russia in the Vladimir Putin's term, although they were welcomed in under the presidency of Yeltsin. For instance, especially companies like BP and Shell had a chance to build up their reserves during his term.¹²² Now, they are in retreat due to strengthening of Gazprom and Transneft with the support of the state.

In May 2002, The US and Russia announced a strategic energy dialogue which foresees bringing more Russian oil to world markets and increasing commercial cooperation in the energy sector.¹²³ However, some critical events including the arrest, imprisonment and trial of Yukos head Mikhail Khodorkovsky; legislative changes for foreign oil companies operating in Russia; and the annulment of a key tender for ExxonMobile to develop one of the Sakhalin fields, have suspended such kind of energy dialogues with the US as well as with the EU.¹²⁴ The reason for these suspensions is obvious; the West regards these events as the Russian state's reassertion of its control over oil industry. In general, the implications of state domination in the energy sector for the private domestic and foreign companies are preventive in the future of Russian energy field according to Western states.

¹²² Dieter Helm, *op.cit.*

¹²³ Fiona Hill, *op.cit.*, p.30.

¹²⁴ *Ibid.* p.31.

In addition to above mentioned developments in Russian energy politics, Ukrainian energy crisis also revealed the hidden worries among the EU countries: “Is the EU’s dependence on Russian energy dangerous?” The EU knows very well that if Russia demonstrates genuinely its commitments to market reforms and ratifies the Energy Charter, the possibility of energy supply interruptions will decrease. Above all, Vladimir Putin government has refused to ratify the European Energy Charter although Russia had signed it in 1994, since implementation of the charter requires transparency and competition in Russia’s pipeline systems, currently monopolized by the state companies Gazprom and Transneft.¹²⁵

However, another problem for the EU in terms of its energy relations with Russia is deriving also from itself. It does not have a common energy policy which will provide it with common stance against Russia. Instead of this, bilateral relation, as Russia prefers, is the ruling pattern of behavior. This is especially true for Germany, France and some new members of the EU. The North European Gas Pipeline (NEG) can be taken as an example of bilateral relations between an EU country, Germany, and Russia. In fact, good relations between Russia and Germany in the energy field have been continuing both under Schröder and Merkel. Thus, the NEG is planned to be a direct pipeline to Germany without depending on any other country for transit. However, this project makes Poland vulnerable to Russia since, Russia will be able to cut off gas supply to Poland without affecting Germany. Another example of

¹²⁵ Celeste A. Wallender, ‘Russian Transimperialism and Its Implications’, *The Washington Quarterly*, Vol.30, No.2, 2007, p.111.

disunity in the EU was observed in the process of Nabucco¹²⁶ pipeline project. In March 2007, Hungarian government declared that it would consider supporting Russian alternative pipeline, an extension of Blue Stream instead of Nabucco.¹²⁷ Therefore, such kinds of actions damage the unity of the EU in terms of its energy policy stance against Russia.

A different point of view emphasizes more cooperative solutions for the energy problems between the EU and Russia. According to Monaghan and Montanaro-Jankovski, traditional energy security is based on the notions of ‘dependence’ and ‘producer against consumer’. They insist that these notions should be moved towards a more cooperative mindset.¹²⁸ As long as both sides perceive each other as the adversary of itself, the only result will be an “energy security dilemma”.

Whereas, according to Fredholm, the dependency between Russia and the EU is already mutual: while the EU will not be able to renounce to import energy from Russia, Russia also will not be able to divert its energy exports elsewhere due to export infrastructure in case of disagreement.¹²⁹ Besides, Russia’s high dependency on the incomes from oil and gas limits its movements. Therefore, there is actually no need to exaggerate this energy security dilemma.

¹²⁶ Nabucco is a pipeline project, like BTC, aims to decrease dependency on Russian pipelines by diversifying energy routes. For a detailed information about the pipeline see. <http://www.nabucco-pipeline.com>.

¹²⁷ Jeffery White, ‘EU Bid to Wean itself off Russian Gas’, *Christian Science Monitor*, Vol.99, No.121, 5/18/2007.

¹²⁸ Andrew Monaghan, Lucia Montanaro-Jankovski, *EU-Russia Energy Relations: The Need for Active Engagement*, European Policy Center (EPC) Issue Paper No.45, March 2006. www.epc.eu/TEWN/pdf/89495137_EPC%20Issue%20Paper%2045%20EU-Russia%20energy%20relations.pdf (accessed on 23.07.2007)

¹²⁹ Michael Fredholm, *op.cit.*, p.6.

Examples of geopolitical considerations in both sides are abundant. For instance, in the West; some supports the East-West Energy Corridor Project which includes the Baku-Tbilisi-Ceyhan (BTC) pipeline and the South Caucasus Gas Pipeline (also known as the Baku-Tbilisi-Erzurum (BTE)). The aim of the project is to decrease the dependency on Russia for the transit of energy by diversifying energy routes. However, Russia regards this project as a threat to its energy security. Iran gas option has also gained some support in Europe to diversify energy supply resource, but this time the US rejects this option in line with their policy not to support any project that adds power to Iran. As can be seen this is also a geopolitical choice. While Europe is seeking to strengthen its position over against Russia by diversifying its energy import resources through Iran gas; the US opposes to use Iran gas not to strengthen a rival although it is economically beneficial. As a counter action, Russia does not fail to threaten Europe with seeking new markets in Asia when Gazprom is prevented to buy a controlling stake in UK gas distributor Centrica.¹³⁰ Here again, it seems that, it is geopolitics which rules the game not the market drivers.

5.5. Russia's Energy Policy in the CIS

Since 2003, Russia's activities in Central Asia have increased. A number of agreements on prices, sales volumes and terms of Russian assistance, exploration, production and modernization have been made.¹³¹ While Gazprom is the primary

¹³⁰ 'Putin Criticises West over Energy', BBC News, 2006/04/27, <http://news.bbc.co.uk/2/hi/europe/4950624.stm>. (accessed on 20.07.2007)

¹³¹ Robert L. Larrson, op.cit., p.238.

provider of gas to Eurasian states, the UES has expanded its assets especially in the Caucasus and Central Asia where early energy sector privatizations brought in foreign investors.¹³² For example, in the summer of 2003, UES purchased 75 percent of the electricity network in the Georgian capital, Tbilisi.¹³³

Since then, Russia has been able to solve its problems with countries in the region through agreements containing energy deals. For instance, in the case of Tajikistan, when the government sought removal of Russian troops from its territory in June 2004, Russia was able to convince the government through an agreement which forgives a proportion of Tajikistan's debts to Russia and provides Russian energy investments in return for a secured position for Russian troops.¹³⁴ Besides, it must be mentioned that most of the countries in the region have common problems of unpaid debts or non-payments. These give a powerful hand to Russia while implementing its policies.

