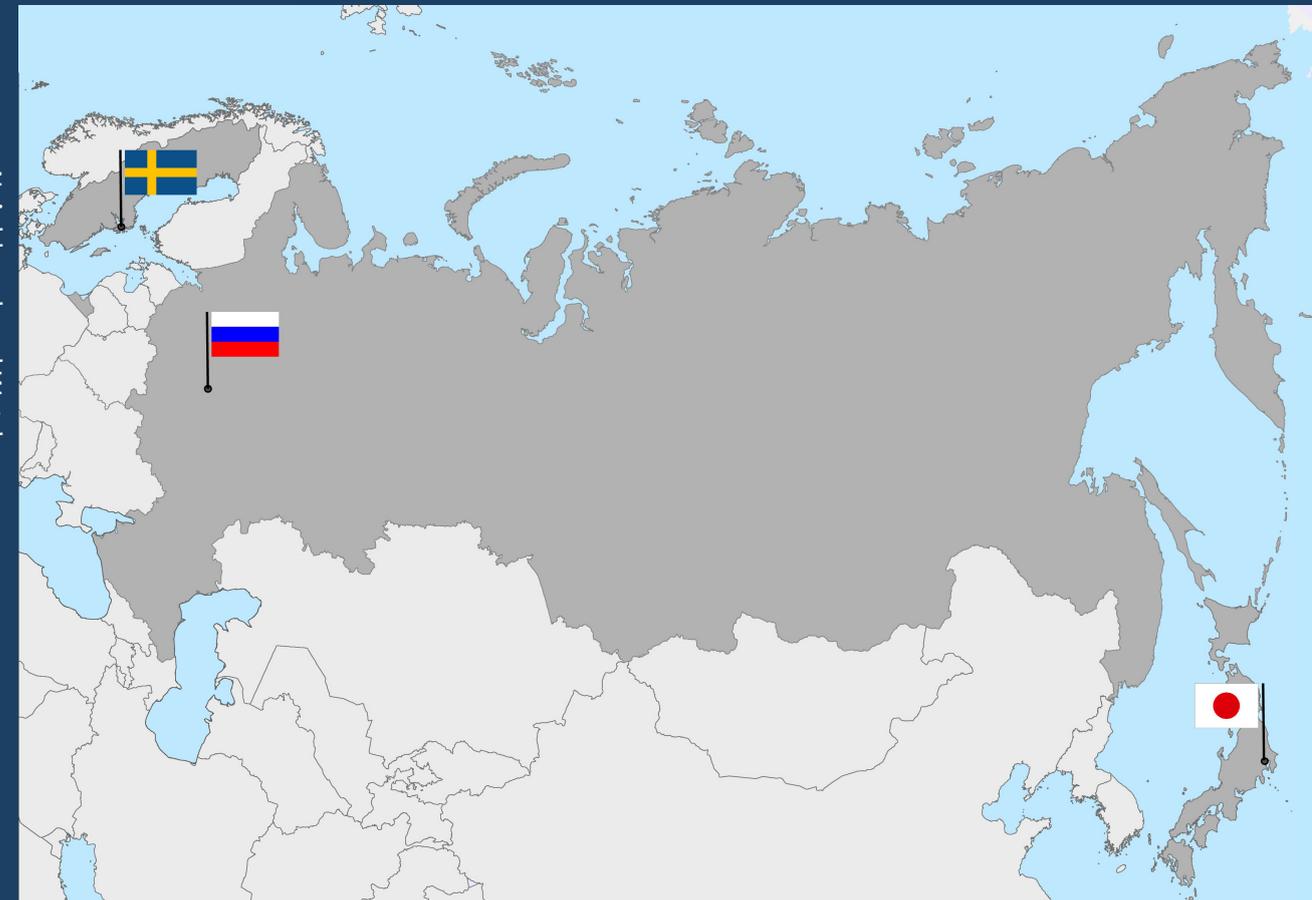


## Neighbourhood Watch: Japanese and Swedish perspectives on Russian security

The present joint study on Russia is the result of a cooperation project between the National Institute of Defense Studies (NIDS) in Tokyo and the Swedish Defence Research Agency (FOI) in Stockholm. It has been written with the support of the Japanese and Swedish ministries of defence. The joint study was initiated in the spring of 2011 and two workshops have been held – one in Stockholm in October 2011 and one in Tokyo in March 2012. At these, the researchers who participated as authors in the study were able to meet and discuss the draft chapters as well as the practicalities.

The study attempts to add to the understanding of Russia's security outlook by combining or, at times, juxtaposing two different geographical outlooks on similar questions. Its underlying assumption is that we will increase our understanding of Russia by comparing these neighbourhood analyses of Russian strategy, military deployment, energy policy and counter-terrorism policy. Looking at Russia from two different geopolitical angles, it is clear that Moscow cannot concentrate only on the West or only on the Far East. Both Europe and Asia are regions of vital importance for Russia in the future, but, to some extent, for different reasons.

Neighbourhood Watch: Japanese and Swedish perspectives on Russian



Shinji Hyodo and Carolina Vendil Pallin (eds)

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Shinji Hyodo and Carolina Vendil Pallin (eds)



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Shinji Hyodo and Carolina Vendil Pallin (eds)

# Neighbourhood Watch:

Japanese and Swedish perspectives  
on Russian security

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## Foreword

The present joint study on Russian security and energy policy is the result of a cooperation project between the National Institute of Defense Studies (NIDS) in Tokyo and the Swedish Defence Research Agency (FOI) in Stockholm. It has been written with the support of the Japanese and Swedish ministries of defence – something that has greatly facilitated the process. The joint study was initiated in the spring of 2011 and two workshops have been held – one in Stockholm in October 2011 and one in Tokyo in March 2012. At these, the researchers who participated as authors in the study were able to meet and discuss the draft chapters as well as the practicalities.

Cooperation between institutes located almost at opposite ends of the globe always involves practical difficulties and even possible cultural differences. This cooperation, however, has been fortunate in that the respective institutes and the researchers involved quickly realized that the endeavour would be well worth the effort and, perhaps for this reason, quickly found a common language.

Furthermore, the project was greatly helped along by the generous and enthusiastic support of both the Japanese Embassy in Stockholm and the Swedish Embassy in Tokyo. Special thanks go to Ambassador Yoshiaki Watanabe, Political Counsellor Henrik Grudemo as well as Defence Attaché Colonel Hajime Abiko. As a result, the cooperation was a rewarding process for everyone involved.

Indeed, in spite of the geographical distance NIDS and FOI were pleased to discover that we both shared research approaches and views. At the same time, the respective institutes could learn from each other as the difference in geographical outlook does provide for different perspectives. It is a great pleasure to be able to publish this joint study, which will, we hope, add to the understanding of Russia's security policy objectives and dilemmas. We thank the researchers involved for their excellent and highly professional work.

*Nobushige Takamizawa*  
Director NIDS

*Jan-Olof Lind*  
General Director FOI

## About the National Institute for Defense Studies (NIDS)

The National Institute for Defense Studies (NIDS) is the Japanese Ministry of Defense's core policy research arm, conducting research and studies with a policy orientation primarily on security issues and military history, while also serving as a strategic college-level educational institution for the training of high-level officers of the Self-Defense Forces.

With its research staff of more than 80 full-time scholars with various academic/career backgrounds, NIDS is the leading research institution in Japan dedicated to research on defence and national security issues. In addition, NIDS engages in such activities as the administration of military and naval documents, records and publications, and is considered to be the nation's foremost military history research centre.

NIDS engages proactively in research, studies, education and training, and places a strong emphasis on international exchanges and information dissemination. NIDS' work in each of these areas is widely recognized, establishing it as the pre-eminent institution dealing with security policy in Japan.

## About the Swedish Defence Research Agency (FOI)

FOI is an assignment-based authority under the Swedish Ministry of Defence. Its core activities are research, method and technology development, as well as studies for the use of the defence and security authorities. The organization employs around 970 people of whom around 800 are researchers (2010). This makes FOI the largest research institute in Sweden. FOI provides its customers with authoritative expertise in a large number of fields such as security policy studies and analyses in defence and security, the assessment of different types of threats, systems for the control and management of crises, protection against and management of hazardous substances, IT security and the potential of new sensors. The Russia Programme at the Division for Defence Analysis at FOI focuses on Russian security policy and especially on military affairs. The programme covers everything from Russian domestic policy, economic affairs, foreign and energy policy, industrial policy and R&D to military exercises and weapons of mass destruction.

# Sammanfattning

Denna studie om Ryssland är resultatet av ett samarbetsprojekt mellan National Institute of Defense Studies (NIDS) i Tokyo och Totalförsvarets forskningsinstitut (FOI) i Stockholm. Den har tillkommit med stöd av försvarsdepartementen i Japan och Sverige.

Genom att kombinera och ibland jämföra två olika geografiska perspektiv på liknande frågor försöker rapporten ge en ny dimension på Rysslands säkerhet. Rapportens underliggande antagande är att vi kan öka vår förståelse av Ryssland genom att jämföra dessa grannlandsanalyser av rysk strategi, militära insatser, energipolitik och terrorismbekämpning.

Nyckelord:

Ryssland, Japan, Sverige, Europa, Asien, strategi, militärreform, energipolitik, energistrategi, säkerhetspolitik, terrorismbekämpning, Kina, SCO, CSTO

## Summary

The present study on Russia is a result of a cooperation project between the National Institute of Defense Studies (NIDS) in Tokyo and the Swedish Defence Research Agency (FOI) in Stockholm. It has been written with the support of the Japanese and Swedish ministries of defence.

The study attempts to add to the understanding of Russia's security outlook by combining or, at times, juxtaposing two different geographical outlooks on similar questions. Its underlying assumption is that we will increase our understanding of Russia by comparing these neighbourhood analyses of Russian strategy, military deployment, energy policy and counter-terrorism policy.

### Keywords:

Russia, Japan, Sweden, Europe, Asia, Europe, strategy, military reform, energy policy, energy security, security policy, counter-terrorism, China, SCO, CSTO

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# Acronyms and Abbreviations

		Note
ADBde	air defence brigade	
AFADC	Air Force and Air Defence Command	
ANRE/ METI	Agency for Natural Resources and Energy of the Japanese Ministry of Economy, Trade and Industry	
APC	armoured personnel carrier	
APEC	Asia-Pacific Economic Cooperation	
APR	Asia-Pacific region	
bcm	billion cubic metres	
BPS	Baltic Pipeline System	
BRIC	Brazil, Russia, India and China	Group of countries with high economic growth
CAST	Centre for Analysis of Strategies and Technology	
CFE	Conventional Forces in Europe (Treaty)	
CIS	Commonwealth of Independent States	
CNPC	China National Petroleum Corporation	
CPC	Caspian Pipeline Consortium	
CSR	Centre for Strategic Research	
CST	Collective Security Treaty	
CSTO	Collective Security Treaty Organization	
DPRK	Democratic People's Republic of Korea	
EAS	East Asia Summit	
ESPO	Eastern Siberia–Pacific Ocean (pipeline)	
EU	European Union	
FGA	fighter/ground attack (aircraft)	
FSB	Federal Security Service	<i>Ru: Federalnaia sluzhba bezopasnosti</i>

		Note
FSU	Former Soviet Union	
GDP	gross domestic product	
GRU	Main Intelligence Directorate of the Russian General Staff	<i>Ru: Glavnoe razvedyvatelnoe upravlenie</i>
GUAM	Georgia, Ukraine, Azerbaijan and Moldova	
HQ	headquarters	
IAEA	International Atomic Energy Agency	
IEA	International Energy Agency	
IFC	International Finance Corporation	
INSOR	Institute of Contemporary Development	
JASDF	Japan Air Self-Defense Force	
JMSDF	Japan Maritime Self-Defense Force	
JSC	Joint Strategic Command	
KGB	Committee for State Security (Soviet Union)	<i>Ru: Komitet gosudarstvennoi bezopasnosti</i>
KSOR	Collective Rapid Reaction Force	<i>Ru: Kollektivnye sily operativnogo reagirovaniia</i>
LNG	liquefied natural gas	
MD	Military District	
MoD	Ministry of Defence	
MoU	memorandum of understanding	
MRB	motor rifle brigade	
MVD	Ministry for Internal Affairs	<i>Ru: Ministerstvo vnutrennikh del</i>
NAK	National Anti-Terrorism Committee	<i>Ru: Natsionalnyi antiterroristicheskii komitet</i>
NATO	North Atlantic Treaty Organization	
NPS	New Policies Scenario	
NPT	Non-Proliferation Treaty	

## Note

---

OECD	Organisation for Economic Co-operation and Development	
OMON	Interior Troops' special forces	<i>Ru: Otriad militsii osobogo naznacheniiia</i>
PRC	People's Republic of China	
PVO	Air Defence	<i>Ru: Protivovozdushnaia oborona</i>
RATS	Regional Anti-Terrorist Structure	
RIMPAC	Rim of the Pacific Exercise	
SCO	Shanghai Cooperation Organisation	
SCRF	Security Council of the Russian Federation	
SKV	Sakhalin-Khabarovsk-Vladivostok (gas pipeline)	
SSBN	ballistic missile submarine	
SVR	Foreign Intelligence Service	<i>Ru: Sluzhba vneshei razvedki</i>
TB	tank brigade	
toe	tonnes of oil equivalent	
VDV	Airborne Forces	<i>Ru: Vozdushno-desantnye voiska</i>
VOSO	military communications	<i>Ru: Voennye soobsbcheniia</i>
VTA	Military Transport Aviation	<i>Ru: Voenno-transportnaia aviatsiia</i>
UN	United Nations	
VKO	Aerospace Defence Forces	<i>Ru: Voiska vozdushno-kosmicheskoi oborony</i>
VVS	Air Force	<i>Ru: Voenno-vozdushnye sily</i>
WTO	World Trade Organization	
ZhDV	Railway Troops	<i>Ru: Zheleznodorozhnye voiska</i>



# 1. Introduction

Shinji Hyodo and Carolina Vendil Pallin

Russia's territory makes it the largest country in the world. It spans two continents and nine time zones, not to mention a range of different climate zones and everything from densely populated areas to areas on the verge of becoming depopulated. It shares land borders with 14 countries and a maritime border with another two, the US and Japan. The neighbouring states vary from 'old' industrialized nations such as Finland, Norway and Japan to the rapidly emerging global power China and landlocked Mongolia, which has been slow in joining the ranks of 'emerging markets'. Russia furthermore borders regions that are mostly considered peaceful and calm, such as the Baltic Sea region, but also potentially highly unstable regions such as the South Caucasus and Central Asia. Along its northern perimeter, the melting ice in the Arctic will pose new challenges but also provide new and unique opportunities for Russia.

Studying Russian security policy without understanding the country's unique geopolitics is thus impossible. Russia's geopolitical dilemmas in its western region will differ significantly from those it is facing in the east. This study attempts to add to the understanding of Russia's security outlook by combining or, at times, juxtaposing two different geographical outlooks on similar questions. Its underlying assumption is that we will increase our understanding of Russia by comparing Japanese and Swedish analyses of Russian strategy, military deployment, energy policy and counter-terrorism policy.

## **1.1 EASTERN AND WESTERN PERSPECTIVES ON RUSSIA'S SECURITY AND ENERGY CONCERNS**

Russia's capital, Moscow, and the majority of the Russian population are situated in the European part of Russia, but the greater part of its territory is a part of Asia. Does this make the West or the Far East most important in Moscow's eyes? Can Russia ignore the Far East while focusing on Europe? Or will Russia increasingly look to the dynamic Far East away from an old Europe that appears unable to resolve its economic troubles? The answer is that Moscow can ill afford to ignore either the rapidly developing states in Asia or the old-economy ones in Europe. Russia has historically found itself forced to look both east and west and will have to do so in the future as well. In both Europe and Asia, large

global powers loom large on Russia's security policy horizon and Russian policy is a mix of pragmatism and great power aspirations. The chapters in this report offer Japanese and Swedish analyses of, first, Russia's strategic approach; second, its military deployment; third, energy politics; and, finally, Moscow's approach to counter-terrorism at home and multi-laterally.

### **Russia's Strategic Approach in Asia and Europe**

Russia's official security documents such as the Security Strategy up to 2020 and the Foreign Policy Concept describe Russia's role and priorities in a multipolar world. The Foreign Policy Concept stresses Asia as a priority, not least China and India, but places it after the Commonwealth of Independent States and the West on the agenda. Shinji Hyodo singles out China as the most important factor in Russia's foreign policy and strategic approach in Asia. Russia's relations with China have declined in intensity since 2005 and it is obvious that Moscow is seeking to strengthen its military capabilities to counter China as an emerging military power in the region. Even Russia's relations with South Korea have become increasingly dependent on China's policy. At the same time, Russia is seeking cooperation with Japan to an extent that would perhaps not be expected taking into account the widely noticed visits by senior Russian officials to the Northern Territories and close air monitoring.

