Exploiting Rivalries for Prestige and Profit

An Assessment of Putin's Foreign Policy Approach

Mark N. Katz

Neither feared as a threat nor valued as a friend, Russia often finds itself simply ignored—much to the chagrin of both the Putin administration and the Russian public.

MARK N. KATZ is a professor of government and politics at George Mason University. This article was written with the support of an Earhart Foundation fellowship research grant (summer 2004) and a George Mason University faculty study leave (fall 2004). The author is grateful for research assistance from Laura A. Cross and comments from several scholars—especially Robert H. Donaldson, Dmitry Katsy, Ilya Prizel, and Marc Zlotnik—on an earlier draft that was presented at the International Studies Association annual convention, Honolulu, March 2, 2005.

Problems of Post-Communism, vol. 52, no. 3, May/June 2005, pp. 25-36.
© 2005 M.E. Sharpe, Inc. All rights reserved.
ISSN 1075-8216 / 2005 $9.50 + 0.00.

LIKE previous Russian leaders, whether tsarist, Soviet, or post-Soviet, President Vladimir Putin is determined to see Russia acknowledged as a great power. This goal is shared by many across the country's political spectrum. There is, however, a serious obstacle in the path of achieving it: Russia's diminished military and economic strength. Military (if not economic) strength was what underlay the ability of tsarist and Soviet Russia to act as and be recognized as a great power. Soviet foreign policy also benefited from Marxism-Leninism's ideological appeal to many people in many countries throughout the world. Nowadays, though, Moscow's ability to credibly threaten the use of force outside its borders has been undermined by its failure to defeat the Chechen rebellion inside them. Post-Soviet Russia does not have much ideological attraction for others either, nor does it pretend to.

No longer regarded as a threat by most countries, except some of its neighbors, Russia is also unable to get what it wants through persuasion and cooperation. The post-Soviet experience has demonstrated that good relations with Moscow are not important enough to most other states to make them adopt policies that accommodate Russian interests. Neither feared as a threat nor valued as a friend, Russia now often finds itself simply ignored—much to the chagrin both of the Putin administration and the Russian public.

But Putin seems to have found a solution to this problem. Many countries around the world have serious differences with each other. Putin has sought to exploit situations where Russia, despite its diminished circumstances, can take actions that affect the balance between the opposing sides, thus giving one or even both an incentive to court Moscow. This can result not just in tangible economic benefits, but also in the gratification that comes from being courted and from refurbishing the image of Russia as a great power. Of course, Russia is not the only country nor Putin the only Russian leader to attempt to exploit rivalries between other states. Putin, however, has made this approach the centerpiece of his foreign policy.

But how successful has he been? What, if anything, has Moscow gained from its attempts to exploit rivalries between other states? This article explores these questions through a series of brief case studies that compare what Putin hoped to gain with what he actually got or appears likely to get in each situation. But first something needs to be said more generally about the costs and benefits of pursuing a foreign policy that exploits rivalries between other states, in order to develop some criteria for assessing Putin's success at this type of diplomacy.

Exploiting Rivalries: Costs and Benefits

Whether or not a given state is at odds with one, a few, many, or no other states, the fact that rivalries exist between other states greatly affects the environment in which it conducts foreign policy. Rivalry—or hostility or conflict—between states confronts other states with choices. One choice is to ally with or otherwise favor one of the rivals. Another choice is to avoid taking sides in order to remain on reasonably good terms with both or to just stay out of the situation. A third choice is to exploit the rivalry in an active attempt to derive concessions from the two sides more or less simultaneously.

The foreign policy choices a state makes depend on several factors, including not just the goals and ambitions of its leaders but also the domestic and international constraints under which they operate. How and why a state confronted with a rivalry between two other states either allies with one side or pursues neutrality cannot be discussed here. Something needs to be said, however, about how and why states attempt to exploit rivalries.

Great powers and small ones alike have from time to time exploited rivalries between other states. Governments that pursue this policy do so in the hope that they will be able to obtain concessions from both rivals over a prolonged period. This is obviously an advantageous position to be in. There is no guarantee, however, that an attempt to exploit rivalries will succeed. Indeed, there are important obstacles to the successful pursuit of this policy, especially over the long run.

In order to be exploited, a rivalry must persist without resolution. And this is not something that a state seeking to exploit the rivalry can necessarily control. A rivalry can no longer be exploited if one of the rivals is defeated by the other or otherwise eliminated. Similarly, a rivalry can no longer be exploited if the two rivals resolve their differences. Finally, there are limits on how much a rivalry can be exploited if the parties to it agree on more than they disagree upon.

Even where a rivalry persists without resolution, resentment at being exploited is another obstacle to exploitation by a third party. A state attempting to exploit a rivalry is essentially offering to support both sides either simultaneously or in succession. While one or both rivals might for a time willingly offer concessions to the exploiter in order to cement the alliance, their incentive to do so is likely to diminish as they come to see the exploiter not as an actual or potential ally, but just as an exploiter. For a rivalry to be successfully exploited over the long run, then, it must not only remain in existence, but it must be so intense that the parties to it, despite their resentment at being exploited, have a very strong need for something from the exploiter, even if it is no more than the exploiter's refraining from aiding the other side.

Putin's Goals

Putin has attempted to exploit several different interstate rivalries, as opposed to pursuing an alliance with one or another side or remaining neutral. Specific foreign policies are, presumably, adopted in order to serve larger foreign policy and domestic goals. Something, then, needs to be said about these larger goals in order to assess how well they have been served by Putin's attempts to exploit rivalries.

As was mentioned above, and as Putin himself and many other Russian politicians have said, the restoration of Russia as a great power is the goal of Putin's foreign policy. In his 2003 annual address to the Federal Assembly, he declared, "All our actions must be subordinated to the goal of ensuring that Russia truly takes its place among the major powers."[1] Putin regrets the collapse of the Soviet Union but apparently does not seriously seek to reconstitute it. He does, however,

want to make Russia preeminent in regions that were once part of the Soviet Union. More defensively, Putin also wants to protect the territorial integrity of the Russian Federation and to solidify his own increasingly authoritarian rule. Beyond this, he wants Russia to be seen as a great power so that other countries—including the United States and the European Union—will accommodate its positions on issues it sees as important. There is some logic, then, in exploiting rivalries while Russia is still relatively weak. When others—especially the United States and the EU—agree with each other, there is little possibility of successfully pursuing a course different from theirs. It is when they disagree that there is room for maneuver.