As stated in the energy strategy, Russia's aim concerning the energy resources in the CIS states has been to export them through its own pipelines to outside world. In fact, as long as the CIS countries do not challenge the usage of Russian means to export their energy resources it is a rational and profitable option for both sides.¹³⁵ However, when one of the CIS states prefers to establish its own ties with the importing countries, this may cause problems between the country and Russia.

¹³² Fiona Hill, *op.cit.*, p.4.

¹³³ Saltanat Berdikееva and Erin Mark, *op.cit.*p.13.

¹³⁴ Fiona Hill, *op.cit.*, p.23.

¹³⁵ Michael Fredholm, *op.cit.*, p.15.

Russia has always tried to monopolize the transport of Kazakhstan's oil and gas and because of this it opposed the participation of Kazakhstan in the Baku-Ceyhan Pipeline System. In November 2005, Russia also made a deal with Kazakhstan making Russia the sole transporter of gas from Central Asia to Europe. According to the deal transit of Turkmen and Uzbek gas via Kazakhstan will be increased so that Gazprom will control nearly all of Central Asia's gas export.¹³⁶

To achieve its aim Russia has made numerous deals also with the other countries in the region. Some of them are bilateral while others are realized in the form of joint agreements. For example, On 1 March 2002, the presidents of Russia, Kazakhstan, Turkmenistan and Uzbekistan signed a joint statement on cooperation in the energy sphere, although initial intention of Russia is to create a 'single export channel' for all gas exports from Central Asia.¹³⁷ Another gain for Russia was in the Caspian Sea, status of which is not clear yet. By an agreement with Azerbaijan and Kazakhstan, Russia achieved opening up the northern section of the Caspian Sea for exploration in 2002.¹³⁸ Additionally, Russia also works for making investments in the energy infrastructure of the energy producing CIS states particularly in electricity and gas sectors.

¹³⁶ Stephen J. Blank, 'The Eurasian Energy Triangle: China Russia and Central Asian States', *Brown Journal of World Affairs*, Vol.12, No.2, Winter/Spring 2006, p.58.

¹³⁷ Michael Fredholm, op.cit., p.16.

¹³⁸ Paul Kubicek, op.cit., p.212.

As the latest development, on 12 May 2007, the leaders of Russia, Turkmenistan and Kazakhstan reached a landmark pipeline deal. The deal stipulates to build a pipeline along the Caspian Sea coast to ship Turkmen natural gas to Western markets via Kazakhstan and Russia.¹³⁹ It is obvious that this deal will more strengthen Russia's control over Central Asia's energy export routes. During the negotiations the Russian Industry and Energy Minister, Viktor Khristenko, stated that the trans-Caspian pipeline proposal is economically unfeasible so it could only be viewed as a political project. Another thing which is very important considering the views of Central Asia's leaders was the declarations of the leaders of Turkmenistan and Kazakhstan. Although new Turkmen President, Gurbanguly Berdimukhammedov, left an open door for a future trans-Caspian route; Kazakh President Nazarbayev denied any political implications concerning the deal and stated: "we will transport oil and gas by whichever route is profitable."¹⁴⁰

Despite declarations of state leaders change in time, the general tendencies in the region can be summarized as follows. While Kazakhstan, Tajikistan and Armenia follow close relations with Russia; Turkmenistan pursues its traditional active neutrality policy. However, Uzbekistan and Azerbaijan are closer to the US, so their policies are generally challenging for Russia's projections in the region.¹⁴¹ In spite of these general tendencies, Russia has achieved successful deals with Uzbekistan as well as Turkmenistan. For example an agreement with Uzbekistan, in 2004, provided

¹³⁹ Alexander Vershinin, 'Russia Strikes Natural Gas Pipeline Deal', USA Today, 12 May 2007, http://www.usatoday.com/money/economy/2007-05-12-2585352601_x.htm (accessed on 03.09.2007)

¹⁴⁰ Ibid.

¹⁴¹ Paul Kubicek, op.cit., p.214.

Russia with large-scale projects to bring Gazprom, Lukoil and the other Russian companies into the Uzbek energy sector.¹⁴²

However, Russia's activities in the CIS states should not be necessarily considered as the attempts to gain political control over these countries. Russia uses the language of re-integration¹⁴³ which proposes a mutually attractive cooperation in the energy field and as long as both sides benefit from it in the current conditions this is not a politically or economically wrong thing. These types of economic cooperation are in fact very common among many other states sharing similar concerns including energy, trade, security, etc.

5.6. The Russian-Ukrainian Gas Crisis

The reasons of the events of January 2006 are generally dated back to the presidential elections in Ukraine in 2004 and the victory of the pro-Western candidate which caused resentment in Russia. Although it may have an effect on Russia's energy policies towards Ukraine, actually the two countries have a long history concerning energy issues. For example most of the 1990s saw Ukraine's inability to pay its gas bills and growing debts which sometimes led to reduction of Russian gas supplies to restore payment discipline. Meanwhile, Russia was still supplying gas at low prices.

¹⁴² Fiona Hill, *op.cit.*, p.24.

¹⁴³ Michael Fredholm, *op.cit.*, p.16.