If China dominates Russia's policy in Asia, the US is a deciding factor for Moscow's policy in the West and towards Europe. Carolina Vendil Pallin observes that Moscow in 2011 appeared to be preparing itself for a period of difficult relations with the US, not least on account of the controversy around the latter's plans to expand its anti-missile defence. There is every reason to expect that Russia will try to turn to Europe in order to offset possible problems with Washington. Furthermore, Europe is a natural first port of call for Russia to try to attract foreign direct investment and technology transfer. The anti-Western rhetoric that came to dominate the election campaigns in 2011–2012 could have foreign policy implications in a short-term perspective, but Russian domestic politics and stability appear anything but certain. An emerging middle class is demanding a role in Russia's political life and it remains to be seen how this will influence foreign policy in a long-term perspective. So far, however, Vendil Pallin underlines that Medvedev's and Putin's anti-Western foreign policy has been very much in tune with popular sentiments.

### **Military Deployment in the East and the West**

Russia cannot prioritize one military district and strategic direction while ignoring others. However, the restructuring and

reorganization efforts undertaken under Minister of Defence Anatolii Serdiukov have resulted in distinct patterns of military exercises and military deployments for the military districts. The number of units has been drastically reduced, as has Russia's mass-mobilization capability. One of the military-strategic dilemmas that Russia faces is securing enough men, weapons and equipment in the eastern direction. Again, China is key to understanding Russian policy. Yoshiaki Sakaguchi observes that a number of new platforms and a substantial part of the new modern equipment to be delivered, for example the Mistral Class amphibious assault ship and the S-400 anti-aircraft missile system, will be deployed in the Eastern Military District. The Vostok-2010 exercise and naval exercises in the region are evidence of Russia's efforts to modernize its Armed Forces in this direction. The fact that Russia cannot disregard China as a possible future threat disturbs the relations between the two states.

In the western strategic direction, Russia's military capability will be impressive once it is fully manned and with modern weapons and equipment. Johan Norberg makes the observation that so far the emphasis has been on developing strategic mobility from the Western to the Eastern Military District. The need to concentrate large troop formations towards the West appears less acute to Moscow. However, it would be difficult for the Western Military District to engage in anything but defensive action without reinforcements. At the same time, Moscow anticipates a technologically advanced adversary in this direction, and air defence is being given due priority.

### **Energy Politics in the East and the West**

Russia's state budget is dependent on revenues from the country's energy exports. This makes protecting Russia's position as an energy exporter as well as creating favourable, stable conditions for the energy industry a matter of prime importance for Moscow. Russia mainly exports to Europe, but wants to diversify its energy exports to Asia as well. In his chapter on Russia's energy policy in the Asia Pacific region, however, Shigeki Akimoto observes that Russia and China have experienced difficulties in making progress on energy cooperation in spite of the obvious benefits an agreement on these issues would entail.

Russia needs to overcome the difficulties in reaching agreements with China in order to reduce its dependency on exporting to Europe – something that Susanne Oxenstierna concludes in her chapter on Russian energy strategy. From a Russian perspective, securing demand is crucial and Oxenstierna's analysis of Russia's Energy Strategy to 2030 leads to the conclusion that Russia will need to invest in order to turn to the Asian energy market. Another

Russian priority is to make sure that there is enough oil and gas to cover both domestic consumption and export demand. This Russia can do by investing in energy-saving technology.

### **Counter-terrorism**

Counter-terrorism features prominently in Russia's key security documents, which is hardly surprising given the number of terrorist attacks that the country has suffered. Terrorism is defined broadly and often comes close to being identical with counter-insurgency, which is perhaps why counter-terrorism is something that Russia and states like China and the Central Asian states have found it easy to cooperate on. Russia is a member of the Shanghai Cooperation Organisation (SCO) and the dominant power within the Collective Security Treaty Organization (CSTO). In spite of the tendency to emphasize the role of these organizations, as well as the progress made on cooperation, Moscow has hesitated about deepening economic cooperation within the SCO and faces significant free-rider problems inside the CSTO when it comes to military cooperation. Within both organizations, however, counter-terrorism exercises have been something that the states involved have found it less problematic to cooperate on.

In his chapter on Russia's role in the SCO and the CSTO, Hiroshi Yamazoe finds that the SCO has in fact contributed to reducing border tension. The SCO also provides a counter-terrorism liaison structure. The cooperation is helped along by similar definitions of what constitutes terrorism and an authoritarian approach to suppressing separatism. The exercises conducted with the SCO and the CSTO demonstrate the efforts Russia has been making to develop its own capabilities. Its activities within the CSTO are possibly aimed at countering a Chinese threat, but Russia tries to avoid a China threat scenario.

As mentioned above, Russia has experienced a number of terrorist attacks and most of these have their roots in the ongoing low-intensity war in the North Caucasus. Russia defines this as a counter-terrorism activity. In his chapter on Russian counter-terrorism in the North Caucasus, Jakob Hedenskog observes that Putin's rise to power took place simultaneously with the second war in Chechnya and that his popularity probably increased not least due to this conflict. Since then, Moscow has redefined the operation in the North Caucasus as a counter-terrorism operation rather than a military one. Consequently, it is the Interior Troops and the Federal Security Service that are mainly responsible for the operation. However, since 2004, violence has no longer been concentrated in the republic of Chechnya, which is now relatively calm. Instead, armed conflict has spread to other republics such

as Dagestan, Ingushetia and Kabardino-Balkaria. Furthermore, ethnic Chechen separatism has evolved into a radical Islamist movement that is spreading throughout the region. In Moscow's view, this movement involves transnational connections and Russia has pursued its leaders abroad.

## **1.2 CONCLUSION**

Looking at Russia from two different geopolitical angles, it is thus clear that Moscow cannot concentrate only on the West or only on the Far East. Both Europe and Asia are regions of vital importance, but perhaps partly for different reasons. The chapters in this study demonstrate how vital it is for Russia to maintain good relations with Europe in order to secure trade, not least energy exports. At the same time, the facts that Europe is intending to reduce its energy consumption and that there is no sign of immediate economic recovery, will result in falling energy demand and force Russia to turn to Asia, where economic growth is considerably higher. The rapidly emerging powers in Asia will be important energy consumers in the future; these states will also become important centres for trade and technological development.

The choice would then appear an easy one between a stagnant Europe or a dynamic Asia. However, the picture is more complicated than this. Europe is a mix of countries with very different economic outlooks and for Russia to increase its energy exports to Asia will take time. And in spite of high growth rates, Russia is facing the risk of lagging behind some of the emerging states in Asia as well. China's rise is viewed with ambivalence in Moscow. Although it results in a potentially greater demand on Russian energy, it also means that Russia is facing the prospect of being overtaken by China – first in terms of economic and technological development and potentially soon in terms of military power. Russia appears then to be bracing itself for security and military threats both in its western and in its eastern direction. It does not view Asia or Europe as regions dominated by enemies, but on the other hand it does not identify key players on either continent as true allies.

Russian foreign policy is in many ways dependent on its economy and domestic politics. How Russia evolves internally will have implications for its foreign policy in a long-term perspective. In the more immediate future, the challenges that Russia faces in the North Caucasus influence and are bound to continue to influence its anti-terrorist cooperation as well as its military posture. The threats of increasing instability in the North Caucasus as well as of unrest and armed conflict in Central Asia are threats that Russia is able and would be forced to deal with. In other words,

these are contingencies that Russia can and must prepare for while maintaining tensions with the US, China and other powers on a manageable level – a tall order indeed for Moscow’s policy planners.

## 2. Russia's Strategic Approach towards Asia

Shinji Hyodo

Russia has demonstrated a stance of focusing on Asia by strengthening the export of resources to it and encouraging economic integration of the region – a stance that it has emphasized through the scheduled APEC (Asia-Pacific Economic Forum) summit meeting in Vladivostok, Russia, in September 2012. On the other hand, in tandem with a growing recognition of the arrival of a multipolar world, the spotlight is being placed on how the rising powers, China and Russia, will handle their relations in the fields of foreign diplomacy and military affairs. In the light of a conceivable move by Russia towards a pragmatic, strategic and gradual shift towards Asia, this chapter aims to study Russia's strategic approach towards Asia with a focus on the aspects of diplomacy and regional security.

### **2.1 RUSSIA'S PERCEPTION OF THE STRATEGIC ENVIRONMENT**

I would like to elaborate on Russia's current perception of the strategic environment, based on the contents of a series of national strategy documents. The strategy document known as the National Security Strategy of the Russian Federation to 2020 (hereafter, 'Security Strategy'), revised in May 2009, forms the basis for Russia's diplomatic and security policies. The Security Strategy is the highest-order strategy document that organizes Russia's official views on broader national security issues, and covers all areas of policy in addition to military policies. These include the economy, society, technology, the environment, health, education and culture. Separate policy documents, such as the Foreign Policy Concept of the Russian Federation in the area of foreign diplomacy, and the Military Doctrine of the Russian Federation in the area of military affairs, are drawn up based on the Security Strategy. The National Security Concept drawn up in 1997 underwent a significant revision, including the title of the document, for the first time in 12 years.<sup>1</sup>

The introductory sections of the *Security Strategy* states that Russia has overcome the political, social and economic crises that were present at the end of the 20th century and recovered the ability to enhance its competitiveness and pursue its national interests as an important actor in the multipolar world that is slowly taking shape.

Furthermore, it clearly states that an intrinsically new geopolitical situation is gradually developing as a result of the expansion in power of the new centre of economic growth and political influence.<sup>2</sup> In addition, in his address to the Federal Assembly delivered on 12 November 2009, then President Dmitrii Medvedev stated that the world had become multipolar, and welcomed its further polarization. Thus, with the decline of the United States' absolute influence and the rise of emerging countries such as China and India, Russia has developed a basic strategic perception of the environment as a world that has already become multipolar.<sup>3</sup> Russia has laid out its strategic national security goal in the Security Strategy – to be included as one of the top five countries in the world in terms of total gross domestic product (GDP) in the medium-to-long term, by the year 2020.<sup>4</sup> The multipolar world that Russia conceives of comprises the United States, China, India, Europe and Russia. One element of Russia's national interests, as stipulated in the Security Strategy, is a policy that makes pragmatic use of resource capacity, and which shifts away from confrontation between blocs towards pluralistic diplomacy as part of the objective of enhancing Russia's influence in international society and transforming it into a major power in the world. This is to be achieved through activities aimed at maintaining strategic stability and mutually beneficial partnerships in a multipolar world.<sup>5</sup> On the basis of the above, we could say that Russia's national security issue is that of becoming one of the poles in a multipolar world.

Furthermore, the Security Strategy demonstrates the intention to strengthen multilateral cooperation through agencies such as the Group of Eight developed economies (G8), the Group of Twenty (G20), RIC (Russia, India and China), and the BRICs (Brazil, Russia, India and China).<sup>6</sup> President Medvedev confirmed this intention in his address to the Federal Assembly on 30 November 2010, when he talked about utilizing APEC and other organizations to integrate Russia into the Asia Pacific economic region. Russia hosted the APEC summit in 2012, in Vladivostok in the Russian Far East. From the perspective described above, the summit positioned itself as an important international event for Russia.

Next, I would like to establish how Russia's threat perception has changed in the new *Military Doctrine*, which was revised for the first time in 10 years in February 2010. First, the document lays out Russia's strategic perception of the environment – which forms the premise for its perception of threat – as follows.

World development at the present stage is characterized by a weakening of ideological confrontation, a lowering of the level of economic, political, and military influence of certain states (groups of states) and alliances and an increase in the influence of other states with ambitions for all-embracing domination, multipolarity, and the globalization of diverse processes.

This describes Russia's basic perception of the strategic environment – the arrival of a multipolar world that has developed in tandem with a decline in unilateralism in the United States, and a growth in the influence of emerging countries such as the BRICs. This is of course in line with the perception of the strategic environment laid out in the Security Strategy.

## **2.2 THE BASIC PREMISE OF RUSSIA'S ASIAN DIPLOMACY**

I would like next to examine Russia's basic premise for its Asian diplomacy. The new *Foreign Policy Concept of the Russian Federation*, which was revised for the first time in eight years and released on 12 July 2008, established that there were no changes to Russia's priorities with regard to foreign diplomacy.<sup>7</sup> The top priority region for Russian diplomacy is the Commonwealth of Independent States (CIS), which is geopolitically important. This is followed by Europe, Russia's largest trading partner, and then by the United States, which is the most significant factor taken into account with regard to security. Although Asia comes next in the order of priority, Russia has its focus placed on China and India; Japan finally appears after that. While Asia has always occupied a low position in Russia's foreign policy, Russia is perceived to be making a gradual shift towards Asia. This is a consequence of political factors such as the stabilization of foreign relations with Europe and the United States, as well as economic factors such as the need to export resources to Asia in order to sustain economic growth.

Russia's shift towards Asia is related to the decline of unilateralism in the United States with the transition to the Obama administration, as well as the heightened presence of China as a new pole. In short, Russia's strategic interest is shifting from Europe and the United States to Asia. This reality is backed up by Russia's recent repeated declarations about establishing multilateral frameworks not only in Europe but also in Asia. While Russia is focused on frameworks such as the Six-Party Talks with North Korea and the Shanghai Cooperation Organisation (SCO), it also became an official member of the East Asia Summit (EAS) in 2011, alongside the United States. Russia's East Asian diplomacy is not founded solely upon bilateral relationships; it is also showing a gradual expansion towards multilateral relationships. Through the APEC summit

meeting held in Vladivostok in September 2012 and its official entry into the EAS along with the United States in 2011, Russia is expected to work towards building up its influence in Asia.

With regard to Russia's Asian diplomacy, although no changes have been observed in the order of priority accorded to China, its strategic partner, and India, with which it has historically enjoyed friendly relations, fluctuations have been observed in the order of priority for other countries. For instance, in the Foreign Policy Concept released in 2008, Japan came after China and India, while mention of the Korean Peninsula came after Southeast Asia.<sup>8</sup> However, in the address to the Federal Assembly delivered by President Medvedev on 30 November 2010, the order in which Asian countries were discussed was China, India, South Korea, Singapore and Japan; Japan had fallen down the order of priority, while South Korea and Singapore, with which Russia is strengthening its pragmatic relations on the economic front, had risen.<sup>9</sup> In recent years, the strengthening of the pragmatic relationship between Russia and South Korea has been particularly remarkable, and is considered to have had a significant impact on Russia's policies with regard to the Korean Peninsula. Thus, summarizing Russia's Asian diplomacy, we could say that its strategic focus on China and India, as well as its pragmatic focus on South Korea and Southeast Asia, is becoming increasingly clear.

### **2.3 RUSSIA'S APPROACH TO KEY ASIAN COUNTRIES**

#### **China**

Next, I would like to consider the characteristics of Russia's foreign policy towards key Asian countries. Among the countries in Asia, Russia places the greatest importance on its strategic relationship with China, which it has positioned as a strategic partner. While current Sino-Russian relations are described officially as being at their highest point historically, in reality the cooperative relationship is considered to have peaked around 2005, when a final agreement was reached on the demarcation of their national borders, and the two countries commenced large-scale joint military exercises. Pragmatically, arms exports to China have declined, and confrontations over the export prices of resources have continued; strategically, the motivation for strategic cooperation from the perspective of serving as a check and balance against the United States has weakened for both countries. Rather, the issue of how Russia deals with a neighbouring China that has taken on a role in the multipolar world is becoming increasingly important from the perspective of security.

If we observe the recent trends in the Russian military and moves

to modernize the military, it is plausible that importance of the 'China factor' is growing. For instance, the Eastern Military District newly set up at the end of 2010 was expanded from the old Far Eastern Military District, and the entire Sino-Russian eastern border came under the central management of the same military district. In addition, with the birth of the northern sea route as a result of the melting of the ice in the Arctic seas, Russia is believed to have concerns about China's future advance into the northern seas. In October 2008, four Chinese military vessels, including Sovremennyi Class destroyers, passed through the Tsugaru Straits and succeeded in entering the Pacific Ocean from the Sea of Japan for the first time;<sup>10</sup> this was reported to have come as a shock for Russian military authorities.<sup>11</sup> Russia is believed to harbour fears that Chinese military vessels would pass through the La Pérouse Straits in the future and reach the Sea of Okhotsk – regarded as an 'inland sea' in Russia. The large-scale military exercises that were held in the Sea of Okhotsk starting on 2 September 2011 may have been arranged with a view to a future military presence in China. Furthermore, as described later, it would also be natural to consider that equipping the Russian Far East with the Mistral Class amphibious assault ship brought in from France, as well as the arms build-up in the Northern Territories, are partly aimed at restraining China. Although China and Russia appear to be staging a scene of political honeymoon on the surface, the decline of arms exports from Russia to China, the Sino-Russian feud over energy prices, and the postponement of the Sino-Russian joint naval exercise originally scheduled for summer 2011, among other signs, point to the increasing complexity of the strategic partnership between the two countries.<sup>12</sup>

As described above, an analysis of the situation from the point of view of Russia also shows clearly that the Sino-Russian relationship does not necessarily exist because these countries wish to cooperate, and that the deeper reality is far more complicated. Chinese experts have also pointed out, to differing degrees, similar views on the relationship between China and Russia. From the above, we could say that gradual changes have been observed in Russia's stance of strategic cooperation with China and India, away from the perspective of pursuing a multipolar world.