Another goal of Putin's foreign policy is simply to make money for Russia by selling oil, arms, nuclear reactors, or other commodities. In his 2004 annual address to the Federal Assembly, Putin stated, "We must utilize the tools of foreign policy to achieve a more palpable practical return to the economy."[2] Making money, of course, is related to restoring the country's status as a great power—the more money Russia has, the more quickly it can develop its economic and military infrastructure. Moscow sees the export of arms and nuclear reactors as crucial for the survival of these two industries, both of which are essential for remaining a great power. What is notable about Putin's policy of exploiting rivalries is that making money for Russia is an important goal in so many of them.

Several of Putin's attempts to exploit international rivalries will now be examined. Special attention will be given to the questions of whether his efforts have helped to rebuild Russia's image as a great power, and whether they have made money for Russia.

Washington vs. Saddam Hussein

Moscow saw the hostility between Iraq and the United States as a golden opportunity well before Putin came to power. Under Mikhail Gorbachev, the Soviet Union imposed stiff economic sanctions on Iraq after its 1990 invasion of Kuwait. Although Saddam was undoubtedly displeased by Moscow's cooperation with Washington against him, his regime began negotiating lucrative oil development contracts with Russian firms that would come into effect once the sanctions were lifted. Baghdad thereby provided Moscow with an incentive to seek the repeal of the sanctions imposed by the Security Council. Moscow, in fact, repeatedly called for the lifting of the sanctions regime, albeit without success because the United States and Great Britain blocked it with their veto power in the Security Council. The situation, though, was not all bad for Moscow, since Baghdad continued to favor Russian firms both for oil development agreements and as partners under the Security Council's "oil for food" program.[3]

France's president Jacques Chirac, left, and Germany's chancellor Gerhard Schroeder, right, gesture, while Russia's president Vladimir Putin smiles during their meeting at Putin's residence at the Black Sea resort of Sochi, Russia, August 31, 2004. The Sochi meeting of Putin, Schroeder, and Chirac was their third summit since the trio united in strong opposition to the U.S. invasion of Iraq. (AP Photo/ Sergey Ponomarev)

This approach continued after Putin became president in 2000. From late in the summer of 2002, however, as the Bush administration made clear that it sought Saddam's ouster, Moscow found it more difficult to exploit the Iraqi-American hostility. The question that now concerned Moscow was whether the oil development contracts that Russian firms had signed (or initialed, negotiated, or just discussed) with Saddam's regime would be honored after his downfall. Moscow sought assurances both from Washington and from American-backed Iraqi opposition groups on this score, but was told that only the future Iraqi government could decide this. Angered by these overtures, Saddam canceled the one major contract that a Russian oil firm had actually signed: Lukoil's contract for development of the West Qurna field, which is believed to contain 15 billion barrels of oil.[4]

Since then, Lukoil has maintained that Saddam's regime had no legitimate reason to cancel the contract and therefore it is still valid. However, neither the U.S.-led Coalition Provisional Authority (CPA) nor the Iraqi Governing Council confirmed this. Lukoil, for its part, threatened to sue any other company awarded a production contract for West Qurna. On March 9, 2004, the Iraqi Oil Ministry signed a contract allowing Lukoil to explore West Qurna but not to extract oil from it. At

the end of June 2004—when the CPA was being dissolved and the Iraqi Interim Government came into being—Lukoil's president said that his company would start producing oil in Iraq in 2005. The Iraqi Oil Ministry, though, would neither confirm nor deny this.

Moscow has taken two additional steps to secure the West Qurna contract for Lukoil. In September 2004, the Russian government sold its 7.59 percent stake in Lukoil to an American oil firm, ConocoPhillips, which also acquired a 17.5 percent stake in Lukoil's West Qurna venture. Vagit Y. Alekperov, the CEO of Lukoil, explained, "The U.S. company's joining the project will . . . expedite the Qurna field's commissioning."[5] Lukoil's new "American connection," however, did not lead the Iraqi Oil Ministry to change its position. Similarly, in a retreat from Russia's earlier position that Iraq's entire Saddam-era debt to Russia must be repaid, a demand subsequently reduced to half of the debt, Putin announced that Moscow would write off 90 percent of what was owed. He indicated, however, that Moscow expected something tangible in return for this generosity: "we based our action on the expectation that the interests of our companies will be taken into account."[6] While the Iraqi Interim Government welcomed Putin's move, it once again reiterated that all Saddam-era contracts would be reviewed by the new Iraqi government that would take office as a result of the elections scheduled for January 30, 2005. As of April 2005, however, the Iraqi government had still not given Lukoil the go-ahead to drill in West Qurna.[7]

Moscow seized upon the rivalry between the United States and Saddam to obtain oil concessions that might not have been granted if Saddam had not been under U.S. and UN sanctions and if Russian firms had to compete with American and other Western firms.

The Iraq case illustrates the pitfalls of attempting to exploit a rivalry when one side eliminates the other. Moscow seized upon the rivalry between the United States and Saddam to obtain oil concessions that might not have been granted if Saddam had not been under U.S. and UN sanctions and if Russian firms had to compete with American and other Western firms. Once it became increasingly likely that the United States would invade Iraq, Moscow sought assurance from Washington that Lukoil would retain the West Qurna contract even under a new Iraqi regime. Washington did not give the desired assurance, but Moscow's effort to obtain it precipitated Saddam's decision to cancel the West Qurna contract shortly before his overthrow. Because Russia did not support the American intervention in Iraq, Washington had no incentive to help it re-establish Lukoil's claim to West Qurna. Moscow now had to do what it had wanted to avoid: obtain the new regime's permission for Lukoil to exploit West Qurna. Lukoil may yet be allowed to operate the West Qurna field, if only because neither the new Iraqi government nor other oil companies want to deal with the legal obstacles it has threatened. Even if Lukoil does get West Qurna, however, Iraqi resentment may lessen the possibility that Lukoil or any other Russian firm will ever develop the country's other proven but undeveloped oil fields.