Then, another effective development in the energy dialogue of the two countries was Ukraine's suggestion in March/April 2005. As the transitory country of the Russian gas to Europe, Ukraine suggested that gas transit tariffs should be moved to 'European' levels and paid in dollars.¹⁴⁴ This was taken by Russia as invalidation of the 2004 contract between Russia and Ukraine; and in return Gazprom started to consider to raise gas prices to European market level. Soon after these developments, in July 2005, the Russian Duma ratified the request of the president and accepted that CIS countries –Georgia, Moldova, Ukraine, Estonia, Latvia and Lithuania- should pay world (i.e. European) prices for gas.¹⁴⁵

The negotiations between Russia and Ukraine failed to make progress in the last months of 2005, since the demands of the both sides were far away from each other – while Russia was demanding a price between \$160-230, Ukraine's offer was only \$80 for 2006. Finally, after Ukraine refused Russia's last suggestion to suspend the price increase for three months if the Ukraine was prepared to agree to pay \$230,¹⁴⁶ Gazprom cut off gas supplies to Ukraine on January 1, 2006.

The effect of the cut off was immediate in Europe because, as Ukraine admitted, some amount from the gas transmitted to Europe was taken by Ukraine. The EU countries including Hungary, Austria, Slovakia, and Romania suffered from reduction in gas supplies during the crisis which took 3 days. A new deal was

¹⁴⁴ Jonathan Stern, *The Russian-Ukrainian Gas Crisis of January 2006*, Oxford Institute for Energy Studies, 16 January 2006, p. 5. http://www.oxfordenergy.org/pdfs/comment_0106.pdf (accessed on 03.04.2007),

¹⁴⁵ *Ibid.*, p.6

¹⁴⁶ *Ibid.*, p. 7.

immediately signed between Russia and Ukraine but the impact of the crisis especially for Russia's reputation as a reliable supplier was destructive. Since then, the crisis has started to represent the clear indicator of Russia's 'traditional' policy of using energy as a foreign policy lever. By the crisis, Russia has given a big opportunity to be used against it.

In this process, although Russian officials have tried to explain the situation, worries of the customer states in the EU have reached at the highest point. Thus, to deny accusations of being used as a tool of political leverage, Gazprom's Deputy CEO Alexander Medvedev told that:

If we wanted to use the 'gas weapon', we would have used it during the elections [in Ukraine]...because it was the time when we could have influenced costumers' attitudes. It was winter, and any cuts in deliveries could have strong influenced these attitudes. But we supplied gas before the elections, and between the rounds, and after the elections in full compliance with our contractual obligations. The same was true in Georgia. Therefore, there is no tint in our attitudes –either orange or pink. We can not use gas as a weapon.¹⁴⁷

In fact, Ukraine, too, had refused to make negotiations for a fair bilateral accord. Furthermore, both sides had agreed long before on new gas rates to be signed by July 1, 2006; but Ukraine delayed the process and as a result led to the energy crisis both in Ukraine and Europe.¹⁴⁸ Above all, the logical explanation of Gazprom's motivation for taking such a hard line with Ukraine can only be economic. As Jonathan Stern points: "Gazprom and the Russian government are no longer prepared to provide gas at subsidized prices to former allies unwilling to make commercial concessions in the form of shared property rights to infrastructure."¹⁴⁹

¹⁴⁷ Saltanat Berdikееva and Erin Mark, *op.cit.*, p.22-23.

¹⁴⁸ *Ibid.*, p.23.

¹⁴⁹ Jonathan Stern, *op.cit.*, p. 16.

It is ironic that no political demands were made either by Gazprom or the Russian government after the crisis has been solved; and it is not clear what kind of political demands could be made even if they had had the chance. Another ironic point is that: while the EU finds it right to pressure Russia to raise its domestic prices to the level of world market, when Russia demands Ukraine to raise the gas prices to the market level this is regarded as a political lever. From this point of view, all sides have political tendencies and this is a common pattern when the logic of international relations is taken into account. Konstantin Kosachev, Chairman of the State Duma, points this logic fairly: “We simply suggest applying market principles while doing business with those countries with which we do not have an alliance-type relationship”.¹⁵⁰

As stated before, the EU regarded Ukraine’s gas crisis as a signal to reconsider its energy dependency on Russia. Meanwhile, Russia also drew a lesson from the crisis that it should not be dependent on single country for transit of its energy supply. As a result, the crisis increases the diversification search in both the EU and Russia.

5.7. Conclusion

To sum up, as all the other countries, Russia does not want to be dependent on other countries. This is especially true in the transit means for its energy export to the international markets. It is a strategic need for Russia to control export routes. Thus, Russia tries to create export infrastructure on Russian territory to eliminate transit of

¹⁵⁰ Robert L. Larrson, *op.cit.*, p.220.

energy through other states. For the same reason Russia works for the creation of reintegration of energy infrastructures in the countries of the former Soviet Union.

As stated in the energy strategy, national security and energy policy are closely related for Russia. By taking energy as a proper opportunity, Russia tries to use its energy policy in many fields to create growth, extend influence, gain geopolitical and macroeconomic advantages and reduce the risk of falling again in a poor position like soon after the collapse of the Soviet Union. Therefore, in this process, Russia has been accused of using energy as a lever to achieve political goals.

CHAPTER 6

FOREIGN POLICY AND GLOBALIZATION OF RUSSIA UNDER VLADIMIR PUTIN

6.1. Introduction

This chapter will analyze the transformation of Russia's foreign policy under Vladimir Putin which reflects changes both the inside and the outside of the country. Under Vladimir Putin's presidency strong leadership has represented most important internal determinant on foreign policy while external environment determined by the developments of what is called globalization imposes a certain pressure on it while providing Russia's foreign policy with new opportunities at the same time. Thus, this chapter will analyze Vladimir Putin's pragmatism in foreign policy and its implications in Russia's relations with the West and the CIS region. The special events that will be focused on throughout this chapter are as follows: September 11 attacks, invasion of Iraq and 'color revolutions'.

6.2. Vladimir Putin's Pragmatism in Foreign Policy

Of course it is not only Vladimir Putin who has been determinative in changes in Russia's foreign policy behavior since then. The novelties in the outside world, the most important of which is globalization, should be taken into consideration carefully while examining the developments in Russia's foreign policy under

Vladimir Putin. The transformation which is felt commonly might be seen more clearly in foreign policy responses, objectives and priorities of Russia.

Currently, it can be said that, Russia has become more susceptible to outside influence due to globalization. In practice this means Russia has to face and respond to the developments such as an assertive American policy in the Eurasian region, the EU expansion, the spread of Islamic radicalism, the rise of China and India, and the world's growing energy dependence. All the external developments make foreign policy unpredictable and inconstant like its determinants. At the same time, however, the most important thing about the form of Russia's new activities is that; they can be realized successfully through links such as transnational networks thanks to globalization.