### **The Korean Peninsula**

To Russia, the Korean Peninsula is no more than a strategic, secondary presence. As reaffirmed in the Foreign Policy Concept – even in the order of priority accorded to different countries and regions in Russia's overall foreign policy – the Korean Peninsula is not a high priority. How does Russia position the peninsula with regard to security? First, the military interests shared between

Russia and North Korea (the DPRK, Democratic People's Republic of Korea) have weakened as compared to the times of the Soviet Union. In 2000, Russia and North Korea revised their friendship treaty, removing the article on automatic military intervention during times of emergency, which had been included in the previous treaty; Russia thus effectively withdrew its offer of unconditional military assistance to North Korea. In addition, in the *Foreign Policy Concept of the Russian Federation*, drawn up in July 2008, the Korean Peninsula was described as a source of tension and conflict with increasing risks of the proliferation of weapons of mass destruction. When North Korea announced its withdrawal from the Non-Proliferation Treaty (NPT) in 1993, Russia aligned itself with the United States in pressing North Korea to allow inspectors from the International Atomic Energy Agency (IAEA) to enter. However, North Korea's possession of nuclear weapons does not in itself pose a direct security threat to Russia, which also possesses a powerful nuclear capability. With regard to missiles and the nuclear issue, it has also been pointed out that, although North Korea does not pose a significant threat to Russian security, the collapse of the regime there and loss of control over its nuclear capabilities pose a greater threat to Russia.

Even the collapse of the North Korean regime is not perceived to be as serious a concern in Russia as it is in China. The border between Russia and North Korea, a mere 17 km long, is shorter than the border between China and North Korea. Thus, even in the event of the North Korean regime collapsing, the damage to Russia through the inflow of refugees and other consequences is limited. Moreover, after 2003, by deploying Russian military and border guards, Russia has repeatedly conducted military exercises based on the scenario of an influx of refugees from North Korea, and has taken recent steps to reinforce its overall border control to prevent the entry of Islamic extremist forces into the country. From June to July 2010, the largest military exercise in the history of Russia, known as Vostok-2010, was conducted over the entire Far East region of Russia. During this exercise, an amphibious operation from sea to land was carried out at the Khasan district near the border between Russia and North Korea. This was perceived to be an exercise based on the scenario of an influx of refugees from North Korea; Russia is showing a heightened interest in controlling its border with North Korea not only on land but also at sea.

The United States is one factor behind Russia's limited interest in security with regard to North Korea. This is a result of the fact that the United States interest in the Korean Peninsula is limited compared to its interest in the Middle East and Afghanistan. As the United States' foreign policy towards North Korea consists

primarily of the pursuit of a resolution through diplomacy, Russia perceives the probability of a military intervention in the Korean Peninsula by the United States, without paying heed to the United Nations (as it did in Iraq), to be small. Many of the priority regions for Russian diplomacy correspond with the regions in which the United States has a security interest; with regard to the nuclear issue, Russia accords greater importance to the Iran problem than to North Korea. For that reason, Russia has had a history of being more actively involved in the Iran problem, ensuring that moves to sanction North Korea on suspicions of nuclear development are not linked to moves to sanction Iran, in which it has stronger vested interests.

On the other hand, Russia's move to distance itself from China also reflects the differences between China and Russia in their political stances on the North Korean problem. Russia's basic stance towards the North Korean issue was originally to defend North Korea's position, as China does. However, with the changes in the Sino-Russian relationship, Russia appears to be exploring a unique path for its policies vis-à-vis the Korean Peninsula. For instance, after the sinking of a South Korean warship at the end of March 2010, Russia dispatched military experts to South Korea to conduct its own investigations into concerns that tensions were increasing in the Korean Peninsula. Although China opposed the inclusion of expressions that directly condemned North Korea in the declaration by the President of the UN Security Council in response to this incident, Russian Foreign Minister Sergei Lavrov moved to criticize North Korean Foreign Minister Pak Ui Chun, who visited Russia on 13 December 2010, for the shelling of Yeonpyeong Island, the new uranium enrichment facility, and the violation of the UN Security Council Resolution calling for a halt to North Korea's nuclear and missile development. It was the first time Russia had directly criticized a high-ranking official of the North Korean government in public. Thereafter, Russia, which is also a permanent member of the UN Security Council, called for an emergency meeting of the UN Security Council and sought to ease tensions between North and South Korea, thereby responding in a different way from China.

In 2011, Russia and North Korea were observed to be drawing closer to one another suddenly. First, in May, the chief of the Russian Foreign Intelligence Service (Sluzhba vneshnei razvedki, or SVR) held a dialogue with then North Korean General Secretary Kim Jong Il in Pyongyang. In June, the Chief Executive Officer of Gazprom, Alexei Miller, met the North Korean Ambassador to Russia, Kim Yong Jae, in Moscow, where they discussed issues pertaining to the construction of natural gas pipelines that would link Russia and South Korea via North Korea.<sup>13</sup> Further,

on 24 August, Kim Jong Il, Chairman of the National Defence Commission of North Korea, visited Russia on a private train, and met President Medvedev at a military facility near Ulan-Ude in East Siberia. This was the first Russo-DPRK leaders' summit to be held in nine years. At the summit, General Secretary Kim once again declared the intention to return to the Six-Party Talks without attaching any preconditions, and announced that North Korea was prepared to freeze its missile and nuclear experiments and production with a view to resolving the nuclear issue.

With regard to economic cooperation, the two leaders concurred on realizing the concept of the natural gas pipelines extending from Russia to South Korea via North Korea and agreed to establish a joint committee from Russian and North Korean gas companies, as well as to hold talks with South Korean gas companies as part of concrete steps to be taken to bring the project to fruition. In addition, the Commander of the Eastern Military District, Konstantin Sidenko, went to Pyongyang close to the time when the leaders' summit was being convened. Military cooperation between Russia and North Korea was expected to recommence, with an agreement to conduct search and rescue training programmes from 2012, and friendly visits by North Korean vessels to Vladivostok. Although North Korea's accumulated debt to Russia had snowballed to approximately USD 11 billion, Russia's national paper *Izvestiia* reported that Russia had reduced the debt by 90 per cent, and was in talks to allow payment of the remaining 10 per cent through joint projects with North Korea.<sup>14</sup> These moves to close the gap in the relationship between Russia and North Korea are perceived as North Korea's approach towards Russia in order to reduce its dependency on China, as well as Russia's response to that approach as part of its search for its own unique policy with regard to the Korean Peninsula. The 'China factor' is perceived to lie behind these developments. Thus, changes in the relationship with China have had a considerable impact on Russia's policy towards the Korean Peninsula.

### **Japan**

With regard to relations between Japan and Russia, political relations have chilled since then President Medvedev's visit to Kunashiri Island in November 2010, mainly over problems pertaining to the Northern Territories. In addition to repeated visits to the site by Cabinet ministers, Russia has also drawn up plans to modernize the Russian Army located in the Northern Territories and taken action to enhance its effective control over the Northern Territories in the military sense. Russian troops around Japan have also intensified their activities, deploying the Mistral Class amphibious assault ship to the Pacific Fleet in the

name of the defence of the Northern Territories and resuming flights into Japanese airspace by Russian military aircraft, which it had suspended temporarily immediately after the Great East Japan Earthquake of spring 2011. In September 2011, more than 10 000 military personnel, as well as more than 50 vessels and 50 aircraft, participated in the large-scale military exercise staged in the Sea of Okhotsk mentioned above.<sup>15</sup> As part of the exercise, on 8 September, two Tu-95 strategic bombers on which nuclear weapons could be mounted conducted an unusually close flyby towards Japanese airspace, prompting JASDF (Japan Air Self-Defense Force) aircraft to scramble several times to intercept them.<sup>16</sup> Furthermore, on 9 and 10 September, 24 Russian naval vessels heading for the exercise venue on the Sea of Okhotsk passed through the La Pérouse Straits simultaneously; it was the first time in recent history that such a large number of vessels had sailed through the Straits at the same time.<sup>17</sup>

The Sea of Okhotsk exercise commenced on 2 September, the date designated by Russia last year as the day for the conclusion of World War II.<sup>18</sup> In view of this fact, the intensification of activities around Japan by the Russian military is based on the political rhetoric that views Japan as an enemy country from the time of World War II, and constantly keeping in view the territorial problems that it faces vis-à-vis Japan. However, much of its military actions cannot be explained solely by their 'anti-Japanese' elements. For instance, the guided-missile cruiser *Variag* that participated in the Sea of Okhotsk exercise docked at Maizuru after the exercise, and conducted a regular search and rescue drill with the JMSDF (Japan Maritime Self-Defense Force). Thereafter, it participated in a joint exercise with the US Navy off the coast of Guam and paid a goodwill visit to Canada before returning to its home port in Vladivostok.<sup>19</sup> These regular exercises with Japan and the United States are prompted by the Russian military.<sup>20</sup> From 2012 the Russian Navy will take part in RIMPAC (the Rim of the Pacific Exercise), which is the world's largest international maritime warfare exercise hosted and administered by the United States Navy's Pacific Command and held biennially during June and July of even-numbered years in Honolulu, Hawaii.

While the previous Russian Military Doctrine had interpreted claims to territory from a foreign country as a military threat to Russia, the newly revised document had downgraded the threat perception to that of a 'military danger'. Nonetheless, the forthcoming presidential election in March 2012 is considered to have been an underlying factor behind the visit by then President Medvedev to the Northern Territories in November 2010 and Russia's continued hard-line stance towards Japan. In the election

campaigns conducted four years before, the current administration had also rolled out all its points of conflict with Europe and the United States, and appealed to the electorate by emphasizing the need for strong leadership in Russia. However, as US–Russian relations were reset in 2011 and Russia pushed forward on cooperating with Europe and the United States for reasons of economic modernization, Japan was still feeling Russia’s hard-line stance over the Northern Territories issue.

At the Japan–Russia Foreign Ministers’ Meeting held during the APEC summit meeting convened in Honolulu on 11 November 2011, Foreign Minister Lavrov declared that the recent military exercises conducted by Russia were not intended to anger Japan, and expressed Russia’s desire to build up close relations between the two defence ministries, partly in order to avoid misunderstanding.<sup>21</sup> In the Japan–Russia Leaders’ Meeting held the following day, President Medvedev indicated his desire to enhance cooperation with Japan in the area of security.<sup>22</sup> Russia is advocating trilateral security dialogues between Japan, the United States and Russia, and intends to raise the level of the Japan–US–Russia Trilateral Conference to that of an intergovernmental conference in the future. The conference has already been launched and comprises a panel of experts. The ‘China factor’ is considered to be an underlying factor behind Russia’s pursuit of security cooperation with Japan and the United States. Among experts on Russian security, there are some who argue that there should be cooperation between Japan and Russia, or between Japan, the United States and Russia, to serve as a counter against the influence of China.<sup>23</sup> With the return of the Putin administration after the presidential elections in March 2012, even if Russia moderates its stance towards Japan, the two countries are not expected to make any progress on the Northern Territories problem.

#### **2.4 RUSSIA’S APPROACH TO ASIA**

Russia officially became a member of the EAS in 2011, alongside the United States. The acceptance of the simultaneous entry of the United States and Russia by existing members of the EAS, including countries of Southeast Asia, is thought to have been encouraged by the objective of reducing China’s prominent influence. The cornerstone of Russia’s East Asian diplomacy is sustained by its strategic cooperative relationship with China – a country on which Russia has placed strategic importance. On the other hand, key countries in East Asia expect Russia to take on the role of a balancer against China. At the EAS meeting held in Bali, Indonesia, in November 2011, maritime security issues in the South China Sea were part of the agenda. Russia did not participate at the summit and some observers perceived this action to be, in part,

Russia giving political consideration to China, which is becoming increasingly isolated with regard to its position on the South China Sea problem. In reality, whether Russia is in cooperation with China or acting as a balancer against China, we can say that there are contradictions and limitations in Russia's East Asian diplomacy. From the above study, if we were to compare Russia's diplomatic positioning on the Asia Pacific region to its positioning on Europe and the United States, we could say that the Asia Pacific region is not a high priority for Russia. Nevertheless, based on the increasingly stable relations with Europe and the United States, as well as the need for Russia itself to deal with the rising influence of China, we could say that Russia's foreign policy is gradually taking on an Asia Pacific-centric orientation. Although I have discussed Russia's strategic cooperation with China, there is growing distrust of China, and the current complex nature of Sino-Russian relations will have an impact on Russia's relations with other Asian countries. At the same time, it is also likely that Russia will strive to achieve multi-track diplomacy through multilateral frameworks in the Asia Pacific region, and this will also become a factor.

## Endnotes

- 1 For details, please refer to 'Puchin seiken ni okeru kokka anzen hosho gainen no kaitei wo meguru ugoki' [Developments in Response to the Revision of the National Security Concept under the Putin Administration], *Russian Foreign Policy Today II*, Hokkaido University Slavic Research Center, May 2006.
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- 3 'Address to the Federal Assembly', *President of Russia*, on the Internet: <http://news.kremlin.ru/transcripts/5979/print> (retrieved 13 November 2009).
- 4 When Russia is described as one of the world's top five economies, it is based on the order of gross domestic product (GDP) converted to purchasing power parity. According to 2010 data from the World Bank, the top economies, in descending order, were the United States, China, Japan, India, Germany, and Russia; Russia was in sixth position. (World Development Indicators database, World Bank.)
- 5 Ibid.
- 6 Ibid.
- 7 'The Foreign Policy Concept of the Russian Federation', *Ministry of Foreign Affairs of the Russian Federation*, on the Internet: [http://www.mid.ru/brp\\_4.nsf/sp/s357798BF3C69E1EAC3257487004AB10C](http://www.mid.ru/brp_4.nsf/sp/s357798BF3C69E1EAC3257487004AB10C) (retrieved 13 July 2008).
- 8 Ibid.
- 9 'Address to the Federal Assembly', *President of Russia*, on the Internet: <http://news.kremlin.ru/transcripts/9637> (retrieved 2 December 2010).
- 10 'Defense of Japan 2009', *Ministry of Defense of Japan*, on the Internet: [http://www.clearing.mod.go.jp/hakusho\\_data/2009/2009/index.html](http://www.clearing.mod.go.jp/hakusho_data/2009/2009/index.html) (retrieved 15 October 2011).
- 11 From an informal talk with a university faculty member under the Main Intelligence Directorate of the General Staff (Glavnoe razvedyvatelnoe upravlenie (GRU)) in Moscow, July 2011.
- 12 For instance, it was revealed on 5 October 2011 that the Federal Security

Service of the Russian Federation (FSB), which is responsible for internal security, had arrested employees of China's Ministry of National Security in October 2010 on the count of an illegal attempt to obtain information on S-300 surface-to-air missile technology. This occurred immediately before Prime Minister Putin's visit to China. As the public proclamation of Chinese spying incidents by the Russian government was unprecedented, it came under the spotlight as an incident that revealed the complex nature of Sino-Russian relations.

- 13 The series of facts is based on 'Roshia seisaku douko' [Russian Policy Trends], Radiopress, Inc.
- 14 'Izvestiia', *Sankei Shimbun*, 14 September 2011, on the Internet: <http://sankei.jp.msn.com/world/news/110914/kor11091422490002-n1.htm>.
- 15 *Ministry of Defence of the Russian Federation*, on the Internet: [http://www.function.mil.ru/news\\_page/country/more.htm?id=10677191@egNews](http://www.function.mil.ru/news_page/country/more.htm?id=10677191@egNews) (retrieved 30 September 2011).
- 16 *Joint Staff Office of the Russian Federation*, on the Internet: [http://www.mod.go.jp/jso/Press/press2011/press\\_pdf/p20110908\\_01.pdf](http://www.mod.go.jp/jso/Press/press2011/press_pdf/p20110908_01.pdf) (retrieved 3 October 2011).
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- 20 *Nikkei (morning edition)*, 1 September 2011.
- 21 'Honolulu APEC no sai no nichiro gaiso kaidan (gaiyo)' [Summary of the Japan-Russia Foreign Ministers' Meeting during the APEC Summit in Honolulu], press release from the European Affairs Bureau, *Ministry of Foreign Affairs of Japan*, 11 December 2011.
- 22 'Honolulu APEC no sai no nichiro shuno kaidan (gaiyo)' [Summary of the Japan-Russia Foreign Leaders' Meeting during the APEC Summit in Honolulu], press release from the Russian Division, *Ministry of Foreign Affairs of Japan*, 13 November 2011.
- 23 For instance, the talk given by the Head of the Center for International Security, Institute of World Economy and International Relations (IMEMO), 'Russian Policy Trends', 31 July 2011.