Washington vs. "Old Europe"

Russia was not alone in opposing the U.S.-led intervention in Iraq—so did France, Germany, and many other countries. The fact that France and Germany opposed the United States on this, however, offered an opportunity for the Putin administration to align Russia with the impeccably democratic governments of two of the three most important West European states. But while France opposed an American-led intervention against Iraq unless UN inspectors found incontrovertible evidence of a weapons of mass destruction program, and Germany opposed it even if they did, Russia's opposition was far less categorical. Beginning about six months before the intervention, Moscow kept signaling Washington that it was willing to drop its opposition to a UN Security Council resolution authorizing the use of force against Iraq for a price. Accounts of what was demanded in return include recognition of Russia's economic interests in Iraq (especially regarding oil contracts and debt repayment). Some reports also say that Moscow wanted Washington to drop its objections to Russian aid to the Iranian atomic energy program and a "free hand" to intervene in Georgia's Pankisi Gorge (where many Chechen rebels were said to have found refuge).[8] At the same time, Moscow hoped that its alignment with France and Germany would lead them to end their criticism of human rights violations in Chechnya and accept visa-free travel for Russian citizens between Russia and its Kaliningrad exclave after Lithuania joined the European Union (and adopted its immigration policies regarding non-EU citizens). One Russian observer claimed that the schism between Washington and "Old Europe" (as Defense Secretary Donald Rumsfeld had

dubbed France and Germany) had become so deep that the two sides would need Moscow to mediate between them.[9]

In the end, however, Putin did not obtain any of what he had hoped for either from Washington or from France and Germany. Washington went ahead and intervened in Iraq without giving in to Moscow's demands. Similarly, nothing was gained by siding with France and Germany against the United States. The EU and France continued to criticize Russia's policy in Chechnya. And their only concession on the Kaliningrad issue was the designation "expedited travel document" rather than "visa" for the document Russians must obtain.[10] Nor did the Bush administration or the governments of Old Europe call upon Moscow to mediate between them.

With the insurgency in Iraq persisting after the downfall of Saddam, European-American differences have, if anything, worsened. Several other European governments, and European public opinion, now agree with France and Germany in their opposition to involvement in what is seen as the Iraq quagmire. Instead of marking a temporary downturn in European-American ties, the intervention in Iraq appears to have triggered a more profound rift. Other important divisive issues have gained importance—especially European unhappiness over U.S. deficits, the declining value of the dollar, and the resultant decline both in European exports to the United States and in the value of European-owned U.S. dollar assets.

Russia has been remarkably unsuccessful in exploiting these and other serious differences between Washington and Europe. The tension in Russian-American relations has not improved Russian-European ties. Moreover, the common opposition to the U.S.-led intervention in Iraq has not made Europe any more malleable on certain issues of importance to Moscow, including both the Kyoto Treaty and Ukraine.

The Kyoto Climate Treaty was designed to take effect if industrialized countries accounting for 55 percent of greenhouse gas emissions in 1990 had ratified it by 2008. By 2003, the treaty had been ratified by the EU, Japan, Canada, and other countries that together produced 44 percent of the 1990 emissions levels. Under the George W. Bush administration, the United States (which produced 21 percent) refused to ratify the treaty. Russian ratification would bring the treaty into effect, however, because Russia has an emissions share of 17 percent. The Putin administration, therefore, set out to exploit Russia's position as the country that could kill or save the Kyoto Treaty.[11]

The treaty requires that the industrial states ratifying it reduce their outputs of certain emissions to less than what they were producing in 1990. States that produce more than their quotas are allowed to purchase emissions credits from states producing less than their quotas. In addition, countries (or companies) that produce more than their quotas can invest in projects that cut greenhouse gases elsewhere, with the resulting reductions having a positive effect on their own quotas. Because Russian greenhouse gas emissions have dropped by nearly a third since 1990 (as a result of economic decline rather than environmental clean-up efforts),

Their common opposition to the U.S.-led intervention in Iraq has not made Europe any more malleable on certain issues of importance to Moscow, including both the Kyoto Treaty and Ukraine.

Russia would have a massive amount of spare emissions credits to sell and could be an attractive destination for foreign investors seeking credit from projects that cut Russian greenhouse gas emissions.[12]

The Putin administration, however, was not satisfied with the potential for making money that ratifying the Kyoto Treaty offered. Instead, it wanted the EU, Japan, and Canada to guarantee that they would purchase credits from or make investments in Russia in the amount of $3 billion annually.[13] They all refused. The EU in particular made clear that it was displeased by bargaining of this kind. After first indicating that Russia would ratify the Kyoto Protocol, Putin himself, in September 2003, raised the possibility that it might not do so.[14] (One of his economic advisers, Andrei Illarionov, had long argued that Russia should not ratify it.)[15]

If these tactics were a ploy to pressure the Europeans into meeting Moscow's demands for fear that the treaty would not otherwise come into effect, they backfired. Instead of giving in, the EU made its approval of Russia's admission to the World Trade Organization (WTO) contingent on a pledge to ratify the Kyoto Treaty—which Putin himself made at the EU-Russian summit in May 2004.[16] The Duma ratified the treaty later in 2004. In addition, although the Bush administration still refuses to ratify Kyoto, it has apparently not tried to persuade Moscow not to do so, thus depriving the Putin administration of an opportunity to play the United States off against the EU (and Japan and Canada).

The Ukrainian presidential election of October 31, 2004, was an even more dramatic example of Russia's inability to exploit differences between the United States

and the EU. Putin openly backed the pro-Moscow Viktor Yanukovych and congratulated him as the officially proclaimed winner of the November 21 run-off election. But when the Orange Revolution erupted in protest against Yanukovych's "victory," both the United States and the EU supported it and called for a rerun, which the pro-Western Viktor Yushchenko duly won on December 26.[17] Had only Washington or only the EU backed Yanukovych, Putin might have been able to prevent the presidential run-off election. Their joint support for the re-run, however, left him with no alternative between backing down and risking a severe breakdown in Russia's relations with both the United States and the EU. Ultimately, he chose to back down.

Russian observers opine that U.S. objections to Russia's assisting the Iranian nuclear energy program are based, not on security concerns, but on commercial considerations.

While Washington and the EU (or part of it) oppose each other on various issues, and welcome Russian support, neither side is willing to make any significant concession to Moscow in order to obtain it. Despite their differences, there simply has not been enough of a European-American rivalry for Moscow to exploit successfully.