In the light of Vladimir Putin's foreign policy it could be argued that it has caused many debates inside and outside of the country. Either old terminologies, or newly created ones or some kind of synthesis of the both have been used to define the style, origin and objectives of his foreign policy. How can Vladimir Putin's foreign policy approach be labeled?

Since 2000, various terminologies have been used to describe Russian foreign policy under Vladimir Putin: multi-vectored, multipolar, independent, nationalist, imperialist, pro-Western, anti-Western, Euro-centric, and America-centric.¹⁵¹ However, they are either temporary or responsive and partial policies as a result of particular developments in the world. This temporality and peculiarity will be

¹⁵¹ Bobo Lo, *'Evolution or Regression? Russian Foreign Policy in Putin's Second Term'*, NUPI Report, September 2006, p. 59.

observed below in Russia's relations with the West and the CIS. What is obvious is that, Vladimir Putin's vision is based on the notion that Russia is a great power which should be multi-dimensional. Therefore, Vladimir Putin's foreign policy should be termed as pragmatic in many senses. While preserving cooperative relations with the West; Vladimir Putin does not want it to be at the expense of Russia's relations with other regional powers like China, India or Islamic countries. Besides, for Vladimir Putin, "working with the West on issues of common interests also does not mean allowing it to dictate terms of engagement."¹⁵² At the same time, Vladimir Putin's vision is based on many traditional perceptions of Russian identity such as great power status, uniqueness, hegemonic role in its neighborhood, being a part of Europe and Western civilization.

Currently, it is widely agreed that Russia's foreign policy has been very proactive and strategic in the last couple of years. For example, through the Shanghai Cooperation Organization (SCO), Sino-Russian relations are developing in economic and security realms. In addition to China, Russia has a great deal of energy relations with Kazakhstan, Turkmenistan and Ukraine with concrete results such as exclusive contracts for Russian energy exports at higher prices; agreements for Russian control over strategic pipelines; and even joint investment arrangements for Russian companies abroad.¹⁵³ On the other hand, Vladimir Putin's Russia has also been achieving successful bilateral relations with the key countries of the EU, such as France and Germany. It is a quite important development especially when the unified structure of the EU is taken into consideration. Russia has been also going through

¹⁵² Ibid., p. 59.

¹⁵³ Celeste A. Wallender, op.cit., p.107.

advantageous times in terms of its relations with the US. Russia is strategic for the US priorities in the issues such as North Korea, Iran, Eurasian security, and energy.¹⁵⁴ High energy prices are another great opportunity for Russia to realize its foreign policy aims in a world seeing the rise of Asian powers; anti-democratic and illiberal developments in Eurasia; and all the turbulences in the Middle East as a result of US's failures in the region. Finally, since 1999, Russia has a six per cent minimum economic growth. All of these provide Vladimir Putin with a powerful hand in the international arena.

In very general terms, Russia under Vladimir Putin has had two foreign policy objectives: increasing its economic growth and being a global power. It is also stated in the foreign policy concept of Russia that the most important pillars of Vladimir Putin's foreign policy are: strengthening the Russian state, growing the economy and restoring the Russia's international status.¹⁵⁵ These are the officially stated objectives, yet their implications in practice are quite different. Russia's foreign policy implementation in the last years can be summarized by three tendencies: preserving and strengthening dominance in the CIS region; increasing Europe's dependence on Russian energy resources; limited cooperation with the US and Europe and constraining their influence in the CIS.

In the same context, though it is claimed that the *multipolarity* has lost its central place in Russia's foreign policy with Vladimir Putin, some still assert that it will

¹⁵⁴ Celeste A. Wallender, *op.cit.*, p.108.

¹⁵⁵ 'The Foreign Policy Concept of the Russian Federation', June 28, 2000. www.fas.org/nuke/guide/russia/doctrine/econcept.htm (accessed on 21.07.2007)

survive as long as a new strategy is not developed. The latest events including September 11, Afghanistan and Iraq, demonstrated that the political practice of multipolarity has been updated according to new circumstances, for example it is integrated with the counter-terrorism rhetoric.¹⁵⁶ At the same time, issues such as fight against international terrorism, non-proliferation of Weapons of Mass Destruction (WMD) and conflict resolution enable Vladimir Putin to assume a leading role in international affairs. These issues are regarded as the consequences of globalization and in this sense Vladimir Putin has been able to utilize them to serve Russia's interests.

Another dimension in his approach is a geopolitically balanced or *multi-vectored* foreign policy which means that Russia's close relations with the West will not prevent it from developing good relations with China, CIS and the Muslim world. He follows a policy of 'strategic partnership' or 'selective partnership' with specific countries on certain issues in particular times. There is no one determined direction to be followed in any case. Pragmatism of Vladimir Putin's foreign policy is mainly based on this dimension. However, because of this unpredictability it is argued that there is no coherent view of foreign policy in Russia. The Kremlin's approach is ad hoc, opportunistic, and reactive; it uses diverse instruments on a case by case basis.¹⁵⁷

¹⁵⁶ Vadim Kononenko, *From Yugoslavia to Iraq: Russia's Foreign Policy and the Effects of Multipolarity*, The Finnish Institute of International Affairs, Working Papers-42, 2003, p.40. <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=14440> (accessed on 10.08.2007)

¹⁵⁷ 'Experts' Russian Foreign Policy Round Table' in James Nixey, (Ed.), Chatham House, Briefing Note, 8 November 2006, p. 2. www.chathamhouse.org.uk/publications/papers/download/-/id/413/file/4046_bnrussianfp.pdf (accessed on 17.06.2007)

Finally, as stated above, Vladimir Putin's foreign policy has been most commonly described as pragmatic. The logic of his pragmatism is based on the awareness of capabilities to realize objectives. He is well aware what could and could not be done. He avoided fighting unwinnable battles, such as over the second wave of NATO enlargement, Washington's withdrawal from the ABM treaty or the deployment of US troops in Central Asia after September 11.¹⁵⁸ Therefore, pragmatic changes in his foreign policy have been considered in two different senses: as the lack of determined coherent and strategic approach; or as pragmatic reactive choices according to dynamics of circumstances. However, as we will see in the following parts, which analyze Russia's relations with the West and CIS, and its reactions to events like September 11 or Iraq war; the latter is true for Russia. Vladimir Putin's pragmatism has envisioned the objective of "Russia-First" and 'selective engagement' as its means.¹⁵⁹

6.3. Russia's Relations with the West

The role of the West in Russian foreign policy has been always very important. It has represented the 'Other' for Russia.¹⁶⁰ Furthermore, it is even claimed that "Russia's foreign policy has never been merely about acquiring power or modernizing. Instead, it has been about adapting the constantly changing world circumstances and achieving recognition by the significant Other."¹⁶¹ Although it is an assertive

¹⁵⁸ Bobo Lo, *Evolution or Regression? Russian Foreign Policy in Putin's Second Term*, NUPI Report, September 2006, p. 67.