### 3. Russia's Strategic Approach towards Europe

Carolina Vendil Pallin

Russia's relationship with Europe contains considerable elements of ambivalence and ambiguity. Many Russians tend to identify with Europe only to underline Russia's unique 'Eurasian identity' in the next breath. The bulk of Russia's territory is located in Asia while the majority of the population lives west of the Urals in Europe. The Western tendency to deliver advice and, at times, harsh criticism of Russia is not appreciated, but Europe is the first port of call when Russia looks for foreign direct investment and technology transfer; the Russian elite sends its children to boarding schools in Europe, and buys expensive flats and mansions in the United Kingdom; and at the same time anti-Western rhetoric abounds both in speeches and in national security documents. To understand this apparent paradox it is important, first, to understand the role of Europe and the West in Russian grand strategy. Second, Russia appears reluctant to drop the idea of a military threat from the West, and the way in which Russia develops its military strategy in this direction will yield insights into what kind of enemy it expects in this direction. Third, domestic politics is essential to understand the dynamics of Russian rhetoric at home and how it can have international repercussions, not least after a hectic election season in 2011–2012.

#### **3.1 EUROPE'S PLACE IN THE RUSSIAN GRAND STRATEGY**

Russia's Foreign Policy Concept was adopted in July 2008 just before the war in Georgia and before the economic crisis that hit Russia in the autumn of 2008. It stated that developments, among them Russia's increasing importance on the international scene, had prompted a revision of the previous concept (adopted in 2000). It also listed the central foreign policy goals as, first, to secure Russia's status in the international society as 'one of the influential centres of the modern world'. Second, it stated that Russia foreign policy should 'create favourable external conditions for the modernization of Russia'.<sup>1</sup> The document illustrates well Russia's main tenets of grand strategy as well as the tensions within it. To strengthen Russia's position in the world and its great power status is paramount, but there is also a realization that this goal is dependent on the country's ability to modernize and not find itself left behind. It could be argued that the tensions between these two goals are especially visible in Russia's relations with Europe.

In Russia's efforts to underpin its position as one of the great powers in the world the relationship with the United States is of prime importance. Russia wants to be treated as an equal of the US and if this proves impossible then 'they would rather be noticed as enemies than ignored as friends'.<sup>2</sup> In many respects, Russia's relationship with Europe is a continuation of its positioning vis-à-vis the US. Sometimes Russia treats Europe as part of the West and a loyal vassal of the US, but just as often it tries to nurture a special relationship with Europe to compensate for its at times troubled relations with the US. In other words, it is impossible to analyse Russia's strategic approach towards Europe without keeping in mind Moscow's preoccupation with the US. Russia appears to be bracing itself for a period of poor relations with the US, not least because of the controversial issue of missile defence, where neither side looks likely to budge.<sup>3</sup> Russia insists that if the US remains adamant in going ahead with its plans, Russia should receive absolute guarantees that the missile defence installations in Europe cannot be directed against Russia's nuclear forces – and the guarantees must be based on 'objective military-technical criteria'.<sup>4</sup> This will influence Russia's relations with Europe – both its multilateral relations with, first and foremost, the European Union (EU) and the North Atlantic Treaty Organization (NATO), and its bilateral relations. Among the European states, Germany, France and Italy remain Russia's partners of preference.

Furthermore, Russia prioritizes its relations with the Commonwealth of Independent States (CIS) and has been able to advance its position in many of the CIS countries. It has improved its relations with Ukraine and established a Customs Union with Belarus and Kazakhstan in January 2010. Moscow has also strengthened cooperation inside the Collective Security Treaty Organization (CSTO).<sup>5</sup> Again, it is difficult to analyse Russia's relations with Europe without keeping in mind the importance that Russia attaches to increasing its influence in the CIS and the competition for influence that exists between the EU, NATO and Russia in some of these states. Russia feels it has '*a droit de regard* in the region'.<sup>6</sup> Russia will continue to protect its position in this region and it would be naive to believe that this competition between the EU and Russia will disappear.

At the same time, Russia is keen to attract investment and technology transfer from the EU as a whole and from individual EU member states. With Russia's accession to the World Trade Organization (WTO), the prospects for developing trade relations are improving. There is also a better base for negotiating a new agreement to replace the current Partnership and Cooperation Agreement (PCA) between Russia and the EU, which was originally

due to run out in 2007, 10 years after it entered into force. Negotiations to arrive at a new agreement have been difficult, but as long as neither side terminates the PCA it is automatically prolonged by one year. The main text of the PCA regulates the economic relations between Russia and the EU, but with Russia's accession to the WTO many questions that were formally regulated by the PCA will be resolved because Russia and the EU member states are all subject to the same regulations and sanctions mechanisms. In other words, the prospects for reaching a new and deepened agreement do look brighter. Moreover, the dialogues that Russia and the EU have engaged in to facilitate the WTO accession process have probably given them more knowledge about each other, which could augur well for future relations. New momentum is very much needed in the negotiation process, which was initiated in 2008.

There is no other third country with which the EU has such an elaborate formal framework as it has with Russia – including two summit meetings a year. Apart from the PCA and modernization partnerships, the EU and Russia have adopted four 'common spaces' and corresponding road maps on economic issues; freedom, security and justice; external security; and research, education and culture. Nor is there any lack of initiatives to energize the relationship. There are human rights dialogues in connection with the summits and an extensive network of, for example, regional cooperation projects. In spite of this, however, relations between Russia and the EU are evolving only slowly. Russia has concluded an agreement on modernization partnerships with the EU.<sup>7</sup> After the overarching agreement with Brussels, it managed to negotiate individual modernization partnerships with 23 of the EU member states by December 2011. The challenge, however, has been to fill these partnerships with actual content. Mostly they have not gone 'beyond declarations, multilateral and bilateral'.<sup>8</sup> This is a problem that has plagued most aspects of EU–Russia relations.

In Moscow, the EU is above all a trade partner and an economic power to be reckoned with. The EU countries are Russia's most important energy export destinations as well as a source for foreign direct investment and technology transfer. Russia's policy vis-à-vis Europe will probably continue to be two-pronged: on the one hand Moscow will continue to conduct a policy whereby it tries to maintain good relations in order to facilitate trade and other kinds of exchange; on the other hand it will also continue to try to diversify its energy exports in order to become less dependent on Europe. Russia will also continue to defend its position of influence inside the CIS.

Russia is less impressed with the EU as a security policy player on the international scene. In matters of international security Russia tends to turn first to the US and NATO as well as bilaterally to Germany and France. This could explain why Medvedev chose to launch his initiative for a new European security architecture in Berlin in June 2008.

The European response to Medvedev's initiative was at best polite but lukewarm. At the heart of the disagreement was a fundamental difference in views on security. Whereas Russia wanted to concentrate on building hard security, the EU and its member states wanted to retain the strong connection between soft and hard security that was established with the Helsinki Treaty. In order to respond without rejecting the Russian proposal outright, Europe channelled it into the co-called Corfu Process inside the Organization for Security and Co-operation in Europe (OSCE). Russia did not hide its dissatisfaction with this and maintained that the Corfu Process should be regarded as a separate one, distinct from pressing on with negotiations on Medvedev's proposal. In December 2009, Russia even published a draft European Security Treaty on the Russian presidential website. Russia's vision of a new security arrangement in Europe brought the Concert of Great Powers of the 19<sup>th</sup> century distinctly to mind. To agree to this kind of security architecture would have been unthinkable to Brussels. Not only could it have undermined internal coherence inside the EU, where common values are the glue that ties a motley collection of European states together. To Brussels soft security constitutes hard currency in states such as Ukraine and Moldova where values such as human rights, the rule of law and economic freedom still have appeal.

### **3.2 RUSSIA'S MILITARY STRATEGY IN THE WESTERN DIRECTION**

Russia finds it hard to compete with Europe when it comes to soft security, but what is considerably more worrying to Moscow is that it lags behind the West when it comes to crucial aspects of conventional military security. This was one of the main rationales behind Russia's reform of its conventional Armed Forces in 2008. The war in Georgia ended in a military victory, but it was also obvious that Russian weapons and equipment were inferior to those which Tbilisi had procured recently from the West. Moreover, Russia's military organization had proved weak when it came to delivering the necessary units rapidly, and existing command and control systems made joint operations difficult, not to say impossible in practice. In the case of the war in Georgia, Russia had the advantage of having battle-ready units already deployed on the border with Georgia. Furthermore, it had recently conducted a

major exercise along a scenario similar to that which unfolded in the actual war.<sup>9</sup>

In spite of this, Moscow was dissatisfied with many aspects of the war and in October 2008 the Russian Ministry of Defence (MoD) launched a restructuring and reorganization effort that will change its Armed Forces radically. The emphasis is on procurement – according to MoD plans, 70 per cent of weapons and equipment should be ‘modern’ by 2020 – and on creating units with high readiness that could be rapidly deployed to a zone of conflict.

It would be erroneous to pinpoint one strategic direction as being prioritized by Moscow above all others. The reorganization of Russia’s command system in four strategic directions – West, East, South and Central – and a corresponding division of its military organization into four military districts were probably in part prompted by the different kinds of adversaries and thus different tasks for its Armed Forces that Moscow anticipated in these directions. Russian military commanders have stated that Russia expects a technologically advanced adversary in the western direction, counter-insurgency warfare in the southern direction, and a ‘million army’ in the eastern direction. This is of course a grossly oversimplified description and should be analysed with considerable caution, but it can nevertheless serve as a point of departure for discussing how Russia will organize its military forces.

An analysis of Russian operative-strategic exercises from 2008 to 2011 supports the assumptions both that Russia does not prioritize one strategic direction above all other and that it sees different main tasks for its forces in the different directions. There are significant similarities between the exercises it has held, leading to the conclusion that Russia will try to build brigades that are equally usable in different directions with only minor modifications. In addition, Russia has reduced its mobilization capability considerably and this will make capability for strategic mobility crucial.

There is every reason to suspect that, in parallel with the reform process, Russia’s General Staff has initiated intensive work on developing its military strategy. As late as in March 2011, the Chief of the General Staff, Army General Nikolai Makarov, stated at the annual meeting of the Russian Academy of War Sciences that Russia was lagging 20 years behind in military thinking.<sup>10</sup> Later, in April the same year, the Ministry of Defence announced that a Council on Scientific and Technological Policy had been created and attached to the ministry. Andrei Kokoshin was appointed chairman of the council,<sup>11</sup> the tasks of which were:

... to assist in the development of a conceptual basis for future forms and means of using the Armed Forces while using the newest findings in science and technology, developing recommendations for deciding the demands that will be put on the AF as regards efficiency, quality of weapons, military and special technology.<sup>12</sup>

In other words, Russia is probably still developing the details in its future strategy in the western direction and developing concepts for warfare, for example, involving network-centric solutions, high-precision weapons and unmanned aerial vehicles.<sup>13</sup> These concepts will no doubt be used in all strategic directions, but are perhaps first to be developed and trained for in exercises in the Western Military District.

Finally, Russia's military strategy in the western direction will remain dependent on its nuclear capability in the near to medium-term future.<sup>14</sup> At a meeting with Moscow journalists in February 2012, Makarov underlined that the main emphasis will be on strategic nuclear arms. Even if part of the defence budget were to be sequestered in 2012, expenses earmarked for strategic nuclear arms would not fall victim to any reductions.<sup>15</sup> Russia is determined to retain its ability to respond to a nuclear attack.

### **3.3 RUSSIAN DOMESTIC POLITICS AND THE WEST**

Russia's national identity remains intimately connected to its status as a great power. In January 2012, 57 per cent of respondents in a public opinion poll conducted by the Levada Centre rated 'giving Russia back its status as a great and respected power' as the most important thing they expected from the person they voted for to become president. It was a more important aspect than 'strengthening law and order' (52 per cent) or 'fair distribution of assets in the interest of ordinary people' (49 per cent).<sup>16</sup> Few Russian politicians will be able to afford to disregard this fact when sketching their political programme. One important explanation for Putin's appeal and the high ratings he has enjoyed in public opinion polls is the fact that he has been credited with returning a sense of national pride to Russia.

The parliamentary elections of November 2011 and presidential elections in March 2012 had consequences for Russia's foreign policy. In his series of articles sketching a political programme before the presidential election, Putin chose to devote two to security policy, one on defence and one on foreign policy. In his foreign policy article he emphasized the need to see Russia as part of a 'Greater Europe, a broader European civilization', but also wrote about the need to safeguard the rights of the Russian-speaking population in Eastern Europe – not least in Estonia and Latvia.

Putin acknowledged that the euro crisis would have an impact on Russia and stated that a 'strong Europe' was in Russia's interests. He envisaged deeper economic cooperation by creating 'a harmonious federation [*soobshchestvo*] of economies from Lisbon to Vladivostok'. He also suggested closer energy cooperation with Europe, but ruled out that the EU's Third Package for the Electricity and Gas Markets would strengthen relations – indeed in his view this EU initiative was intended to put pressure on Russian energy companies. All in all, Putin's foreign policy embraced cooperation, but always with the caveat that Russia must be strong and able to conduct an independent policy:

Russia is treated with respect, she is reckoned with only when she is strong and stands firmly on her feet. Russia has almost always had the privilege to conduct an independent foreign policy. This is how it will be in future as well. Moreover, I am convinced that security in the world can be safeguarded only together with Russia and not by trying to 'move her to one side', weaken her geopolitical position or damage [her] ability to defend herself.<sup>17</sup>

Putin's rhetoric on Syria and the US anti-missile defence plans was anything but conciliatory during the election campaign. The harshest criticism was levelled against the US. The American Embassy with its new ambassador, Michael McFaul, was the target of criticism and demonstrations arranged by organizations that supported Putin's presidency. McFaul was even accused on Russian television of trying to organize a coup in Russia by supporting and paying the opposition. In the heat of the election campaign, with rival demonstrations for and against Putin taking place on the very same day in Moscow, the elections were often portrayed as a choice between the Western attempts to destroy Russia through an 'orange revolution', on the one hand, and Putin as a guarantor of stability, on the other.<sup>18</sup>

Domestic political activity cooled down somewhat in Moscow after the presidential election in March 2012. However, according to two Russian studies published by the Centre for Strategic Research (CSR) in 2011, there was distinct evidence of a mounting political crisis in Russia. In the centre's analysis this rising conflict potential inside Russian society was intimately connected to the emergence of a growing Russian middle class which had been able to grow and prosper thanks to the strong economic growth since 2000.<sup>19</sup> Before the economic crisis in 2008, the size of the middle class was estimated at about a third of the adult population, 40 per cent of the economically active population and almost half of the population in urban centres, most notably Moscow.<sup>20</sup>

And Moscow, with its large and politically active middle class, has quickly become a centre for the activities of the Russian opposition, which organized massive protests beginning in late 2011. Its demands, in the spring of 2012, did not include political upheaval and revolutions but rather focused on gradual reform, fair elections and the rule of law. In other words, an immediate change of leadership in the Kremlin did not appear to be the most likely outcome of events and there was not really a political opposition that looked able to unite and provide a viable political alternative in the spring of 2012. In particular, it is worth underlining that the domestic political opposition did not challenge Putin's foreign policy. It even appeared to be 'indifferent' to it and centred its demands around the illegitimacy of his third round as president rather than on foreign policy. Indeed, there is every reason to suspect that there is a fundamental lack of consensus among the heterogeneous opposition movement on Russia's future foreign policy direction.<sup>21</sup>

In spite of this, the Kremlin will face the challenge of trying to satisfy at least some of the demands of the opposition and the middle class, which will continue to demand a stronger role in Russia's political system. The middle class is key if Russia is to be successful in modernizing its economy and institutions. Many of the values that such a middle class embraces, such as the rule of law, and political and economic freedom rather than reliance on subsidies and a strong leader, will be more in line with the core values of, for example, the European Union.<sup>22</sup> If these values gain more ground in Russian society, its economy and its political life, in a long-term perspective this could augur well for the building of a deeper and more resilient relationship between Russia and Europe in the future.