Washington vs. Iran

President Boris Yeltsin recognized that the hostility between the United States and Iran offered an opportunity to sell atomic energy technology and weaponry to Tehran. It was Putin, however, who in late 2000 renounced the hitherto-secret 1995 Gore-Chernomyrdin agreement in which Moscow had agreed to limit its nuclear and military cooperation with Tehran.[18] Shortly thereafter, the Putin administration indicated that it would hasten the completion of the atomic energy reactor it was building for Iran and expressed willingness to sell it additional installations.[19]

In response to Washington's concern that Iran would divert spent fuel from its Russian-built nuclear reactor(s) to fabricate nuclear weapons, Moscow publicly parroted Tehran's claim that the atomic energy program was for peaceful purposes only and was in full compliance with International Atomic Energy Agency (IAEA) safeguards. But according to sources in Moscow, the Putin administration wanted to make a deal with the United States: Russia would end its assistance to the Iranian nuclear program in return for appropriate compensation.[20] Washington took the view that it already had made just such a deal in the 1995 Gore-Chernomyrdin agreement, whereby the removal of obstacles to the launching of satellites with American technology from Russia was compensation for a limit on sales of nuclear and military technologies to Iran.[21]

Putin's abrogation of the Gore-Chernomyrdin agreement raised doubts that Moscow would honor any other compensation arrangement. Putin did not seem willing, or even able, to curb the ambition of the Russian atomic energy agency to sell nuclear reactors to Iran—something it saw as vital to its very survival, given the dearth of other customers. As Iran drew closer and closer to being able to build a nuclear weapon, the cessation of Russian assistance seemed ever less likely to prevent this from happening.[22] As a result, compensating Moscow to halt its nuclear assistance to Tehran would have been pointless.

Despite Iran's apparent dependence on Russia for nuclear reactors and conventional weaponry, the Putin administration has been unable to get much of what it wants from Tehran. In the ongoing dispute over the delimitation of the oil-rich Caspian Sea, for example, Tehran has not accepted the "modified median line" proposed by Russia, Azerbaijan, and Kazakhstan, which would give Iran 13 percent of the Caspian. Iran instead insists on a 20 percent share, even though it only had 11 percent in the Soviet era.[23] After considerable delay, Tehran agreed in February 2005 to return spent fuel to Russia. Moscow had said this was necessary before it would provide the uranium to run the nuclear reactor it is building for Iran. But while Russia hopes to build up to five more reactors for Iran, Tehran may intend to purchase additional ones from the West. The BBC reported that the EU (in the form of Britain, France, and Germany) may be offering a Western-built nuclear reactor in exchange for limits on Iran's nuclear program. Iran's agreement to return spent fuel to (and receive unspent fuel from) Russia, then, may be less a concession to Moscow than a move that puts it in a stronger negotiating position vis-à-vis both Russia and the EU if the two are competing for Iranian nuclear reactor contracts.[24]

Russian observers opine that U.S. objections to Russia's assisting the Iranian nuclear energy program are based, not on security concerns, but on commercial considerations. Washington wants Russian firms to stop aiding Iran so that American businesses can do so. Rus-

sian observers also believe there will eventually be an Iranian-American rapprochement, and from then on Tehran will prefer to buy nuclear know-how and military technology from the United States and Europe rather than Russia. Thus, despite increasing concern about a nuclear-armed Iran, the Putin administration may see it in Russia's interests to sign as many contracts as possible with Tehran before an Iranian-American rapprochement takes place.[25]

If such a rapprochement ever does occur, there will no longer be an Iranian-American rivalry to exploit. Moscow's conviction that an Iranian-American rapprochement is possible has resulted less in its exploiting the Iranian-American rivalry than in Tehran's exploiting Moscow's sense of rivalry with Washington.

China vs. Japan

The competition between China and Japan over the building of a Siberian oil pipeline has been complicated by two factors. One is the dispute between two Russian oil companies, Yukos and Transneft (and later the Putin administration). The other is the dispute between Russia and Japan over the four southern Kuril Islands—the Soviet Union seized them at the end of World War II, and Japan has been demanding their return ever since.

Many of Russia's oil companies have been privatized, but the state-owned (and often slow and inefficient) Transneft exercises monopoly control over the construction and operation of the country's oil pipelines. Yukos attempted to break this monopoly by building a pipeline that would carry oil from fields it owned in eastern Siberia to Daqing, a city in China's northeastern interior. As the deal was being finalized, however, the Japanese government proposed that Russia build a pipeline from eastern Siberia to Nakhodka on the Pacific coast. Although this route would be twice as long (and two to four times more expensive) than the Yukos pipeline to Daqing, the Japanese argued that the Nakhodka route would be better for Russia because oil piped there could be exported by sea to a great many countries (including Japan and China), whereas the Daqing route would service only one customer, China.

Tokyo offered to buy all the oil from the Nakhodka route and to provide low-interest loans to cover the cost of its construction, but Mikhail Kasianov, then Russia's prime minister, announced in April 2003 that the Daqing route had won.[26] The following month, Yukos signed an agreement to sell oil to China via the Daqing route, which it expected to complete in 2005.[27] As Yukos's problems with the Putin administration escalated over the latter part of 2003, however, the project looked less and less likely to be completed. In September 2003, the Russian Ministry of Natural Resources indicated that it would issue a negative assessment of the Daqing pipeline route on environmental grounds (it also had environmental objections to the Nakhodka pipeline). During a visit to Beijing later that month, Prime Minister Kasianov informed his Chinese hosts that construction of the Daqing pipeline would be "postponed."[28]

Yukos attempted to break Transneft's monopoly by building a pipeline that would carry oil from fields it owned in eastern Siberia to Daqing, a city in China's northeastern interior. As the deal was being finalized, however, the Japanese government proposed that Russia build a pipeline from eastern Siberia to Nakhodka on the Pacific coast.