¹⁵⁹ Sergei Medvedev, op.cit., p.46.

¹⁶⁰ Andrei P. Tsygankov, op.cit., p.153.

¹⁶¹ Ibid, p.153.

statement, the influence of the West can be felt nearly in every area of Russia's political, economic and cultural policies. At least, Russia rarely does something in the foreign policy area without taking into consideration the reaction of the West.

In addition to continuing importance of the West, as a contradiction to the approach of Boris Yeltsin, Vladimir Putin rejects the assumed superiority of Western norms and their 'automatic' application to the Russian case.¹⁶² Furthermore, by challenging Western moral-normative superiority, he denies the West's monopoly on 'normality' with its interpretations of liberal democracy, market economy and civil society.¹⁶³

It is obvious from the policy practices of Vladimir Putin that he gives a high priority to the partnership with the EU and leading European countries; and he places a high value on relations with the US as instrumental for Russia's integration into the world economy.¹⁶⁴ In this context, to overcome the ambiguity of Russian foreign policy in 1990s, Vladimir Putin aimed at anchoring Russia firmly within the West and more importantly abandoning the rhetoric of a multipolar world.¹⁶⁵ However, what Vladimir Putin prefers in relations with the West is a 'selective' integration into the Western-dominated international structures; thereby Russia will be a member of Europe or civilized world without losing any power of its sovereignty or freedom of action.

¹⁶² Bobo Lo, 'Evolution or Regression? Russian Foreign Policy in Putin's Second Term', NUPI Report, September 2006, p. 64.

¹⁶³ Ibid., p. 66.

¹⁶⁴ Alexey Pushkov, 'Putin at the Helm', in Dov Lynch (ed.) *What Russia Sees*, Institute for Security Studies, Chaillot Paper, no.74, January 2005, p.53.
www.iss-eu.org/chaillot/chai74.pdf (accessed on 10.08.2007)

¹⁶⁵ Sergei Medvedev, *op.cit.*, p.46.

For example, Russia's accession to the WTO is motivated primarily by political and civilizational concerns. Vladimir Putin attaches a great importance to WTO membership because it is a significant part of his policy of integration into the international economy and it is also consistent with his Western oriented foreign policy. From his point of view, without membership in one of the leading institutions of globalization, the WTO, Russia's integration to the world community will not be complete. However, the negotiations for accession could not be still completed due to Moscow's resistance to certain restrictions emanating from membership to WTO such as rules implying an increase in domestic energy prices.

September 11 terrorist attacks and US-led war on terrorism represent a turning point in Russia's relations with the West. Vladimir Putin took the event as an opportunity to increase and create new dimensions in cooperation with the West. Vladimir Putin will be remembered with his being the first leader giving his support to the US after the September 11 attacks. Yet, many speculations were made over the reasons and future implications of this support. It is widely argued that, Russia had finally made its choice for not just a partnership with the US but also an alliance. A real cooperation between Russia and West seemed to have been acquired on fundamental issues such as fight against terrorism or proliferation of Weapons of Mass Destruction (WMD). On the other hand, certain suspicion about this cooperative attitude has been voiced especially with the reemergence of disagreements between Russia and the West after the US's invasion of Iraq.

After September 11, with the Vladimir Putin's decision to fully support the US in its war against terrorism, it is generally felt that this is a kind of revolution in the foreign policy of Russia. Many concepts such as parity, a multipolar world, CIS integration, the image of the OSCE as a central element of European security system, union with Belarus and many others have all become things of the past.¹⁶⁶ Was it so? Is this a strategic choice for the foreign policy of Russia or was it a temporary and tactical one? The evidences illustrate that the latter is true.

Firstly, Vladimir Putin had accepted that Russia's way out of economic and political marginalization required a partnership with the US. This was his pragmatic choice to solve Russia's present problem. However, secondly, Vladimir Putin was aware of the US's determination to crush the Al-Qaeda terrorist bases in Afghanistan. It was obvious that the US presence in the near abroad was inescapable. At the same time, its influence on the CIS would not be enough to prevent countries like Uzbekistan, Tajikistan and Kirgizstan from granting the US access to their military bases.¹⁶⁷ In such a circumstance, all Russia could do was to support the thing that it could not eliminate. Finally, fight against terrorism was serving more to Russia's interest than to those of Western states. Russia had been already introduced with this treat in the cases of Chechnya and radical Islamic movements in Central Asia. Vladimir Putin could not prevent the US military deployment in Central Asia, so he made a tactical move and, by supporting the US presence in the region, he was able to utilize it to tackle security threats in the region.

¹⁶⁶ Yuri Federov, 'Do We Need Reform of Russian Foreign Policy?', in Andrei Melville and Tatiana Shakleina (eds.), *Russian Foreign Policy in Transition: Concept and Realities*, Budapest: CEU Press, 2005, p.444.

¹⁶⁷ Vadim Kononenko, *op.cit.*, p.26.