Russia's political leadership is facing a monumental challenge in hammering out a role for the middle class, while conducting major reforms and satisfying the main support groups of Putin and his entourage. Putin's electorate still constitutes the majority of the population and has earlier proved ready to forgo political freedom and the rule of law in favour of continued subsidies.<sup>23</sup> However, an additional study by the CSR published in May 2012 suggested that this electorate was also becoming increasingly disenchanted with Putin's policies, widespread corruption and the lack of rule of law. Most importantly, it did not appear to believe in the current political leadership's ability to deliver results in terms of tangible improvements in policy areas such as housing, health care and education, to mention but a few.<sup>24</sup>

### **3.4 RUSSIA'S APPROACH TO EUROPE: ATTEMPTS TO SQUARE THE CIRCLE**

The US will always be a determining factor for how Russia constructs its foreign policy, but there is every reason to expect that Moscow will turn to Europe in order to offset possible problems with Washington. Europe is an essential partner for Russia not least when it comes to its trade relations, the prospects of attracting foreign direct investment and technology transfer. Russia's accession to the WTO will be an important factor in facilitating cooperation. Moreover, Europe's position as Russia's main trading partner will make it important for Moscow to preserve good relations, albeit while always insisting on Russia's continued ability to conduct an independent foreign policy.

Russia's military strategy in its western direction appears to be geared towards a possible military threat from NATO. This is evident both from strategic documents such as the Military Doctrine and from the military exercises held in the Western Military District. Russia is moving from a mass-mobilization army to one which will be able to respond quickly to evolving military threats. There is, moreover, an emphasis on integrating new modes of warfare and new technology. Russia appears determined to overcome its conventional inferiority in its western strategic direction. In many ways, therefore, Russia will continue to sit on the fence and regard Europe both as a partner and as a potential adversary.

In 2011, the Russian political leadership for the first time in many years found itself facing challenges on the domestic political scene. However, the Russian opposition did not put forward an alternative to Putin's foreign policy, which appears to enjoy a strong level of support among the population. During the presidential election the rhetoric was, moreover, at times virulently anti-Western. This, coupled with the fact that Russian analysts anticipate a difficult relationship with the US during the next couple of years, makes it unlikely that Russia's relations with the West will improve fundamentally in the near future. Russia will continue to embrace cooperation in rhetoric while insisting on a strong role in international affairs and retaining its influence inside the CIS.

Nor will Russia rush into a community of common values with Europe. However, in a long-term perspective, the growth of a middle class that demands greater influence could augur well for the building of stronger relations with the West and Europe. This is not to say that one should automatically assume that this emerging middle class will take a homogeneous and all-out positive view of

the West. However, many of the values that such a middle class embraces could in a long-term perspective facilitate relations. It remains to be seen how well such a development will coexist with continued anti-Western rhetoric.

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## 4. Russia's Military Reform and Changes in the Russian Military in the Russian Far East

Yoshiaki Sakaguchi

A major military reform is under way in Russia under the leadership of Defence Minister Anatolii Serdiukov. This reform is pursuing a 'new look' or new posture for the Russian military, and is aimed at transforming the Russian military into a highly mobile and combat-ready force with modern equipment. According to the Russian military leadership, through this reform, the Russian military will undergo a transformation into one that is qualitatively different from what it was before. Chief of the General Staff of the Armed Forces, Army General Nikolai Makarov, has acknowledged that the Russian military has continued in the same state since the 1970s because of inadequate procurement of the latest equipment in the 20 years since the collapse of the Soviet Union, and thus lags significantly behind the most advanced armies. He has pointed out that overcoming this is the most important issue in this military reform.<sup>1</sup> This chapter analyses the characteristics of the ongoing military reform and its current situation, and examines changes in the Russian military in the Russian Far East through this reform process.

### **4.1 DEFENCE MINISTER SERDIUKOV'S MILITARY REFORM – ITS CHARACTERISTICS AND CURRENT SITUATION**

In October 2008, Defence Minister Serdiukov revealed the military reform plan leading up to 2012. This was a large-scale reform plan that included a significant cut in the numbers of officers and troops, the organizational reform of the military, including the Ministry of Defence and the General Staff, and the reform of the force command structure.<sup>2</sup> In particular, this reform plan focuses on the abolition of divisions and regiments as well as the reorganization of forces into brigades, alongside enhancing the readiness of brigades in all units at all times.<sup>3</sup>

The force command structure was a four-tiered one comprising the military district, army, division, and regiment. This has now been reorganized into a three-tiered structure comprising the military district (Joint Strategic Command), operational command, and brigade in order to enhance the efficiency of the force command. At the same time, the promotion of the readiness of brigades

in all units at all times is anticipated to have a direct impact on enhancing the mobility and rapid deployment capability of the Russian military. For instance, while reform of the Airborne Forces is important for the enhancement of mobility and rapid deployment capability, Defence Minister Serdiukov asserted that it was not necessary to establish an independent Rapid Reaction Force; rather, he considered it sufficient to strengthen the airborne brigades and deploy them to all military districts.<sup>4</sup> These brigades would conduct emergency missions and carry out operations in contingencies. His stance was that, if the existing four air assault divisions (each division consists of two regiments) could be reorganized into air assault brigades, it would be possible to make up eight brigades, and the air assault brigades would thus be significantly strengthened. Although the airborne brigades deployed to each military district would belong organizationally to the Airborne Forces, they would be under the command of the military district commander when carrying out operations.<sup>5</sup> This reorganization would correspond with the broader direction of the military reform in the sense of establishing a highly professional military at permanent readiness. One of the lessons learned from the Georgian conflict in August 2008 was that airborne battalions demonstrated outstanding mobile capabilities and it was very important to reorganize troops into units whose size could make them easily transportable even in regions where the crisis was taking place.<sup>6</sup>

The organizational reform of the Russian military was considered to have been mostly completed by December 2009. In June 2010, Defence Minister Serdiukov and Chief of the General Staff Makarov attended the Committee on Defence and Security under the Federation Council of Russia, and reported on the status of the military reform.<sup>7</sup> Based on their report, military units numbering 26 000 as at the beginning of 2007 have been trimmed to 6 000, and are expected to be further reduced to 2 500 in the near future. Furthermore, they revealed that the number of contract soldiers, which is closely related to the enhancement of the military's capability, has been increased to approximately 150 000, and there are plans to increase the number further to between 200 000 and 250 000 in the future. In February 2012, then Prime Minister Vladimir Putin made public his article on the national security of Russia and in it revealed that currently in the Russian military 220 000 officers and 186 000 soldiers and sergeants were serving under contract, and that an annual increase of 50 000 contract service personnel would be expected over the next five years.<sup>8</sup> Although various figures have been reported in Russia with respect to the extent of the progress of brigade development, as of February 2012, then Prime Minister Putin reported in the same article that the Ground Forces had over 100 combined and special brigades already.<sup>9</sup>

With such progress in the organizational reform, the focus of the military reform shifted to the modernization and updating of military equipment. At the end of December 2010, Russia drew up the State Weapons Programme for 2011–2020 (hereafter referred to as the New Weapons Programme). The main objective of the New Weapons Programme is to transform the Russian military forces by raising the proportion of the latest weapons the military possesses to 70 per cent of the total or higher by 2020, thus creating military forces of a much higher quality than at present. For this purpose, under the New Weapons Programme, more than 20 trillion roubles will be budgeted for the procurement of new military equipment up to 2020.<sup>10</sup> In February 2011, then First Deputy Defence Minister Vladimir Popovkin (now head of the Russian Federal Space Agency), who had been mainly responsible for the drafting the New Weapons Programme, stated that the specific armament procurement goals under the programme would be as follows.<sup>11</sup>

The first objective is the reinforcement of the strategic nuclear forces. In order to modernize all forms of the strategic nuclear forces and strategic missile troops, the plan is to drive forward the construction of eight strategic nuclear-powered submarines and equip them with the Bulava ballistic missile, as well as to modernize the Tu-160 and Tu-95MS strategic bombers.

The second objective is the enhancement of the strategic defence forces. In addition to the modernization of early-warning systems against potential missile attacks by 2018, a continuous radar network covering the area around Russia will also be constructed. The S-400 surface-to-air missile system will be introduced, and the S-500 surface-to-air missile system will be developed and procured. Russia planned to integrate its air defence system, missile defence system and early-warning system against potential missile attacks under the single-command Aerospace Defence Forces (Voiska vozdušno-kosmicheskoi oborony, VKO), and this plan was realized in December 2011.<sup>12</sup>

The third objective is the development and introduction of precision-guided weapons. These include not only the Iskander-M short-range mobile theatre ballistic missile system, but also precision-guided weapons that are launched from naval vessels or from aircraft. In particular, 10 missile brigades with the Iskander-M will be deployed.

The fourth objective is the modernization of aircraft. The plan is to purchase more than 600 aeroplanes and more than 1 000 helicopters by 2020. These include Su-34 and Su-35 fighters, Mi-

26 transport helicopters, and Mi-8, Mi-28NM, and Ka-52 attack helicopters.<sup>13</sup> Progress has already been made on procedures to purchase 100 helicopters in 2011.

The fifth objective is the modernization of naval vessels. The plan is to purchase approximately 100 vessels of various types. These include approximately 20 submarines (including the eight strategic nuclear-powered submarines mentioned above), 35 corvettes, and 15 frigates.

As a matter of course, the New Weapons Programme also includes plans for the procurement of the latest equipment for the Ground Forces. According to Aleksandr Postnikov, then Commander-in-Chief of the Ground Forces, the military has begun the introduction of the latest telecommunications systems and computerized systems for the command and control of units, as well as the introduction of the latest surface-to-air missile systems – S-300V4, Buk-M2 and Tor-M2 – into the air defence forces of the Ground Forces. In addition, they have also begun to deploy the Iskander-M and other armaments to the missile and artillery troops of the Ground Forces.<sup>14</sup>

In June 2011, at a session of the State Duma, Defence Minister Serdiukov explained that a series of reforms was under way aimed at realizing a ‘new-look’ Russian military capable of ‘network-centric warfare’, and that the New Weapons Programme had been drawn up for this purpose. He also pointed out that giving the Russian military advanced weaponry to enable them to fight such modern wars successfully is a new issue for Russia’s defence industry to grapple with.<sup>15</sup> Procurement of weaponry for the Russian military in 2011 under the New Weapons Programme would include 36 strategic ballistic missiles, 20 strategic air-launched cruise missiles, two strategic nuclear submarines, three multi-purpose nuclear submarines, one combat ship, five satellites, 35 aircraft, 109 helicopters, and 21 anti-aircraft missile systems.<sup>16</sup> With regard to the introduction of the latest information and telecommunications systems into the forces, which is important in realizing the computerization of the command and control systems of units, 259 facilities were completed by early 2011, and the number of such facilities was scheduled to reach 500 by the end of 2011.<sup>17</sup> It is no exaggeration to say that the New Weapons Programme has been pursued vigorously right from the first fiscal year of this programme.

#### 4.2 CHANGES IN THE RUSSIAN MILITARY IN THE RUSSIAN FAR EAST, OR THE 'NEW LOOK'

The Russian leadership has also shown its policy of prioritizing the updating and modernization of weapons possessed by military units stationed in the Far East region of Russia. Dmitrii Bulgakov, Deputy Defence Minister (in charge of armament and logistics), visited the disputed South Kuril Islands (which Japan calls the Northern Territories) in January 2011, following which Defence Minister Serdiukov visited the islands in February. These visits resulted in a heightened awareness on the part of the Defence Ministry leadership of the need to replace the weaponry the military units in the Far East region possessed. Against this background, in March 2011 at a meeting of the Armed Forces' Command staff members, President Dmitrii Medvedev acknowledged the vital importance of strengthening Russia's defence posture through the modernization of the defence infrastructure in the Eastern and Far East regions.<sup>18</sup>

On the European front, despite the moves made by Georgia and Ukraine to strengthen their relations with the North Atlantic Treaty Organization (NATO), the issue of NATO's eastward expansion has, for the time being, settled down somewhat. Russia's new Military Doctrine, approved in February 2010, stipulates NATO's eastward expansion as a military danger rather than a military threat, representing a slight relaxation of the sense of threat from NATO. On the other hand, there has been growing concern among the Russian leadership about China's rapid military build-up in the Far East. We could say that this is a background factor contributing to such remarks from President Medvedev.<sup>19</sup> Furthermore, the United States is strengthening its strategic engagement with the Asia Pacific region and pursuing a foreign policy of prioritizing the strength of its relations with allied and friendly nations in this region, and in this context the Russian leadership is concerned about the future strength of the US–Japan alliance. This can also be pointed out as a background factor that has an influence on the Russian leadership's thinking about the need to strengthen Russia's defence posture in the Far East region.

It has also been reported that the two Mistral Class amphibious assault ships to be purchased from France are scheduled for deployment with the Pacific Fleet, and that the *Yurii Dolgorukii*, a Borei Class ballistic missile submarine (SSBN), will probably be deployed with the Pacific Fleet before long.<sup>20</sup> Also worthy of attention is a report of plans to deploy S-400 surface-to-air missile systems in the Russian Far East region.<sup>21</sup> As I have already described,

the New Weapons Programme gives high priority to strengthening strategic defence capabilities, and in December 2011 the Aerospace Defence Forces were officially formed by integrating all air defence systems, missile defence systems and early-warning systems against potential missile attacks. The idea of deploying S-400 missile systems in the Russian Far East is perceived to be a part of this overall concept. For the Russian leadership, the weakness of Russia's defence capabilities against attacks by aircraft or missiles in its Far East region compared with European Russia has been a cause of worry. In particular, Russia's air defence capability in the roughly 2 200-kilometre airspace lying between Khabarovsk and Irkutsk is notably weak, and this is a serious problem. For this reason, some observers claim that there is a need to deploy at least two or three regiments equipped with the latest air and missile defence systems in this region.<sup>22</sup>

Furthermore, concrete progress has also been made in the reinforcement of military units in the Far East region. One of the signs of progress was the idea of creating three all-arms armies among the Ground Forces and deploying one of these armies to Chita in the Russian Far East, and in August 2010 this idea was put into practice.<sup>23</sup> A second sign of progress was the plan to create additionally six motorized infantry brigades among the Ground Forces, and some of these brigades will probably be deployed to the Eastern Military District. As to the replacement of obsolete weaponry possessed by military units stationed in the disputed South Kuril Islands, it was reported in March 2011 that the General Staff had submitted a detailed report to the Defence Ministry on plans for updating equipment, including the deployment of the Bastion mobile coastal defence missile system and the Tor-M2 surface-to-air missile system.<sup>24</sup>

Military exercises in the Russian Far East have been held with growing frequency against the background of a steadily increasing number of exercises for the entire Russian military. In particular, as described above, reflecting the awareness among the Russian leadership of the importance of enhancing the national defence posture in the Far East region, efforts have been made to improve the capability of the troops in this region. In 2010, in the Siberian and the Far Eastern military districts prior to their integration into the Eastern Military District, a large-scale operational and strategic exercise, Vostok (East) 2010, was conducted.<sup>25</sup> This was a major exercise aimed at ensuring security and protecting the national interest from attacks by a hypothetical enemy in the border region in Russia's Far East. In addition, this exercise sought to test the efficacy of a military reform aimed at achieving the new look of the Russian military, verifying the transition to a three-tiered

command structure and the reconfiguration of units into brigades on permanent readiness in the huge open spaces of Siberia and the Russian Far East, where infrastructure is inadequate and natural and climatic conditions are harsh. Moreover, this exercise examined the mobile capabilities of the military as a whole. Refuelling in flight, 26 Su-24M bombers and Su-34 fighter bombers flew approximately 8 000 kilometres from European Russia and successfully bombed their objectives in the two districts. Further, the missile cruiser *Moscow* from the Black Sea Fleet and the nuclear-powered missile cruiser *Peter the Great* from the Northern Fleet sailed to the Russian Far East and conducted exercises at sea with vessels from the Pacific Fleet. Through this exercise, the need to supply high-tech equipment to command headquarters as well as to train personnel capable of using it emerged as an issue requiring attention over the short term.