Shortly thereafter, Japan offered a beefed-up package for the Nakhodka route, including $5 billion to support pipeline construction and $2 billion for Siberian oil field development.[29] At the end of 2004, Moscow announced that it would build a pipeline to Nakhodka, but tried to appease Beijing by announcing that it would increase rail shipments of oil to China and would permit a pipeline spur from the Nakhodka route into China.[30] Although Japan is getting the pipeline route to Nakhodka, it rejected Russia's November 2004 revival of its 1956 offer to settle the dispute over the four Southern Kuril Islands by returning the southernmost two to Japan in exchange for the two northern ones. Tokyo wants all four back.[31]

A desire to exploit the Sino-Japanese rivalry over export routes was not the sole factor in the Putin administration's decision-making on this issue. Transneft's interest in retaining its pipeline monopoly and Putin's vendetta against Mikhail Khodorkovsky, the head of Yukos, also played a role. Still, the Sino-Japanese competition for Siberian oil certainly induced Tokyo to offer very generous financial incentives to push Moscow to build the Nakhodka route instead of the one to Daqing. At the same time, the Putin administration definitely irritated Beijing by derailing the deal for the Daqing pipeline route after agreeing to it.

Beijing is in a position to impose some costs on Russia. Its January 2004 decision to levy anti-dumping tar-

iffs on Russian steel (announced as Russia's foreign minister arrived in Beijing) was seen as retaliation for what had happened to the Daqing deal.[32] Perhaps fearing this, Russian industry and energy minister Viktor Khristenko was quoted in April 2005 as saying that Russia is likely to build a pipeline to China before completing the one to the Pacific coast favored by Japan.[33]

Russia's rapprochement with Islamabad may be intended as a warning to New Delhi: If India ends or significantly cuts back on arms purchases from Russia, Moscow can readily sell weapons to Pakistan.

Irritation over the pipeline issue could also encourage Beijing to purchase arms from Europe instead of Russia if the EU ends its Tiananmen-era arms embargo against China. On the other hand, this may yet be another Russian bid to gain further concessions from Japan on the Kurils. But this is a step that Tokyo has so far been unwilling to take.

India vs. Pakistan

India and Pakistan have been opponents ever since they became independent from Britain in 1947. During the cold war, Pakistan was allied with the United States, and India with the Soviet Union. Soviet relations with Pakistan were especially tense throughout the occupation of Afghanistan (1979–89). After the cold war, Moscow continued to have close ties to India (which, much to Pakistan's chagrin, continued to buy large quantities of the most sophisticated Russian weapons) and tense relations with Pakistan (especially after its Taliban allies started gaining strength in Afghanistan and Moscow feared the spread of their influence into Central Asia).[34] Even after 9/11, when Pakistan dropped its support for the Taliban and cooperated with the American intervention in Afghanistan, Russian-Pakistani relations remained tense, as Moscow aided the Tajiks in Afghanistan—and continued to sell arms to India—while Islamabad supported the Pashtuns.[35]

Relations between Russia and Pakistan have improved considerably under Putin, especially after the visit of President Pervez Musharraf to Moscow in February 2003. At that time Putin noted that Russian-Pakistani relations had gotten better "since Pakistan joined the international anti-terrorist coalition," and Musharraf "proposed burying all past misunderstandings between the two countries and focusing on their potential for building new relations."[36]

When Pakistan's foreign minister visited Moscow in July 2004, Foreign Minister Sergei Lavrov praised the role of the two governments in the Afghan settlement process and their joint interest in "stability in Central Asia."[37] Shortly afterward, Musharraf telephoned Putin to offer condolences on the Beslan tragedy,[38] and "Pakistan pledged to share with Russia detailed information on all Chechen militants arrested on its soil."[39] In October 2004, Aleksei Miller, the CEO of Gazprom, met with the Pakistani ambassador to Russia to discuss the possibility of Gazprom's participating in oil and gas projects in Pakistan as well as in the building of a planned natural gas pipeline connecting Iran, Pakistan, and India.[40]

Although Russian-Pakistani relations have improved, Moscow still will not sell major weapons systems to Islamabad, the outcome Musharraf apparently hoped for.[41] According to a Pakistani publication, the foreign ministers of the two countries signed an agreement on July 10, 2004, for the purchase of Russian tanks.[42] According to other sources, however, Foreign Minister Lavrov told his Pakistani counterpart a day earlier that "Moscow had no plans to supply arms to Islamabad."[43] Rosoboroneksport (Russia's state-owned arms export agency) also issued a statement that "Russia has no plans to supply T-90S tanks or any other weapons to Pakistan."[44]

Meanwhile, large-scale Russian arms sales to India have continued. As *Izvestia* reported in January 2004, "India accounts for nearly 60 percent of Russia's exports of weapons and military equipment. It has more than $3.5 billion in contractual commitments, and the Indians are looking over some 350 preliminary contracts."[45] Adding insult to injury (from the Pakistani viewpoint), Sergei Lavrov stated, "Defense cooperation with India is in no way upsetting the balance of forces in South Asia."[46] Similarly, a November 2004 report that Russia would supply the engines for fighter aircraft being jointly built by China and Pakistan for the Pakistani air force[47] was denied by Defense Minister Sergei Ivanov shortly before President Putin's December 2004 visit to New Delhi.[48] Given that Moscow is eager to find foreign buyers for Russian weapons, its reluctance to sell them to Pakistan is apparently due to an unwillingness to upset India.[49] In contrast, Moscow does not seem at all concerned by Pakistan's unhappiness over its sizable weapons sales to India.

Despite the close ties between Russia and India, the Russian-Pakistani rapprochement is being helped along

by Moscow's fear (and Islamabad's hope) that as India becomes stronger and richer, Russia will be less able than other countries (or even India itself) to satisfy New Delhi's desire for advanced weapons systems. Georgy Bovt noted in *Izvestia* that as it " 'outgrows' the traditional ties of decades past, India is finding its old 'children's games' with old friends [i.e., Russia] less and less attractive, nostalgia and romanticism notwithstanding."[50] At a time when Russian observers worry that the latest Russian-Indian arms agreement may be the last of its kind, the rapprochement with Islamabad may be intended as a warning to New Delhi: If India ends or significantly cuts back on arms purchases from Russia, Moscow can readily sell weapons to Pakistan. Islamabad's obvious desire to buy Russian weapons, despite being rebuffed so far, reinforces this message. In fact, though, India has greater leverage over Russia than vice versa. Thus Moscow does not sell weapons to Pakistan (except for a few "dual-use" items supposedly for civilian purposes) lest India curtail or even end its arms purchases from Russia. If Moscow did not fear this, it would have no reason not to sell weapons to Pakistan as well as India.