Moreover, Russia gained a lot from this cooperation: an institutional relationship between Russia and the NATO; recognition as a market economy by both the US and the EU; and a full membership in the G8.¹⁶⁸ In 2002, Russia-NATO rapprochement was further advanced and finally on May 28, 2002, in Rome, the NATO-Russia Council was established by integrating Russia into the NATO structures as much as possible. A conceptual breakthrough followed at the Russian-US summit in May 2002 with the declaration of new strategic relations between Russia and the US. In the summit, the two leaders stated that: “the period when Russia and the USA regarded each other as enemies or as a strategic threat is over.”¹⁶⁹

However, in 2003, Vladimir Putin took a principled position against US’s plans to attack Iraq and even warned that it would oppose the use of force without UN Security Council approval. Even if he refrained from a direct clash with the US, it did not abstain to threaten to use its veto right.¹⁷⁰ Therefore, it can be said that, also concerning one of the most critical challenges to Vladimir Putin’s foreign policy, Iraq war, he could manage a successful foreign policy in several senses. At first sight, it seemed that the post September 11 strategic partnership between Russia and the US was dissolving. It seemed that Vladimir Putin was giving up his warm relations with the Bush and Blair by joining France and Germany in their opposition against the use of force in Iraq. However, it is more logical that he just saved face at

¹⁶⁸ Ibid., p.27.

¹⁶⁹ Yuri Federov, op.cit., p.468.

¹⁷⁰ Sergie Karaganov, ‘Russia and the International Order’, in Dov Lynch (ed.) *What Russia Sees*, Institute for Security Studies, Chaillot Paper, no.74, January 2005, p.31. www.iss-eu.org/chaillot/chai74.pdf (accessed on 10.08.2007)

home and in Europe by opposing the war, but also stayed within the limits of what the US seemed ready to tolerate.¹⁷¹ Then, anyhow, “reconciliation” between Russia and the US was realized in the Vladimir Putin-Bush summit at St. Petersburg in May 2003.

For a while, before and after the beginning of the war in Iraq, Moscow was sending contradictory signals to the world. Although, in February 2003, Vladimir Putin declared, regarding Russian-US cooperation, that: “[t]he way we will construct the edifice of international security is more important than Iraq itself”; Russia did not stop insisting on the termination of the operations and withdrawal of the troops from the beginning of the military operation until the fall of Baghdad.¹⁷²

As a conclusion, at the beginning of his term, it was not predictable that Vladimir Putin would give a strong support for Washington’s post-9/11 security agenda, and even endorse US bases in Kyrgyzstan and Uzbekistan. In the same context, “few also imagined that the new spirit of trans-Atlantic cooperation would dissipate so rapidly”,¹⁷³ especially the growing new threats and challenges such as terrorism and WMD proliferation are taken into account. As a result, it is hard to draw a concrete conclusion and make a strong prediction about Russian foreign policy by only looking at its contemporary position and stability.

¹⁷¹ Sergei Medvedev, *op.cit.*, p.48.

¹⁷² *Ibid.*, p.472.

¹⁷³ Bobo Lo, ‘*Evolution or Regression? Russian Foreign Policy in Putin’s Second Term*’, NUPI Report, September 2006, p. 72.

6.4. Russia's Increased involvement in the CIS Region under Vladimir Putin

As stated above, Russia's foreign policy under Vladimir Putin has pursued a pragmatic strategy which also means reducing the costly and unrealistic efforts to recover the superpower status. Instead of this, Russia preferred to concentrate on its immediate neighborhood, historically called the 'near abroad', now termed as the Commonwealth of Independent States (CIS). However, there is another reason behind this political movement; for Vladimir Putin's consideration, regional predominance is vital for the maintenance of Russia's great power status in the world.¹⁷⁴ Thus, the CIS countries have become the top priority of Russia's multi-vectoral foreign policy. Besides, regional integration is regarded as an important foreign policy instrument against the effects of globalization.

In the core of the 'CIS project', there is the assumption that; Russia, as the great power of Eurasia, is committed to prevent any outside actor from undermining Russian interests in the region. To prevent any other power to achieve a superior position in the region, Vladimir Putin's strategy has allocated great amount of resources to integration process in inter-regional organizations including the Eurasian Economic Community (Evrases), the Single Economic Space (SES), Collective Security Treaty Organization (CSTO), and Shanghai Cooperation Organization. For example, the SES between Russia, Belarus, Ukraine and Kazakhstan envisages a common macroeconomic policy; legislation on trade; free movement of labors,

¹⁷⁴ Stanislav Secieru, *op.cit.*, p. 289.

goods, services and capital; and finally a monetary union based on a common currency, presumably the ruble.¹⁷⁵

However, Vladimir Putin is aware that only economic leverage is not enough to preserve Russia's privileged status in the region. As a result of last events in the CIS, it has become obvious that Russia can not continue with its traditional tools such as buying political supporters, using force against opponents, and maintaining relationships with dictatorial regimes in the neighboring countries. Some other policy alternatives should be found. They may include cross-cultural ties with societies, adoption of similar political practices across the region or building international institutions and organization with the countries of the region to deal with the common issues such as security, trade, energy, etc. In fact, Vladimir Putin's policy implementations in the region reflect mostly these concerns.

In the light of this, Russia has been promoting its political, security and economic interests in the region, however, its motivation is patrimonial and realpolitik rather than imperialistic. "The Kremlin believes it has the right and duty to exploit every advantage at its disposal – shared history, geographical proximity, common cultural heritage, political ties, economic interdependence – for the sake of the Russian 'national interest'."¹⁷⁶ This attitude can also be seen in the Medium-Term Strategy for the Development of Relations between the Russian Federation and the European

¹⁷⁵ Frazer Cameron and Jarek M. Domanski, *Russian Foreign Policy with Special Reference to its Western Neighbors*, European Policy Center (EPC), Issue Paper No.37, 13 July 2005, p.7-8. se2.isn.ch/serviceengine/FileContent?serviceID=7&fileid=A73D4F5B-06F5-08E4-D5D3-D4F503F94B97&lng=en (accessed on 20.07.2007)

¹⁷⁶ Bobo Lo, 'Evolution or Regression? Russian Foreign Policy in Putin's Second Term', NUPI Report, September 2006, p. 62.

Union. In this document Russia clearly indicates that it is a freestanding actor in the international system and the CIS space is sphere of its vital interests.¹⁷⁷ In the same context, at first sight, it seems that Russia is not resisting or uncomfortable with the Western involvement in the region. However, there is a reality of growing security engagement, in addition to strengthening economic ties, between Russia and CIS countries both at the bilateral level and in multilateral forums such as the Shanghai Cooperation Organization and the Collective Security Treaty Organization as a response to the presence of the West in the region.