Chief of the General Staff Makarov stated that Vostok-2010 did not assume any particular country as the hypothetical enemy and that it was primarily concerned with dealing with low-intensity conflicts with terrorist groups or separatist forces. However, the scale of the exercise and the inclusion of bombing training in the border region by bombers are prompting speculation that the hypothetical enemy could be China.<sup>26</sup> One final factor of the scenario of the Vostok-2010 exercise could show the Russian military leadership's concern about China as a hypothetical enemy in the Far East: it may be worth mentioning that the scenario actually included detonation by nuclear landmines, and two Tochka-U missiles, which can carry tactical nuclear warheads, were launched.<sup>27</sup>

In an interview conducted in February 2011, Deputy Defence Minister Nikolai Pankov stated that the Russian military authorities had an extremely strong interest in the troops stationed in the Russian Far East, and exercises were conducted actively in this region throughout 2011.<sup>28</sup> In April 2011, the Naval Infantry of the Pacific Fleet carried out tactical exercises in the Khasan area of Primorskii Krai. The Air Force, air defence units, and Airborne/Air Assault Forces under the Eastern Military District also participated in these exercises. From the end of August to September, the Pacific Fleet conducted large-scale command and staff exercises in the area stretching from the Sea of Japan and the Sea of Okhotsk to the Pacific coast on the Kamchatka Peninsula. Naval Infantry, the missile cruiser *Variag*, and the anti-submarine destroyers *Admiral Tributs* and *Admiral Panteleev*, all attached to the Pacific Fleet, participated in these exercises. They confirmed the ability of the Pacific Fleet to conduct operations at sea while liaising with units under the command of the Eastern Military District, as well as the effectiveness of liaison with other military services and with units

of other government agencies.<sup>29</sup> In October, command and staff exercises were conducted by the Eastern Military District in Amur Oblast. The Combined Arms Army (Obschevoiskovaia Armiia), as well as Air Force and air defence units under the Eastern Military District, participated in these exercises. They were intended to test the Eastern Military District's command capabilities at the operational and tactical levels under conditions of rising conflict.<sup>30</sup> As such, recent changes in the Russian military in the Far East region, including the updating and modernization of military equipment, the enhancement of troops, and the steadily increasing number of exercises aimed at testing the effectiveness of the military reform, may be noteworthy.

#### **4.3 RUSSIA'S CONCERN ABOUT CHINA'S GROWING POWER AND SECURITY IN EAST ASIA**

Assuming that the strengthening of Russia's military posture in its Far East region is being carried out primarily with the rise of China in mind, we must then examine how relations between Russia and China will turn out to in the future. It has been pointed out that recently their relations have been gradually stagnating. In other words, rather than an agreement of interests which can accelerate the strategic convergence between the two countries, a disagreement of interests is becoming increasingly apparent.

First, it can be pointed out that the Russian leadership is probably concerned about China's growing military power. That is to say, the Russian leadership feels a sense of fear that militarily powerful China may expand into Siberia and the Russian Far East region with their rich resources and scanty population.<sup>31</sup> Recently Russia has grown increasingly cautious about exporting advanced weapons to China, and consequently arms exports from Russia to China are stagnating. On the other hand, according to Mikhail Dmitriev, then head of the Federal Service for Military-Technical Cooperation, the Chinese defence industry is now able to manufacture many products that were previously purchased in Russia, and its arms imports from Russia are decreasing as a result.<sup>32</sup> Dmitriev has pointed out that military-technical cooperation between the two countries continues, and that one of the issues Russia must address is how to protect its intellectual property in the field of military technology in the event of continued military-technical cooperation with China.<sup>33</sup> China's expanding its own weapons production is a source of friction with Russia. In May 2010, Russia temporarily blocked the signing of a contract to export 100 RD-93 jet engines to China. This was due to opposition to this contract from the executives of the Russian companies that manufacture the Sukhoi and MiG fighter aircraft, who claimed that the transfer of the engines to China would promote the development of Chinese

fighters, resulting in severe competition between Russian-made fighters and Chinese-made fighters in the market. Although the FC-1 fighters developed by China are inferior in performance to the MiG-29, they cost less than one-third of what the latter cost, and the Russian companies considered that they would be forced into a disadvantageous position.<sup>34</sup> This distrust of China is another of the factors behind Russia's increasing caution about the export of arms to China.

The next factor to consider is the difference between Russia's and China's understanding of the management of the Shanghai Cooperation Organisation (SCO), which is an important multilateral cooperative framework for both countries. With regard to the importance of the SCO as a military cooperation framework, China does not necessarily share the same understanding as Russia.<sup>35</sup> China places greater emphasis on strengthening economic cooperation with resource-rich countries in Central Asia, rather than on strengthening military cooperation. In contrast, Russia is primarily focused on military cooperation with the countries of Central Asia, with a view to countering the 'threat from the South' – that is to say the possibility of a military conflict occurring in Central Asia as a result of the expansion of terrorist activities by Islamic extremists and the possible spread of transnational crime, including drugs trafficking, through Central Asia. As a result there are significant differences in the stances of China and Russia with regard to increasing influence in Central Asia.

Furthermore, the intensification of China's advances at sea is also deepening Russia's worries about China. There are growing fears among Russian people that the area of China's maritime activities may expand from the Bering Sea to the Arctic Ocean if China continues its activities at sea unchecked. In short, many Russians feel that, if the Arctic Ocean becomes open to navigation, it would serve China as an efficient maritime transportation route to Europe, and Chinese military vessels could also penetrate these waters.<sup>36</sup> As described earlier, the background to Russia's plans to deploy the latest vessels to the Pacific Fleet is perceived to be the intentions of the Russian leadership to deal with China's intensifying maritime activities.

In the Far East region, as Russia considers its military stance with a view to its security vis-à-vis a rising China, there is a possibility that Japan and the US–Japan alliance may gain in importance to Russia from the perspective of its relations with China. Similarly, for Japan, the strengthening of its cooperation with Russia is perceived as becoming an important option from the viewpoint of the long-term strategy for dealing with growing Chinese power.

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## 5. Russia's Western Military District in Times of Military Reform

Johan Norberg

In 2008, Russia embarked on a reform of its conventional Armed Forces.<sup>1</sup> At the time, most European countries set out to cut their defence budgets in response to the economic crisis. In stark contrast, Russia increased its defence spending significantly, ostensibly mainly to finance a modernization of the Armed Forces' predominantly Soviet-era equipment. In 2010, the Western Military District (MD) was created when Russia's former six military districts were merged into four.<sup>2</sup> This merger between the former Moscow MD and Leningrad MD covers most of Russia's territory west of the Urals down to an east–west line north of Volgograd. How are the reorganization of the MDs, the reform of the Armed Forces and the increased spending shaping the nature of the Western MD?

The purpose of this chapter is to explore the Western MD's conventional forces Order of Battle and analyse the implications for its military capability against the backdrop of Russia's military reform as of early 2012. Detailed official information is scant. The approach taken is to use non-official open sources to provide an overview of the Western MD's inherent conventional military assets. This excludes other military assets, although they may be relevant for Russia's total conventional westward military capability.<sup>3</sup> Military assets outside Russia with a bearing on the Western MD are also excluded from the analysis.<sup>4</sup> The chapter neither compares other countries' forces with Russia's nor discusses the likelihood of conflict in Russia's western strategic direction.

Military capability is related to a task or to an opponent. Russia's perceived military opponent for the Western MD is the North Atlantic Treaty Organization (NATO). Russia's 2010 Military Doctrine distinguishes between threats (*ugrozy*) and dangers (*opasnosti*). A threat is a clear and present security problem. A danger is a lesser problem today, but a potential threat in the future. To let NATO top the list of dangers indicates Russian discontent with the alliance's enlargement and behaviour. But NATO does not seem to be the primary dimensioning factor for Russia's armed forces.<sup>5</sup> That would be costly.

In 2008, Russia's armed forces had an organization built on a concept of mass mobilization of several million men for a large-scale conflict. At that time, few units could be deployed quickly, which was what Russia needed to handle emerging conflicts, mainly on former Soviet territory. The aim of the reform started in 2008 was to create a more combat-ready 1 million-man force with a reserve of some 700 000.<sup>6</sup> Several measures are to contribute to more combat-ready units.<sup>7</sup> Overall personnel numbers are to be cut and the share of contract soldiers is to be increased. Some 70 per cent of today's largely Soviet-era equipment is to be modernized. In contrast to earlier post-1991 attempts at reform, there is a strong political will to see the reform through and the defence budget has been increased from almost 3 to almost 4 per cent of gross domestic product (GDP).<sup>8</sup> 23 trillion roubles have been allocated for modernizing military equipment (19 trillion) and the defence industry (4 trillion) up to 2020.<sup>9</sup>

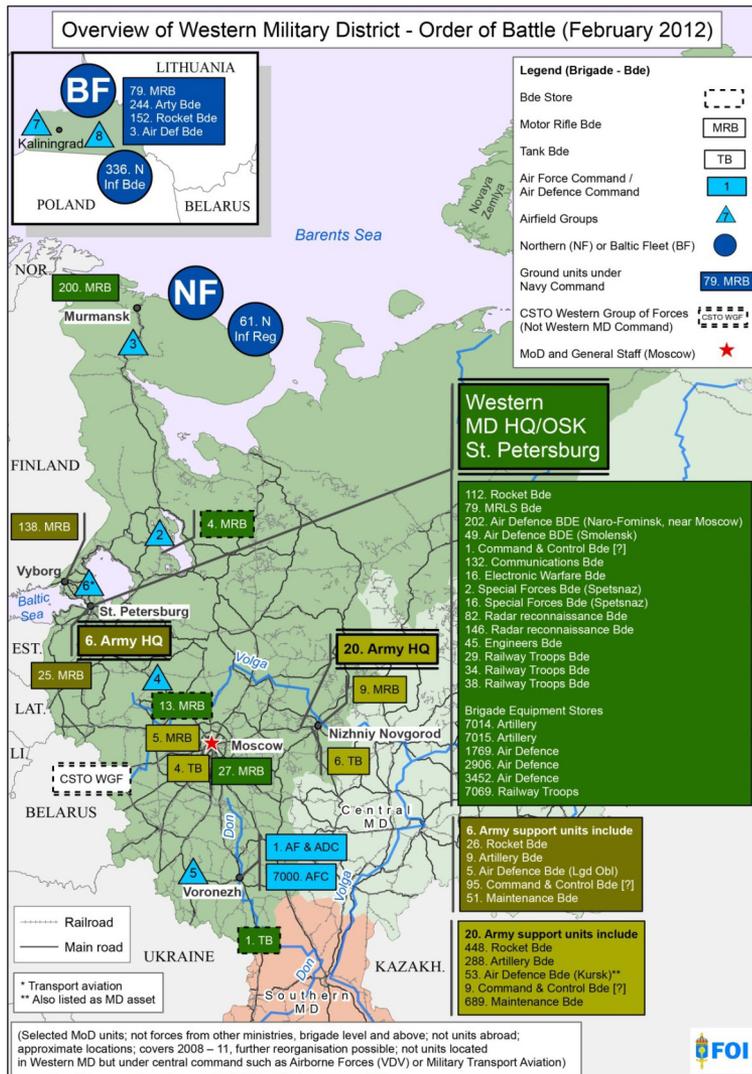
## **5.1 THE WESTERN MILITARY DISTRICT**

### **The New Military Districts<sup>10</sup>**

Formerly, the Soviet military districts were essentially ground force-oriented in peacetime. In the event of war, they would have turned into fronts and both commanded units from other branches (the Air Force and Navy) and forces from other ministries such as the Ministry of Internal Affairs' Interior Troops and the Border Guards of the Security Service (Committee for State Security, KGB). A front was often also a first echelon of forces on Soviet territory tasked with offensive operations outside the country. In war, the MD organization left on Soviet territory would have been tasked with continued mobilization of personnel and forces as further echelons to feed into the fronts' offensive operations.<sup>11</sup>

When six MDs were merged into four in 2010, the command level Joint Strategic Command (JSC) was created to further joint command of all military assets in a strategic direction. Command of the conventional parts of the Northern and Baltic fleets and a comprehensively reorganized Air Force<sup>12</sup> were transferred to the newly formed Western MD in St Petersburg. With the JSCs, the new MDs became more like former fronts in that in peacetime they command forces from other branches of the Armed Forces except for units directly under the General Staff. Command of forces from other ministries, however, is likely to materialize only in times of war.<sup>13</sup>

**Map 5-1** Open Source Overview of the Western Military District – a Possible Order of Battle (February 2012)



**Sources:** The map is based on data from Warfare.ru, on the Internet: <http://warfare.ru/rus/?linkid=2225&catid=321&lang=rus> (retrieved 13 February 2012); The Military Balance 2011, p. 183–93; and the database Military Periscope, which was accessed 17 February 2012. Figures and organizations match reasonably well between the sources. In contrast to the others, The Military Balance 2011 says little about the organization and command structure. Warfare.ru often has higher numbers than The Military Balance and often, but not always, seems to refer to situation at the outset of the reforms. Furthermore, The Military Balance is likely to demand more confirmed information. Military Periscope’s information is somewhere in between. The Military Balance 2011 figures, being of a later date can explain the difference. Official information to verify these sources has not been found, partly because it may be classified, and partly because of continuing changes, especially in the Air Force and Air Defence and Aerospace Defence Forces.

Today's Russian Ground Forces can be used for mobile defence in an MD to counter territorial incursions. The idea of echelons of forces can be seen in actual deployments. Russia's motor rifle brigades (MRBs) are largely garrisoned along Russia's borders. Together with the Federal Security Service (Federalnaia sluzhba bezopasnosti, FSB) Border Guards, the Interior Troops, and allied forces, for example from a member state of the Collective Security Treaty Organization (CSTO), some brigades would in the event of hostilities form a first echelon to meet and slow down advancing enemy ground forces to buy time for second-echelon reinforcements to be brought in from other parts of the MD to stop the enemy advance. A third echelon, standing units from elsewhere in Russia and even mobilized reserve units, would then try to expel the enemy from Russian territory.<sup>14</sup>

### **The Army**

A main feature of the reform of the Army<sup>15</sup> is the transformation of divisions into brigades, roughly combining the mobility and firepower of a former regiment (tank or motor rifle) with much of the supporting capacity of a former division. A new brigade can act more independently and flexibly on the battlefield than a regiment and is easier to deploy than a whole division. The idea is to have three types of brigades: heavy (tanks), medium MRB (motor rifle with wheeled or tracked armoured personnel carriers (APCs)) or light. The light brigades seem to be open to be designed for special purposes (Air Assault, 'Motorized'<sup>16</sup>) or adapted to certain areas (mountains, the Arctic).<sup>17</sup>

Units of the former Moscow and Leningrad MDs were transformed into eight new standing manoeuvre brigades<sup>18</sup> and supporting brigades, most of which are under the command of two Combined Arms Armies (Obschevoiskovaia Armiia; below 'Army'), the newly set up 6<sup>th</sup> Army in Agalatovo outside St Petersburg and the 20<sup>th</sup> Army in Mulino, near Nizhnii Novgorod. Both have roughly the same set of support brigades, but the 20<sup>th</sup> Army is clearly stronger in manoeuvre brigades. The 6<sup>th</sup> Army has two motor rifle brigades, the 138<sup>th</sup> MRB in Vyborg and the 25<sup>th</sup> MRB near Pskov. The 20<sup>th</sup> Army has four manoeuvre brigades. Of these the 9<sup>th</sup> MRB and 6<sup>th</sup> Tank Brigade (TB) are based near Nizhnii Novgorod and the 5<sup>th</sup> MRB and 4<sup>th</sup> TB are located near Moscow. The Western MD also has two MRBs directly under its command, the 200<sup>th</sup> MRB near the Norwegian border and the 27<sup>th</sup> MRB near Moscow. In addition, it has equipment stores for two MRBs and one TB.