Israel vs. Syria

Of all Israel's Arab opponents, Syria has been the most implacable and the least willing to negotiate a peace agreement. Throughout most of the cold war, Washington backed Israel, while Moscow supported Syria. Moscow did not even have diplomatic relations with Israel from the 1967 war until the very end of the Gorbachev era. Russian-Israeli ties initially improved under Yeltsin, when large numbers of Russian Jews were allowed to emigrate to Israel and the Russian-Israeli trade relationship blossomed. But in the latter part of the Yeltsin era, when Middle East hand Evgenii Primakov was foreign minister and then prime minister, the tone of Russia's foreign policy once again became critical of Israel and sympathetic toward the Arabs (including Syria).[51]

Under Putin, however, Russian-Israeli relations have improved dramatically. One reason for this is that Prime Minister Ariel Sharon, unlike most world leaders, has strongly supported Putin's harsh policy in Chechnya. Putin has responded by voicing strong support for Israel as well as criticism of the Palestinians. Russian-Israeli cooperation in the security arena has also increased.[52]

But Russian-Syrian relations have also improved under Putin. When he met with Syria's vice president, Abdel Halim Khadam, in January 2003, the projects of concern to Israel that they discussed included Russian upgrading of Syria's Soviet-era weaponry and construction of both a nuclear power plant and a nuclear-powered desalination plant.[53] (How Syria would pay for all this is by no means clear.)

Although Russian-Israeli relations have become closer under Putin, he is clearly not willing to forgo strong ties with Syria for the sake of friendship with Israel. But at the same time, despite the close relations between Moscow and Damascus, Putin is unwilling to forgo strong ties to Israel for the sake of friendship with Syria. The Putin administration has been able to exploit the Syrian-Israeli rivalry to increase its arms sales, as shown in a Russian press description of the May 2001 visit to Moscow by the Syrian defense minister, Mustafa Tlas:

> During the talks, Marshal Tlas expressed concern over military-technical cooperation between Moscow and Tel Aviv: Last year, Russia launched an Israeli EROS-A1 spy satellite from the Svobodny Space Center and spoke of the possibility of launching seven more satellites. The EROS-A1 enables Israel to monitor all the countries of the Middle East twenty-four hours a day. Responding to the criticism, Moscow offered to reconfigure three to five of the thirty MIG-25 fighter interceptors slated for modernization as MIG-25RE high-altitude reconnaissance planes, which would give Damascus the capability to reconnoiter Israeli territory from the air with impunity. Marshal Tlas agreed.[54]

In January 2005, it was reported that Russia would sell anti-aircraft missiles to Syria. Israel immediately protested,[55] and Russian officials denied that any such agreement had been reached.[56] In February 2005, though, Prime Minister Sharon announced that Putin had informed him by phone that Russia would indeed sell anti-aircraft missiles to Syria despite Israel's objections. Putin clearly does not fear risking Moscow's close relations with Israel by selling these weapons to Syria.[57] Still, the initial denial that Moscow would sell missiles to Syria after Israel objected hardly made Russia look like a great power in the Arab world.

Conclusion

How well has Putin's policy of attempting to exploit rivalries between other countries worked? There have been some positive results. Saddam courted Moscow with the promise of oil deals in the summer of 2002 just as the Iraqi-American crisis was heating up. Being courted both by Germany and France, on the one hand, and by America and Britain, on the other, during the

lead-up to the U.S.-led intervention in Iraq may have enhanced the domestic and international images of Russia as an important country. The seeming imminence of the Daqing pipeline route being built may well have led Japan to provide generous funding to induce Moscow to build the Nakhodka pipeline route instead. Moscow has been able to continue selling arms to India while at the same time improving ties with its archrival, Pakistan. Russia is able to engage in security cooperation with both Israel and Syria despite their enmity toward each other.

The governments that are major purchasers of Russian arms, petroleum, or nuclear reactors know that Moscow is so desperate for money that their unwillingness to make concessions will not prevent it from selling to them.

Putin's attempt to exploit international rivalries has also had some negative results, however. Saddam canceled the Lukoil contract for the West Qurna field because Moscow was seeking commitments both from Washington and the Iraqi opposition to honor it if he was overthrown. The U.S.-led Coalition Provisional Authority did not agree to restore the deal, nor has the Iraqi Interim Government yet done so. Russia joined France and Germany in opposing the American-led intervention in Iraq, but this did not lead to an EU guarantee of the $3 billion annually in Kyoto emissions credit purchases that Russia had demanded, nor to the EU differing with the United States in regard to the fraudulent presidential run-off victory of the pro-Moscow candidate in Ukraine in November 2004. Despite its dependence on Russia for completion of the nuclear reactor at Bushehr, Iran has made no concessions on the division of the Caspian, nor has it signed contracts for additional reactors or for the return of spent fuel from the one reactor Russia is building to assuage concerns (which Moscow shares) that it is not building nuclear weapons. Tokyo's desire for Russia to build an oil pipeline to the Pacific coast has not led Japan to concede its claims to all four Kuril islands. The fear of losing arms sales to India has so far prevented Moscow from selling arms to Pakistan, even though Islamabad would be a willing buyer. Finally, the reports of impending Russian arms sales to Syria followed by denials from Moscow when Washington and Tel Aviv objected have not strengthened Putin's image in the Arab and Muslim worlds.

It was argued earlier that Putin attempts to exploit rivalries between other states in order to pursue two larger objectives: (1) enhance Russia's status as a great power; and (2) make money for Russia. How successful has this policy been at furthering these aims?

Time and again Putin has publicly sought concessions and then been unable to achieve them. Whether it was Saddam before the U.S.-led intervention, Iran on the division of the Caspian, the EU regarding the Kyoto Treaty, or Washington on the intervention in Iraq or other issues, Putin has been unable to leverage a desire for—or even dependence on—Russian support to obtain what he wants. The states that have thwarted his will feel free to do so because they know that Moscow cannot do anything about it.

Virtually everyone understands just how important the objective of making money is to Putin and to powerful interest groups in Russia. His very success at making money has undermined his efforts to project Russia's image as a great power. For whether it be Tehran, Tokyo, or New Delhi, the governments that are major purchasers of Russian arms, petroleum, or nuclear reactors know that Moscow is so desperate for money that their unwillingness to make concessions will not prevent it from selling to them. There is little that the rivals of a country that is a major purchaser can do to force or persuade Moscow to cut back on sales. Offering concessions of some kind to Moscow would be pointless, no matter what the Kremlin might say about being willing to change its policy in exchange for "compensation." Rivalries in which Russia sells (or hopes to sell) arms, petroleum, or nuclear reactors to each side should give Moscow some leverage over both. But its dependence on sales to both has sometimes resulted not in an ability to exploit the rivalry, but in a desperate effort to remain on good terms with both.