For example, in the events in Andijan Russia has supported Islam Karimov and received the recompense of its support in the form of evacuation of US military base from Uzbek territory; conclusion of extremely favorable economic deals and military alliance with Uzbekistan in the following months.¹⁷⁸ Vladimir Putin's government has concluded agreements with Turkmenistan, Uzbekistan and Kazakhstan, which give Russia virtual control over the export of their energy products through Russian pipelines until 2010-2015. After the Russia-Kyrgyzstan rapprochement, Kyrgyz government even started to speak about the closing of the US base at Manas.¹⁷⁹ Such kind of developments shows that Russia works hard for the domination in the region in every sense ranging from security to economic interests.

¹⁷⁷ Stanislav Secieru, *op.cit.*, p. 291.

¹⁷⁸ *Ibid.*, p. 306.

¹⁷⁹ 'US Base in Central Asia Threatened', *Guardian*, June 2, 2007, <http://www.guardian.co.uk/world/latest/story/0,-6678860,00.html>. (accessed on 23.07.2007)

The reasons of *geopolitical* tendencies in Vladimir Putin's foreign policy especially concerning former Soviet Union countries are dependent on both internal developments of that region; and the activities of Western powers in the region. For example in Central Asia, the cost-benefit equation of cooperation with the West has changed radically in the past two years and Russia started to perceive that the geopolitical minuses of a long-term Western troop presence in Russia's 'sphere of influence' now outweigh its usefulness in restraining Islamic militancy.¹⁸⁰ NATO expansion should be considered in the same context even though cooperation within the Russia-NATO Council has improved. The same is also true for the EU enlargement. Consequently, while Russia continuously tries to follow a cooperative foreign policy with Western countries and their institutions; some of their actions are still regarded as posing political, economic and normative threat to Russia's interests in the region. The 'color revolutions' in Georgia and Ukraine, and the developments in Belarus strengthened Russia's skepticism about the Western and US's intentions.

6.5. Russia's Perception of and Reactions to 'Color Revolutions'

Since the beginning, Russia has regarded developments called as 'color revolutions' as Western attempts against Russia's presence in the region. Moscow perceives that the process of replacement of power elites in the former Soviet countries with direct impact over strategic orientations of these countries has been posing a threat to Russia's future projects in the region. The logic of Russian foreign policy while supporting existing regimes in the CIS is easy to understand. First, they are more or less under Russia's control with historical and economic ties. Secondly, Russia is

¹⁸⁰ Bobo Lo, '*Evolution or Regression? Russian Foreign Policy in Putin's Second Term*', NUPI Report, September 2006, p. 61.

suspicious about the regime change strategy of the West, especially of the US; since, Russia is worried about a possible long-term US presence in the region and its increasing control over the natural resources of it. Thus, color revolutions are regarded in this context and taken as the proofs of conflict of interests with the West in the region.

The Rose Revolution in Georgia in November 2003 can be taken as the starting point for similar kinds of developments in the CIS. It can be said that they have been all following the same path in terms of internal dynamics and reactions of the West and Russia to events: while the West has been supporting the opposition, Russia has given its support to the present ruling regime. In the same context, Russia has still maintained a close relationship with the existing leaderships in Belarus, Armenia, and Central Asian countries, while the West has been criticizing those regimes.¹⁸¹

Then, in November 2004, as a result of pressures from the opposition and the West, the elections in Ukraine were renounced. Then, Victor Yanukovich, supported by the Kremlin, was defeated; Victor Yushchenko, the favorite of the West won the elections. However, it is important to note that, Vladimir Putin was able to find a way to engage with new Ukrainian leadership. For example, he even made strategic statements such as Russia has no objections to Ukraine's joining the EU.¹⁸²

In March 2005, there were again a mass protest and a change in power this time in Kyrgyzstan. The opposition challenged the rule of Askar Akayev and forced him out

¹⁸¹ Andrei P. Tsygankov, *op.cit.*, p.158.

¹⁸² *Ibid.*, p.160.

of the office. In the case of Kyrgyzstan, Russia stayed away from involving in the affairs but was quick enough to reestablish relations with the new leadership thereby preventing any change in status quo. Furthermore, as mentioned above, Moscow has even more advantageous relations with Kyrgyzstan. The events in Uzbekistan displayed similar tendencies in their objectives but this time without success. In May 2005, Karimov government used force against the demonstrators and received support from the Kremlin for its way to suppress the protests.

As the last events in Central Asia illustrated Russia has neither the ability nor the wish to change the regimes in CIS countries. Russia's leverage in the region depends on the internal developments of each specific country and most generally its only option is to maintain good relations with the ruling regimes.¹⁸³ As a conclusion, at the beginning of Vladimir Putin's inauguration, it was thought that Vladimir Putin's approach would be a Eurasianist one particularly after some of his statements indicating the new direction of Russia's foreign policy as towards Asia-Pacific region; and his articles such as the one entitled "Russia has Always Visualized Itself as a Eurasian Power".¹⁸⁴ However, by the time, it became obvious that his Eurasian policy is economic in nature. He is interested in making Russia an energy and transportation bridge between Asia and Europe; and it was only in this context when he mentioned the Eurasian identity of Russia at the APEC summit.¹⁸⁵ His approach

¹⁸³ Ibid., p.162.

¹⁸⁴ Dmitry Shlapentokh, *op.cit.*

¹⁸⁵ Matthew Schmidt, *Is Putin Pursuing a Policy of Eurasianism?*, Heldref Publications, Winter 2005, p.93. http://www.mattschmidtphd.net/Papers/Is_Putin_Pursuing.pdf (accessed on 17.06.2007)

to China and Japan can not also be considered by Eurasianist logic but rather by a Western capitalist one.¹⁸⁶

6.6. Conclusion

As a conclusion, there is a dualism in Russia's foreign policy choice under Vladimir Putin. The logic of Russia's domestic political-economic system which is based on a strong state and leadership requires isolation from the globalizing world of market economy and liberal democracy. However, Russia's economic and foreign policy objectives necessitate its participation to international economy whose rules set by liberal values. As a result of this dilemma, it can be said that, Vladimir Putin's Russia found alternative ways to achieve its goals without obeying the rules. First one, as we mentioned is '*selective*' engagement, involvement or integration. The other way is a '*transimperialist*'¹⁸⁷ type of foreign relations with other countries by selectively integrating with transnational elite networks. Russia uses nontransparent transnational companies and state-to-state negotiations to achieve its goals in the globalized international economic system.¹⁸⁸ Vladimir Putin-Schroeder relation is one of the latest examples not to mention personal ties with the leaders of the most CIS countries. '*Transimperialism*', in this sense, can be regarded as one dimension of selective engagement policy in international affairs.