One interpretation of this disposition was that the 6<sup>th</sup> Army and the MD's brigade near Murmansk are the first echelon in a mobile defence posture as outlined above. Further south, the CSTO

Western Group of Forces<sup>19</sup> could be planned as a joint Russia–Belarus first defence echelon, of which for example the Russian 27<sup>th</sup> MRB near Moscow may also be a part. The 20<sup>th</sup> Army, with two tank brigades (half of Russia’s new TBs), could be a second echelon to be moved in any direction in the MD. Western Russia’s comparatively well-developed rail and road networks and rivers would facilitate this. Provisions for augmenting forces, a possible third echelon, may be visible in the equipment stores for three manoeuvre brigades and several supporting brigades. The forces could be augmented quickly, by bringing personnel earmarked for these units from other parts of Russia, or slowly, by moving whole units from other MDs or by mobilizing reserves.<sup>20</sup>

### **The Air Force**

The reform significantly changed Russia’s Air Force (Voenno-vozdushnye sily, VVS). Former air armies primarily led from the General Staff were transformed into one main command, mainly overseeing force development, and seven operational commands. One Air Force and Air Defence Command (AFADC) with territorial responsibility was formed in each of the newly-formed four MDs and subordinated to the MD HQ/JSC. The remaining three under the Air Force Main Command/General Staff include the Military Transport Aviation Command, the Strategic Bomber Aviation Command and the Aerospace Forces Command. Former Air Force divisions and regiments were made into main airbases (one per MD) and under them some seven or eight subsidiary air bases (*aviagruppy*). The number of units was halved, and the number of military airfields in use was in 2008 planned to be reduced from 245 to some 30 in all of Russia.<sup>21</sup>

In the Western MD, units from the former 6<sup>th</sup> and 16<sup>th</sup> Air Armies were transformed into the 1<sup>st</sup> AFADC in Voronezh, where the Western MD’s main airbase (the 7000<sup>th</sup> Airbase) is also located. There are some 280 aircraft in the Western MD – some 160 fighters, and 50 attack and 70 fighter/ground attack (FGA) aircraft – but the sources differ on how they are organized. Internet sources put all Air Force units under the command of the 1<sup>st</sup> AFADC. *The Military Balance* in 2011 however puts the figure at only some 90 fighter aircraft and no attack aircraft to the Western MD, but puts some 70 fighters and 120 attack/FGA aircraft under a Special Purpose Aviation Command.<sup>22</sup> *The Military Balance* in 2012 does not mention the Special Purpose Aviation Command and puts 125 FGA aircraft in the Western MD. The numbers remain roughly the same, but it seems as if the Su-25 attack aircraft have been replaced by more potent Su-24s.<sup>23</sup> According to the Russian press, some 20 modern Su-34 attack aircraft are to be delivered to the 1<sup>st</sup> AFADC in 2012.<sup>24</sup>

Sources vary about the Air Defence Brigades (ADBdes). Their disposition as of early 2012 was unclear. *The Military Balance* in 2011 assigned two ADBdes to the Western MD while Internet sources gave it four plus two brigade stores. The names and possibly also the command structures of the units seemed to change. Former air defence (Protivovozdushnaia oborona, PVO) units were renamed aerospace defence brigades, probably to be more in line with the overall reorganization of the Aerospace Defence Forces (Voiska vozdushno-kosmicheskoi oborony, VKO) in late 2011. Nor has it been possible to clarify how the armies, the MDs and the central VKO Command, all possible users of the ADBdes, were to coordinate their use, or how they would coordinate air defence with Ground Forces' air defence units or with the Air Force fighter units oriented towards air defence (MiG-31s). The Navy

Generally speaking, the tasks of the Russian Navy are, with conventional and nuclear weapons, to uphold the naval component of the country's nuclear deterrent, to ensure security for Russia's interests on the high seas and to prevent the use of force from the sea against Russia.<sup>25</sup> The Northern and Baltic fleets became subordinated to the new Western MD in 2010, having previously been commanded by the Navy Command under the General Staff in Moscow. In the course of the military reform, the Navy (including the Coastal Defence Forces and Naval Infantry) is to transfer gradually to permanent readiness status.

The Baltic Fleet in Kaliningrad seems to have a lower priority among Russia's naval forces, although it has the Naval Infantry's largest unit (the 2 500 strong 336th Independent Brigade), and plans allegedly aim for an increase to 4 000 in 2012.<sup>26</sup> Looking at both *The Military Balance* in 2011 and Internet sources, it is quite clear that the Baltic Fleet had overall operational command of military units in Kaliningrad.

A key feature of the Northern Fleet is its role in Russia's nuclear deterrent, which in contrast to the conventional parts of the Navy has been kept in fairly good shape. The Western MD's units of all branches on the Kola Peninsula are geographically quite separate from the rest of the MD. Internet sources list the 200<sup>th</sup> MRB as an MD asset, that is, not subordinated to either of the two armies. One reason could be that operational coordination of forces was to be done by the Northern Fleet HQ, rather in the same way as the Baltic Fleet HQ in Kaliningrad. How this will evolve in the light of the ongoing creation of Arctic capabilities remains to be seen.

### **Arctic Capabilities**

In early 2012, the Russian Ministry of Defence (MoD) said that the Armed Forces were developing special conventional Arctic forces<sup>27</sup> in line with Russia's so-called Arctic Strategy.<sup>28</sup> Their task would be to monitor borders (together with FSB Border Guards) and possible commercial routes in the Arctic. The envisioned Arctic brigade was said to be light.<sup>29</sup> The press often mentioned the 200<sup>th</sup> MRB near the Norwegian border, although two more Arctic brigades were mentioned, with Murmansk and Arkhangelsk as possible locations.<sup>30</sup> Officer training for Arctic units was said to be planned in the Eastern MD for 2012.<sup>31</sup>

Mobility was emphasized. The reported aim was that the Arctic brigades should be partially air-mobile.<sup>32</sup> Not only were there to be ground forces in the Arctic units, but reportedly also airborne forces and Navy vessels.<sup>33</sup> It makes sense to be able to deploy all these along Russia's vast and presumably often roadless Arctic territories both by air and by sea rather than to try to have a permanent presence. It also fits Russia's aspiration for more joint operations.

### **Strategic Mobility and Reinforcements**

The Western MD Order of Battle is only a part of Russia's military capability in the western strategic direction. Other military assets can be moved there if needed. This section will consider strategic mobility, which is becoming increasingly important as Russia's forces get smaller. The reform plans called for drastic reductions in the number of units – the Air Force and Navy by half, the Ground Forces by even more.<sup>34</sup> Although many disbanded units were only skeleton-staffed cadre units, fewer soldiers meant that the ability to move mainly ground forces to where they are needed was vital, especially to react quickly to threatening situations.

Russia's strategic mobility relies on transport by road, rail, air or rivers. The Railway Troops (Zheleznodorozhnye voiska, ZhDV) ensure a functioning railway network so that the State Railway Company can provide heavy transport. Automobile [Transport] Forces (Avtomobilnye voiska) provide road transport. Both road and rail networks are more developed west of the Urals than elsewhere in Russia. The Military Transport Aviation (Voenno-transportnaia aviatsiia, VTA) primarily provides air transport for the elite Airborne Forces (Vozdushno-desantnye voiska, VDV) but also for other forces. Interestingly, the reductions planned in the reform for the VDV and the ZhDV were only some 14–17 per cent, far less than the reductions planned for other branches.<sup>35</sup> Where possible, Russia's rivers are also used for transport. All this is administered by an elaborate system of military communications (Voennyie

soobshcheniia, VOSO), which has a presence at railway stations, harbours and airports.<sup>36</sup> Strategic mobility is an integral part of the annual strategic exercises with up to brigade-size units being moved long distances, for example, from the Central MD straight into the firing-range phase of the Zapad-2009 exercise in Russia's west.<sup>37</sup>

One role of the Western MD is likely to be to be able to send units to other MDs when need arises. It seems that one idea is to move personnel rather than equipment. Strategic mobility seems mainly, but not exclusively, to be designed to go from west to east. All MDs had two Army HQs except for the Eastern, which had four, indicating an overcapacity to receive and command units from elsewhere. The Eastern Military District has more equipment storage bases for manoeuvre brigades than the others.<sup>38</sup> For this to work, the personnel flown in must be able to use the stored equipment and the equipment must be kept in good shape. Transporting whole units ensures that they can use their equipment, but takes time and is more vulnerable.

### **Kaliningrad Special Region**

After 1991, when Kaliningrad became a Russian exclave on the Baltic Sea, military assets in Kaliningrad were put under the command of the Baltic Fleet. For years the focus was on its naval units. The region's Ground Forces and Air Force units received scant attention and deteriorated. After the reorganization in 2010, when the Baltic Fleet was put under the command of the Western MD where operations are concerned, it was likely that the Baltic Fleet still commanded assets from other branches of service for operational purposes, but the responsibility for logistics and administration came under the MD HQ in St. Petersburg.<sup>39</sup>

Kaliningrad was important in the ballistic missile defence issue. Twists and turns in discussions with the West have provided Russia with a political reason to deploy the Iskander (NATO designation SS-26 Stone) ground-to-ground rocket system. S-400 surface-to-air missiles are planned to be deployed in 2012.<sup>40</sup> These assets have strengthened Russia's military capabilities in the Baltic Sea area. The 336<sup>th</sup> Naval Infantry Brigade is inherently an offensive operations unit, but it probably also has the important task of protecting the Baltic Fleet and other installations, together with the Ground Forces in the exclave.

### **Exercises**

In 2010–2011 the Russian Armed Forces carried out annual large-scale strategic exercises to train personnel, to develop new ideas and to implement and evaluate stages in the reform. They covered many types of operations (e.g. conventional ground combat, anti-terror

operations, air defence, command and control, and joint operations with other ministries and countries) and included elements of strategic movements of forces and partial mobilization. The new Western MD has not been at the core of any of these exercises, but it probably contributed, for example, by sending some attack aircraft across Russia to the Vostok-2010 strategic exercise in the Russian Far East. After mid-air refuelling they engaged ground targets in the exercise and returned to the west.<sup>41</sup> The last main exercises in Russia's west were the joint Russia–Belarus Zapad-2009 and Ladoga-2009 (before the new MD was created). An exercise is expected in the west of Russia in the next few years.

## **5.2 HOW SOME REFORM FEATURES MAY AFFECT THE WESTERN MD**

Some features of the reform are likely to affect the Western MD. Russia's Armed Forces' equipment in early 2012 dated largely from the Soviet era and was often referred to as a major obstacle to creating modern and combat-ready units. The State Armament Programme 2020 – of some 19 trillion roubles – aimed at ensuring that 70 per cent of the Armed Forces' equipment would be modern by 2020 (although it was unclear if this meant entirely new systems, newly produced versions of older systems or just upgraded systems).<sup>42</sup> Obviously, the aims, plans and money were there, but it remained to be seen if the largely unreformed defence industry could meet the expectations. In 2008–2011, the Southern MD, with responsibility for the volatile North Caucasus and beyond, seemed to be the priority MD for new equipment<sup>43</sup> for the Ground Forces. The Western MD seemed somewhat more of a priority where FGA and air defence assets are concerned.

One main idea of the reform is to create fully manned units that do not require mobilization. In 2011 this seemed to have been partially accomplished. Tellingly, some 60 per cent of the new Ground Forces brigades were allegedly not combat-ready.<sup>44</sup> Manning remains an Achilles' heel of the reform,<sup>45</sup> especially if the aim is a 1 million-man strong organization. Essentially, high readiness requires expensive contract soldiers. Conscripts serving one year are cheaper, but of less use after demobilization. Repeated biannual rotations of conscripts reduce training levels in units. A bleak demographic outlook, a poor public health situation and a reluctance among potential conscripts to serve in the Armed Forces made it unlikely that Russia's Armed Forces had more than 800 000 men in the new standing units in 2011. Some 600 000 is assessed to be a more sustainable figure in the future.<sup>46</sup>

In early 2012, Russia's mobilization capacity was unclear. It had probably declined from the several millions that, in theory, could

be mobilized in 2008. A mobilization reserve of some 700 000 is a quantitative complement to the new standing units and a way to retain potential use of demobilized ex-contract soldiers and conscripts. Russia has plenty of older hardware with which to equip such reserve units. Augmentation in a quantitative sense (albeit of less able forces) could be useful against weaker opponents, as gap-fillers for regular units deployed elsewhere or on low-intensity peace operations. Mobilization is a part of major strategic exercises, indicating a will on Russia's part to retain the organizational *ability* to mobilize.

### 5.3 CONCLUSION

In early 2012 the reform of Russia's Armed Forces is by no means completed. The reorganized structures outlined above are being developed and implemented. Manning and equipment are undergoing changes. All this takes time and requires several adjustments in the process. Understandably, the changes reduced Russia's overall military capacity as they were implemented 2009–2012. However, they also create the foundations for building a stronger and more usable future force. As this force gradually takes shape between 2012 and 2020 it is likely to strengthen Russia's military capacity. However, this will require a continued strong political will and generous financing.

Although it faces an advanced perceived opponent in the form of NATO, Russia's Western MD seems to be a slightly lower priority in the short term. Other MDs were more important. The Southern MD near the volatile Caucasus region has received most of the new equipment. The Central MD is responsible for any military operations in unpredictable Central Asia. In the long term, the Eastern MD may have to handle increasing neighbouring military capabilities in Asia.

Russia's 2010 Military Doctrine is largely defensive, but rests on retaining offensive capabilities. The Western MD forces would be quite sizeable when fully manned and with modern equipment, but this MD also has a sizeable territorial responsibility. Without reinforcements, the Western MD forces can hardly be anything but defensive, especially if they face threats from several directions. Although the Western MD's offensive capability requires concentration of forces, which limits the scope of their use, this capability is probably adequate for a limited offensive operation just outside Russia's borders. The scope and endurance of such an operation will depend on, for example, both the capability of Russia's adversary and Russia's ability to bring in reinforcements. However, this may change as Russian military thinking on local, regional and large-scale wars develops.

Although the Western MD in 2012 may be of lower immediate priority, it will be important to follow the effects of Russia's military reform on its military posture in the west. The development of the Western MD's capability would also depend on several factors. One would be the ability to plan and conduct joint inter-service and inter-agency operations, including with allies in the CSTO. Another factor could be its ability to develop and implement new integrated inter-service and inter-agency command and control systems. Monitoring which hardware and know-how Russia decides to acquire abroad will indicate the direction it has chosen. Other issues of interest are the development of the mobilization reserve and whether hardware and bases are actually decommissioned as stated. Finally, given Russia's sizeable but nevertheless limited conventional military assets, the development of strategic mobility is likely to be decisive.

The reform is in quantitative terms an enormous process affecting more than 1 million servicemen and hundreds of thousands of pieces of equipment spread over nine time zones. After three years, the reorganization phase seems to have been completed. Addressing other issues such as equipment, manning and command and control will continue for many years to come.

## Endnotes

- 1 Here, the term 'reform' denotes changes in the conventional armed forces under the Ministry of Defence (MoD) and General Staff. The often used term 'military reform' implies wider changes including in the defence industry and forces from other ministries. So far the changes had been far greater in the MoD Armed Forces than in the others.
- 2 Prezident Rossii (2010) 'Ukaz Prezidenta RF ot 20.09.2010 N 1144 "O voenno-administrativnom delenie Rossiiskoi Federatsii"' [Presidential Decree No. 1144, 'On the Military Administrative Division of the Russian Federation'], 20 September 2010, on the Internet: <http://graph.document.kremlin.ru/page.aspx?1;1298267> (retrieved 12 January 2012).
- 3 This includes non-conventional weapons, installations and units based in the Western MD but under the direct command of the General Staff, and armed forces of other ministries.
- 4 The Armed Forces of Belarus, Russia's partner in the Collective Security Treaty Organization (CSTO) Western Group of Forces, are probably important for the Western MD's planning, as is the battalion-size peacekeeping unit in Transnistria, which is under the command of the Western MD.
- 5 Vendil Pallin, Carolina and Westerlund, Fredrik (2010) *Rysslands Militärdoktrin 2010 - en övergripande analys [Russia's Military Doctrine 2010 - an overall analysis] (in Swedish)*, FOI Memo 3097, on the Internet: <http://www.foi.se/upload/pdf/David%20RUF/FOI%20MEMO%203097%20Rysslands%20milit%C3%A4rdoktrin%202010.pdf> (retrieved 14 February 2012), p. 2.
- 6 Nikolskii, Aleksei (2009) 'Novyi stroi' [New structure], *Vedomosti*, 30 December 2009, on the Internet: <http://www.vedomosti.ru/newspaper/article/2009/12/30/222460> (retrieved 29 May 2012); and Gavrilov, Yurii (2011) 'Prizivu otkazali v dolgoi zhizni' [Refused Call Up for a Long Life], *Rossiiskaia*