Selling arms and nuclear reactors abroad is very important to Russia because the domestic demand for these items is not large enough to ensure the survival of its arms and atomic energy industries, both of which are crucial elements in its great power aspirations. Unfortunately for Russia, potential purchasers know that Moscow needs to sell arms and nuclear reactors just so that it can continue producing them. If they can buy the same things from other countries (or even if they can't but Moscow thinks they can), this puts them in a very powerful position. Similarly, prospective customers know that Russia cannot afford to forgo oil sales, because oil exports are Russia's most important source of earnings, but there are other oil exporters willing to sell if Russia is unwilling or unable to do so. Thus, although Putin has been able to exploit rivalries around the world

to make money for Russia, the country's status as a great power has not been enhanced.

Judged as a whole, Putin's efforts to exploit international rivalries have produced more setbacks than gains for Russian foreign policy. His administration is unlikely to abandon this approach, however. Despite the setbacks, Russian policymakers seem convinced that exploiting rivalries between others is a clever way to advance their country's interests. It may take many more foreign policy setbacks before they are persuaded otherwise.

Notes

1. Yekaterina Grigoryeva, "From Clearing Away Obstructions to Pursuing a New Dream," *Izvestia* (May 17, 2003): 1, 3, in *Current Digest of the Post-Soviet Press* (CDPSP) (June 18, 2003): 2.

2. "Message to the Federal Assembly of the Russian Federation," *Rossiiskaia gazeta* (May 27, 2004): 3–4, in CDPSP (June 23, 2004): 5.

3. Robert O. Freedman, "Moscow and the Gulf War," *Problems of Communism* 41, no. 4 (July/August 1991): 1–17; idem, "Russian Policy Toward the Middle East: The Yeltsin Legacy and the Putin Challenge," *Middle East Journal* 55, no. 1 (winter 2001): 72–80.

4. Mark N. Katz, "Playing the Angles: Russian Diplomacy Before and During the War in Iraq," *Middle East Policy* 10, no. 3 (fall 2003): 48–50.

5. Peter Finn, "ConocoPhillips Acquires Russian Government's Stake in Lukoil," *Washington Post* (September 30, 2004): E2.

6. Valeria Korchagina, "Putin Urges Iraq to Welcome Business," *Moscow Times* (December 8, 2004): 1.

7. "Lukoil to Pump Iraq Oil in '05," *Moscow Times* (June 29, 2004): 5; "Lukoil Intends to Continue Working in Iraq," *Russian Oil and Gas Report* (June 30, 2004); Alex Nicholson, "Iraqi Delegation in Moscow to Revive Talks," *Los Angeles Times* (April 15, 2005).

8. "Don't Trade Georgia for Iraq," *EurasiaNet* (September 20, 2002); "Is Russia Demanding Too High a Price for Security Council Support on Iraq?" *EurasiaNet* (October 23, 2002).

9. Sergei Karaganov (chair of the Council on Foreign and Defense Policy), "Russia, Europe, and New Challenges," *Trud* (February 19, 2003): 4, in CDPSP (March 19, 2003): 6.

10. Katz, "Playing the Angles," p. 45.

11. Jeanne Whalen and John Fialka, "Russia Ends Up at Center of Kyoto Climate Treaty," *Wall Street Journal* (July 17, 2003): A14.

12. Ibid.

13. Jeanne Whalen, "Russia Seeks Economic Guarantee in Kyoto Pact," *Wall Street Journal* (September 29, 2003): A16.

14. Greg Walters, "President Has Not Decided on Kyoto," *Moscow Times* (September 30, 2003): 1.

15. See, for example, Vladimir Isachenkov, "Illarionov Pours Cold Water on Kyoto Protocol," *Moscow Times* (October 1, 2003): 3.

16. Andrei Denisov, "Masters of Compromise," *Vremia novostei* (May 24, 2004): 1–2, in CDPSP (June 23, 2004).

17. Charles Grant and Katinka Barysch, "The EU Is Fighting for Process, Not Power," *Moscow Times* (December 8, 2004): 10; "Ukraine: The End Game," *Economist* (December 11, 2004): 47–48.

18. Dmitry Gorostayev and Igor Korotchenko, "What the Kremlin Is Repudiating Is Not the Gore-Chernomyrdin Deal, But a Continuation of Yeltsin Foreign Policy," *Nezavisimaia gazeta* (November 24, 2000): 1–2, in *Current Digest of the Soviet/Post-Soviet Press on CD-ROM, 1982–2000* (December 27, 2000).

19. Brenda Shaffer, *Partners in Need: The Strategic Relationship of Russia and Iran* (Washington, DC: Washington Institute for Near East Policy, 2001), p. 73.

20. Conversations with Russian scholars and American diplomats in Moscow, May 2001.

21. "[T]he quotas assigned to Russia for foreign satellite launches were, in effect, the unofficial American part of the Gore-Chernomyrdin agreement, intended to compensate Russia for the losses the memorandum would entail." Pavel Felgengauer, "We'll Be Kept Out of Space Because of Iran," *Moskovskie novosti* (November 28–December 4, 2000): 12, in *CDSP/CDPSP on CD-ROM*.

22. "Russian Ruminations on the Prospect of a Nuclear Iran," *RFE/RL Newsline* (October 7, 2004).

23. "Russia and Iran: Who Is Strong-Arming Whom?" *RFE/RL Newsline* (July 13, 2004). See also Yusin Lee, "Toward a New International Regime for the Caspian Sea," in this issue of *Problems of Post-Communism*.

24. "Russia-Iran Nuclear Deal Signed," BBC News (February 27, 2005).

25. Interviews conducted by the author in Moscow, May 2001 and September 2004.

26. Vasily Golovnin, "Find Becomes a Loss—Japan Loses Battle for Russian Oil," *Izvestia* (May 6, 2003): 2, in CDPSP (May 28–June 4, 2003): 20–21.