¹⁸⁶ Ibid., p. 97.

¹⁸⁷ Celeste A. Wallender, op.cit., p.117-122.

¹⁸⁸ Ibid., p.118.

CHAPTER 7

CONCLUSION

The main objective of this thesis is to explore Vladimir Putin's responses to the forces of globalization under Vladimir Putin in the fields of energy and foreign policy. This thesis aims to contribute to the debates on the style of Russian energy policy and foreign policy which are dominated by the globalization process. The main argument is briefly that Russia under Vladimir Putin has been able to resist the pressures of globalization and Russia's energy and foreign policy can be taken as the exemplars of this argument.

In chapter 2, the globalization discourse has been discussed. The two opposing camps, the supporters and opponents, have been identified and their arguments and positions have been evaluated in these issues. Mainly, the arguments of each camp are based on some basic assumptions. The first assumption of the opponents of globalization emphasizes on the importance of state in world politics; while the supporters assume that global markets have rendered nation states practically irrelevant and global economy is dominated by homeless corporations. Second, the supporters of globalization regard MNCs as the leading forces of economic globalization. However, for the opponents, it is still the powerful states, or even one hegemon state, not the multinational or multilateral organizations that lead the process.

In chapters 3 and 4, the perception of globalization among Russian intellectuals, particularly after experiencing the results of transition period under Yeltsin, has been explored in order to understand the logic of Russian leadership. It is concluded that the results of Yeltsin's Westernism and the effects of globalization experienced in his era in the fields of energy and foreign policy caused a clear disappointment among Russian intellectuals. At the beginning of the 1990s, the dominant neoliberal argument was that the free market and private enterprise combined with Western-style democracy would bring prosperity to all. Therefore, Yeltsin's strategy was based on Westernism and his policy implementations were realized in accordance with these assumptions. However, expected results did not come true for Russia at the end of 1990s. So, the views of Russian scholars have been shaped in this environment and globalization was perceived as a way of Western imperialism by most of Russian intellectuals.

Although there are three different groups among Russian intellectuals, -nationalist, communist and liberal-, what most of them suggest for Russia is the formation of a strong state instead of abandonment of its power to integrate into the globalizing world economy as the policies under Boris Yeltsin aimed. In this sense, it is meaningful that Vladimir Putin has come into power in such an environment and his policies have been very much affected from these approaches. Besides, it is noteworthy that even Russian liberals, who support the integration of Russia to the process of globalization, have nationalistic and geopolitical reservations for Russia's foreign policy while supporting liberal democratic reforms in the domestic affairs. Consequently, it can be said that, Vladimir Putin's policies have depended on a

consensus among Russian intellectuals in the context of Russia's reactions to globalization movement: strong state and strong leadership.

In chapter 5, energy politics and globalization of Russia under Vladimir Putin has been discussed. The field has been chosen because of its peculiarity in Russia's relations with other countries and its usage as a way of articulation in international economy. In addition, energy policy can be considered as the most influential instrument of Vladimir Putin's strategy since it gives Vladimir Putin the economic and political power to resist the pressure of globalization.

Firstly, although there is a tendency in the energy sector worldwide: globalization of energy enterprises, in Vladimir Putin's term, Russia has experienced nationalization of energy sector and introduction of numerous measurements to restrict foreign participation in the industrial sectors of strategic importance the most important of which is energy. Second, the power of state, which is supposed to decrease and even disappear, has been felt mostly in the energy sector due to absolute state control over certain energy companies. Besides, the role of the state in the energy policy is obvious in the diplomatic supports given to the interests of the Russian energy companies abroad and in active dialogues with other states in the energy field.

Third, in Russian energy strategy, the energy issue is regarded in the context of national security which is a realist concept that should not exist in a globalizing world. Yet, Vladimir Putin believes that Russian ownership of Russia's energy resources is critical to Russia's economic recovery and to the country's reemergence as an important international actor, therefore, Vladimir Putin does not believe in

relying on global market forces to achieve these goals. Again due to this logic, Vladimir Putin has gone into battle with oligarchs. The reason is clear, Vladimir Putin does not want powerful private companies, be it domestic or foreign, which would be effective in the determination of Russia's energy policy which is considered as a part of national security.

In chapter 6, pragmatism in Russia's foreign policy under Vladimir Putin is explored in its relations with the West and the CIS countries. In the relations with the West, Russia's reactions to the events of September 11 and invasion of Iraq have been given as the examples of Vladimir Putin's foreign policy logic. Concerning the relations with the CIS states, it has been found that Vladimir Putin considers regional predominance as vital for the maintenance of Russia's great power status in the world.¹⁸⁹ Besides, regional integration is regarded as an important foreign policy instrument against the effects of globalization. In other words, Russia has been promoting its political, security and economic interests in the region. However, its motivation is patrimonial and realpolitik rather than imperialistic

Actually, Russia's economic and foreign policy objectives necessitate its participation to international economy whose rules set by liberal values. However, Vladimir Putin's Russia finds alternative ways to achieve its goals without obeying the rules. First one, as we mentioned is '*selective*' engagement. The other way is a 'transimperialist' type of foreign relations with other countries by selectively integrating with transnational elite networks. As a result, Russia has used nontransparent transnational companies and state-to-state negotiations to achieve its

¹⁸⁹ Stanislav Secieru, *op.cit.*, p. 289.

goals in the globalized international economic system.¹⁹⁰ In short, Russia under Vladimir Putin has redefined its process of globalization through a nationalistic perspective, as its policies in the field of energy and foreign policy demonstrate, due to its economic and political powers which have been strengthened during his term.

¹⁹⁰ Celeste A. Wallender, *op.cit.*, p.118.

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