27. Denis Rebrov, "Across Siberia by Rail—Yukos Promises Russia 60 Billion Petrodollars," *Vremia novostei* (May 29, 2003): 2, in CDPSP (June 25, 2003): 3.

28. Yelena Korop, "A Lesson in Russian Capitalism," *Izvestia* (September 25, 2003): 5, in CDPSP (October 22, 2003): 5–6.

29. "Report: Tokyo Offers $7Bln for Oil Pipeline," *Moscow Times* (October 15, 2003): 5.

30. Chris Buckley, "Politics and Oil Mix in Russia-China Talks," *International Herald Tribune* (on-line edition) (January 12, 2005); Sergei Blagov, "Russia Walks Thin Line Between Japan and China," *Asia Times Online* (January 14, 2005).

31. See Aleksandr Lomanov, "Sergei Lavrov's Chinese Matrix," *Vremia novostei* (November 15, 2004): 1; Vasily Golovnin, "Dispute Between Neighboring Entities," *Kommersant* (November 15, 2004): 1, 9; Yulia Petrovskaia et al., "Kremlin Isn't Giving Islands to Japanese Yet," *Nezavisimaia gazeta* (November 16, 2004): 8; Aleksandr Lomanov, "Islands in the Fog," *Vremia novostei* (November 16, 2004): 1–2; Viacheslav Tetekin, "Russian Land Must Not Be Given Away," *Sovetskaia Rossiia* (November 16, 2004): 3; Andrei Fesiun, "Sticking to Their Guns," *Rossiiskaia gazeta* (November 17, 2004): 7, all in CDPSP (December 15, 2004): 1–5.

32. Yevgeny Verlin, "Chinese Give Igor Ivanov the Gift of Tariffs," *Nezavisimaia gazeta* (January 16, 2004): 6, in CDPSP (February 4–11, 2004): 22–23.

33. "Japanese Told China to Get Pipeline First," *Moscow Times* (April 21, 2005): 7.

34. Linda Racioppi, *Soviet Policy Towards South Asia Since 1970* (New York: Cambridge University Press, 1994), pp. 93–96, 136–40, and 171–73.

35. Rouben Azizian and Peter Vasilieff, "Russia and Pakistan: The Difficult Path to Rapprochement," *Asian Affairs: An American Review* 30, no. 1 (spring 2003): 36–55.

36. ITAR-TASS (February 6, 2003), via World News Connection (WNC).

37. Alexandra Urusova, "Russia Attaches Importance to Relations with Pakistan—Lavrov," TASS (July 9, 2004), via LexisNexis (July 10, 2004).

38. PTV World (Islamabad) (September 7, 2004) via BBC Monitoring International Reports (September 7, 2004).

39. Farhan Bokhari, "Pakistan Agrees to Share Intelligence with Russia on Chechen Militants," *Financial Times* (Japan edition) (September 13, 2004): 2, via LexisNexis (September 12, 2004).

40. "Russia's Gazprom Set to Join Project to Build the Iran-Pakistan-India Gas Pipeline," RIA Oreanda Economic News (October 13, 2004), via LexisNexis (October 13, 2004).

41. Agence France-Presse (February 2, 2003), via WNC.

42. "Pakistan, Russia Sign Agreement for Production of Tanks," *Pakistan* (Islamabad) (July 12, 2004): 1, 7, via WNC.

43. "Russia Snubs Pakistan on Arms Supplies," Agence France-Presse (July 9, 2004), via LexisNexis (July 10, 2004); Vladimir Radiuhin, "Russia

Not to Sell Arms to Pakistan," *Hindu* (July 10, 2004), via LexisNexis (July 10, 2004).

44. Vladimir Radiuhin, "Russia Denies Selling Tanks to Pakistan," *Hindu* (July 14, 2004), via LexisNexis (July 14, 2004).

45. Dmitri Litovkin, "Russia Will Earn $1.5 Billion from Indian Military Contracts," *Izvestia* (January 21, 2004): 3, in CDPSP (February 18, 2004): 18.

46. Radiuhin, "Russia Not to Sell Arms to Pakistan."

47. Vladimir Radiuhin, "Russian Engines for Pak-Bound Chinese Fighters," *Hindu* (November 4, 2004), via LexisNexis (November 4, 2004).

48. Vladimir Radiuhin, "Ivanov for Defense Secrecy Pact," *Hindu* (December 1, 2004), via LexisNexis, (December 1, 2004).

49. During the meeting of the Russian and Pakistani foreign ministers in Moscow in June 2003, "transparent hints by the Pakistani side that it would welcome a chance to buy advanced weapons systems from Moscow met with a polite remark by the Russian foreign minister about Moscow's wish to preserve the relations it has built up over many years with India." Yelena Suponina, "Moscow Studies Kashmir Impasse," *Vremia novostei* (June 16, 2003): 5, in CDPSP (July 16, 2003): 18–19.

50. Georgy Bovt, "New Friend—Russian-Indian Friendship to Undergo 'Trial by America,'" *Izvestia* (August 31, 2001): 4, in CDPSP (September 26, 2001): 16–17.

51. Robert O. Freedman, "Russia and Israel Under Yeltsin," *Israel Studies* (March 1998): 140–69; Talal Nizamedin, *Russia and the Middle East: Towards a New Foreign Policy* (New York: St. Martin's Press, 1999), pp. 122–41.

52. Mark N. Katz, "Putin's Pro-Israel Policy," *Middle East Quarterly* 12, no. 1 (winter 2005), available at www.meforum.org.

53. Anatoli Andreiev, "Major Mending Job Under Way in Russian-Syrian Relations," *Trud* (January 17, 2003): 4, in CDPSP (February 5–12, 2003): 20.

54. Ivan Safronov, "Moscow Won't Leave Damascus Unarmed," *Kommersant* (May 25, 2001), in CDPSP (June 20, 2001): 18.

55. Liuba Pronina, "Russian Missiles Put Israel on Alert," *Moscow Times* (January 13, 2005): 1.

56. "Ivanov Denies Arms Talks with Syria," *Moscow Times* (January 14, 2005): 3.

57. "Sharon: Putin Says Syria Deal Is On," *Moscow Times* (February 16, 2005): 2.

To order reprints, call 1-800-352-2210;
outside the United States, call 717-632-3535.

Copyright of Problems of Post-Communism is the property of M.E. Sharpe Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.