- gazeta*, 18 November 2011, on the Internet: <http://www.rg.ru/2011/11/17/armiya-site.html> (retrieved 29 May 2012).
- 7 In the Russian press, many units claim to have 24/7 readiness. It is unclear, however, what this means where qualitative aspects, e.g. training levels or unit cohesion, are concerned. Here, 'standing' implies fully manned and equipped. 24/7 readiness probably implies parts of a unit being combat-ready part of the time. Permanent one-hour readiness for all units is not feasible. It would leave no room for training, maintenance, leave etc.
  - 8 Oxenstierna, Susanne (2012) 'Försvarsekonomi' [Defence Economics] in Vendil Pallin, Carolina (ed.) (2012) *Rysk militär förmåga i ett tioårsperspektiv - 2011 [Russian Military Capability in a Ten-Year Perspective - 2011]*, March 2012, User report, FOI-R--3404--SE, p. 147.
  - 9 Putin, Vladimir (2012) 'Byt silnymi: garantii natsionalnoi bezopasnosti dlia Rossii' [Being Strong: A guarantee for national security for Russia], *Rossiiskaia gazeta*, 17 February 2012, on the Internet: <http://www.rg.ru/printable/2012/02/20/putin-armiya.html> (retrieved 20 February 2012).
  - 10 Possible ways to analyse the disposition of forces in the Western MD were discussed on 5 December 2011 with Col Pär Blid, a graduate of the Russian General Staff Academy and for five years Swedens Defence Attaché in Moscow. The author is also grateful to Maj. Gen. (ret.) Karlis Neretnieks and FOI colleague Senior Analyst Fredrik Westerlund for their valuable comments on early versions of the draft.
  - 11 See Suvorov, Viktor (1987) *Inside the Soviet Army* (London, Grafton Books), pp. 228–30 for more details.
  - 12 Refers primarily to the Air Force's former Air Armies and Air Defence aircraft. Strategic bombers and Military Transport Aviation (strategic air transport) remain under the General Staff.
  - 13 Interview with Col Pär Blid, 5 December 2011.
  - 14 Ibid.
  - 15 Here, the term 'Army' refers to Russia's Ground Forces since the English website of the Russian MoD uses it. Additionally, 'Army', preceded by a number, denotes a Ground Forces unit, the Combined Arms Army (*Obshevoiskovaia armiiia*), e.g. *the 6th Army*.
  - 16 Probably light infantry with wheeled armoured vehicles.
  - 17 'Rossiia prodolzhit formirovat arkticheskie brigady' [Russia continues to form Arctic brigades], *Infors News Agency*, 9 January 2012, on the Internet: <http://infors.ru/?module=news&action=view&id=28666> (retrieved 15 February 2012).
  - 18 'Manoeuvre brigade' denotes units for offensive operations that can take and hold terrain, e.g. tank brigades or motor rifle brigades. The 'new look' (*novyi oblik*) brigades were supposed to be fully manned and equipped and hence referred to as permanently ready.
  - 19 Karavaev, A. (2007) 'EvrAzES i ODKB v Tsentralnoi Azii – problemy integratsii regiona' [Eurasian Economic Union and CSTO in Central Asia – problems in the region's integration], *centrasia.ru*, 12 April 2007, on the Internet: <http://www.centrasia.ru/newsA.php?st=1176450720> (retrieved 19 March 2012).
  - 20 Interview, Col Pär Blid, 5 December 2011.
  - 21 Carlsson, Märta and Norberg, Johan (2012) 'De Väpnade Styrkorna' [The Armed Forces] in Vendil Pallin, Carolina (ed.) *Rysk militär förmåga i ett tioårsperspektiv - 2011 [Russian Military Capability in a Ten-Year Perspective - 2011]*, March 2012, FOI Report, FOI-R--3404--SE, p. 229.
  - 22 The International Institute for Strategic Studies (2011) *The Military Balance 2011* (London, Routledge), pp. 188–91.
  - 23 The International Institute for Strategic Studies (2012) *The Military Balance 2012* (London, Routledge), pp. 198–9.
  - 24 Lenta.ru (2011) 'Zapadnyi Voennyi Okrug poluchit 14 bombardirovshchikov Su-34' [Western MD Will Receive 14 Su-34 Fighter/Ground Attack Aircraft], *Lenta News Agency*, 22 December 2011, on the Internet <http://lenta.ru/>

- news/2011/12/22/bomber/ (retrieved 15 February 2012).
- 25 Carlsson and Norberg, op. cit., p. 233; and the Russian MoD homepage, on the Internet: <http://structure.mil.ru/structure/forces/navy.htm> (retrieved 5 March 2012).
- 26 Carlsson, Märta (2012) *De ryska Marinstridskrafterna [The Russian Navy]*, FOI Memo. 3770 (Stockholm, FOI), p. 10.
- 27 'Rossiia prodolzhit formirovat arkticheskie brigady', op. cit.
- 28 'Osnovy gosudarstvennoi politiki Rossiiskoi Federatsii v Arktike a period do 2020 goda i dalneishuiu perspektivu' [Foundations of the Russian Federation's Policy in the Arctic until 2020 and in a Longer Perspective], *Security Council of the Russian Federation*, on the Internet: <http://www.scrf.gov.ru/documents/98.html> (retrieved 15 February 2012).
- 29 'Rossiia prodolzhit formirovat arkticheskie brigady', op. cit.
- 30 Gavrilov, Yu. (2011) 'Soldaty ukhodiat na sever' [Soldiers Go [out] Northwards], *Rossiiskaia gazeta*, 14 September 2011, on the Internet: <http://www.rg.ru/2011/09/14/arktika.html> (retrieved 15 February 2012).
- 31 'Start podgotovki voennykh dlia sluzhby v Arktike zaplanirovali na 2012 god' [Beginning of Training Military [Personnel] for Service in the Arctic is Planned for 2012] (2012) *Vzglyad Delovaia gazeta*, 5 November 2012, on the Internet: <http://www.vz.ru/news/2011/11/5/536259.html> (retrieved 15 February 2012).
- 32 'Chast arkticheskikh brigad Sukhoputnykh voisk khotiat sdelat aeromobilnyimi' [They Want to Make Part of the Arctic Brigades Air Mobile], *RIA Novosti*, 17 May 2011, on the Internet: [http://ria.ru/defense\\_safety/20110517/375689574.html](http://ria.ru/defense_safety/20110517/375689574.html) (retrieved 16 February 2012).
- 33 Gavrilov (2011) 'Soldaty ukhodiat na sever'.
- 34 Carlsson and Norberg, op. cit., p. 219.
- 35 Ibid.
- 36 Col Pär Blid, 5 December 2011.
- 37 Wilk, Andrzej (2009) 'Russia Practices War in the West', *Centre for Eastern Studies*, on the Internet: <http://www.osw.waw.pl/en/publikacje/eastweek/2009-09-30/russia-practices-war-west> (retrieved 29 May 2012).
- 38 Carlsson and Norberg, op. cit., p. 327.
- 39 Col Pär Blid, 5 December 2011.
- 40 Pinchuk, A. (2011) 'Kaliningrad ukrepitsia "Triumfom"' [Kaliningrad Will Be Reinforced with "Triumf"], *Krasnaia zvezda*, on the Internet: <http://redstar.ru/index.php/component/k2/item/114-2011-12-09-01-04> (retrieved 14 February 2012).
- 41 'Russia: Vostok-2010 military drills successful', *China Daily*, 24 November 2010, on the Internet: [http://www.chinadaily.com.cn/world/2010-11/24/content\\_11604226.htm](http://www.chinadaily.com.cn/world/2010-11/24/content_11604226.htm) (retrieved 19 March 2012).
- 42 Interview with Ruslan Puchov, Centre for Analysis of Strategy and Technology (CAST), Moscow, May 2011.
- 43 McDermott, Roger (2012) 'Russia Modernizes South Military District', *Eurasia Daily Monitor*, Vol. 9, No. 92, on the Internet: [http://www.jamestown.org/single?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=39375&tx\\_ttnews%5BbackPid%5D=587](http://www.jamestown.org/single?no_cache=1&tx_ttnews%5Btt_news%5D=39375&tx_ttnews%5BbackPid%5D=587) (retrieved 25 May 2012).
- 44 *The Military Balance 2011*, p. 176.
- 45 Carlsson and Norberg, op. cit., pp. 219–22.
- 46 Several experts assess 600 000 as a more viable figure. See, for example, McDermott, Roger (2011) *The Reform of Russia's Conventional Armed Forces: Problems, Challenges and Policy Implications* (Washington, D.C.: Jamestown Foundation), p. 152. Also based on discussion with Ruslan Puchov, Moscow, 6 February 2012, as well as with Col Pär Blid, 5 December 2011.



## 6. Russia's Energy Policy towards the New Markets in the Asia Pacific Region: Implications for the Energy Security Environment in the Region

Shigeki Akimoto

The purpose of this chapter is to examine what effect Russia's energy policy has on the security environment in the Asia Pacific region (hereafter the APR). While traditionally studies of Russia's energy policy have focused on its implications for European energy security, recently its effects on energy security in the APR have been receiving increasing attention. The demand for energy in the APR is increasing more rapidly than that in any other region. Above all, China is expected to account for more than 30 per cent of the growth in global demand from 2009 to 2035 and its share of global energy demand is projected to increase from 11 per cent in 2009 to 23 per cent in 2035.<sup>1</sup> Meeting the growth in demand in the APR is becoming a major energy security challenge. In this regard, Russia's enormous energy resources are sufficient to underpin its strategy to expand into new markets in the APR and are expected to meet a large share of the growing regional demand for energy.

This chapter is arranged as follows. Section 6.1 presents definitions of energy security and analyses the relevant factors. The development of Russia's oil and gas exports to the APR is presented in Section 6.2. Section 6.3 considers its security implications for consumers in both the APR and Russia. Section 6.4 discusses some implications in the future, and the concluding section suggests a course of future studies.

### 6.1 ENERGY SECURITY

#### Security of Supply

According to the International Energy Agency (IEA), energy security means adequate, affordable and reliable supplies of energy. Energy security policies therefore focus on (1) the diversification of energy sources, supply countries and transportation routes, as well as ensuring safety, (2) the enhancement of exploration, development and energy efficiency, and (3) the integration of various means to

develop coordinated stockpiling and response systems in order to reduce the risks and consequences of disruptions to supply or spikes in international prices.<sup>2</sup> The IEA aims to develop a comprehensive policy-relevant perspective on global energy security and is developing a model of short-term energy security.<sup>3</sup> Energy security issues, defined in such a way, can be categorized as a non-traditional security issue where threats do not arise as a result of the use of military force by some country, and the prices of energy are not the result of the actions or policies of any particular country.

### **Security of Demand**

The German scholar Frank Umbach points out that experts have unduly stressed security of supply, and claims that energy security has long had a different meaning depending on the perspective: the concept of energy security varies between the producer and the consumer.<sup>4</sup> And Midkhatovich Yenikeyeff argues that the biggest challenge for suppliers and buyers derives from their often different understanding of energy security, and points out that producers are concerned with stable revenues and guarantees of demand security from energy-consuming nations.<sup>5</sup>

The European Union (EU)'s energy policy affects Russian energy interests on a truly massive scale and is raising serious concerns in Russia about security of demand in relation to Europe since around 80 per cent of Gazprom's supplies to the EU countries are based on long-term contracts. Some European suggestions that Europe's supply of energy needs to be diversified, away from Russia, are still perceived in Russia as a threat.<sup>6</sup> James Henderson points out that Russia's position in Europe has matured to a level where further expansion will be difficult to achieve, and as a result the rapid growth of the APR economies has led to a re-focusing of Russia's strategic and energy interests. He argues that there is a clear economic incentive to exploit the potential for a significant boost to energy exports to the APR.<sup>7</sup>

### **Energy Weapon Arguments**

Focusing on the argument about the 'energy weapon', and on the expansion of the global energy trade and the export dependency problems, it is possible to argue that the term 'energy weapon' is in fact close to traditional security issues: first, there is a possibility that a state may tighten its management of resources, thereby influencing decision-making processes pertaining to exports out of political considerations; and, second, in some cases, energy is viewed as a 'hostage' that is indispensable to citizens' lives, and there is a danger that a particular state may be forced to go against its will in areas that come under its sovereignty.<sup>8</sup>

While it is desirable not to depend on a country that intentionally uses energy as a political tool, in reality it is impossible to substantiate the intentions of the country. In addition, from the perspective of economic efficiency, there are many cases in which there are no other options than to import energy from a country with political problems. For that reason, as part of realistic countermeasures against the political use of energy, it is important to establish a framework to prevent each party from using energy for political purposes and prevent trade disputes from escalating into political problems, as well as preparing to limit the impact in the event of disruptions to supply.<sup>9</sup> Conversely, if it is difficult for parties to devise a countermeasure against the fear of the energy weapon being used, or the actual use of the energy weapon, this is likely to lead to problems of underinvestment.<sup>10</sup>

## **6.2 RUSSIA'S ENERGY EXPORTS TO THE APR**

At the end of 2011, Russia held 5.3 per cent of the world's oil and about a quarter (21.4 per cent) of its gas reserves.<sup>11</sup> Russia is the world's second-largest primary energy producer, its third-largest energy consumer, its second-largest exporter of oil (20 per cent of the world oil trade),<sup>12</sup> and its largest exporter of natural gas (21 per cent of the world trade).<sup>13</sup> By destination, more than 91 per cent of Russia's total energy exports goes to Europe, at the same time as Russia is diversifying its export markets in the APR.<sup>14</sup> Russia's energy exports are controlled by the state. This section looks at exports to the APR of the state-owned energy companies, namely Rosneft and Gazprom.

### **Russia's Oil Exports to the APR**

Oil exports to the APR are relatively new. In 2005, the first oil supply from the Sakhalin-1 project started; this was an important landmark. At the time, Rosneft planned that over 50 per cent of the future increase in its oil production would be from the development of shelf deposits. According to its plan, during the initial period of Sakhalin-1's development, oil would be delivered only to Rosneft's refinery, but later the transshipment terminal at De-Kastri in Khabarovsk Territory would be commissioned and exports would start.<sup>15</sup> At around the same time, as a result of exploration work, Rosneft had significantly revised its former estimates of the potential of the Vankor field (see Map 6-1).<sup>16</sup>

In January 2005, Rosneft entered into a long-term contract, up to 2010, with the China National United Oil Corporation for the supply of crude oil to the total amount of 48.4 million tonnes of oil equivalent (Mtoe), to be delivered in equal annual amounts. In February 2005, Rosneft started oil deliveries to China via the Caspian Pipeline and by rail, with volumes reaching 4.4Mtoe by the

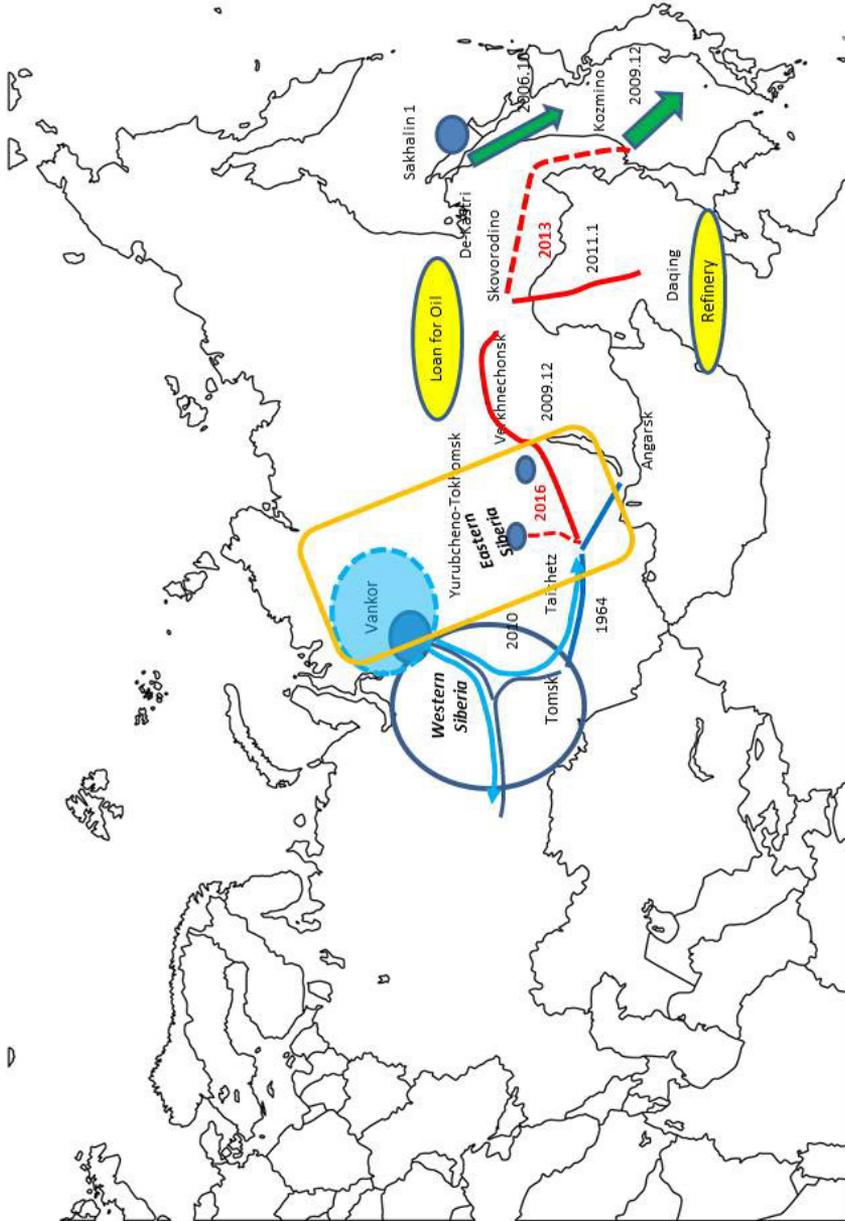
end of the year.<sup>17</sup>

In 2006, Rosneft exported 57.2Mtoe of oil. The geographical distribution of deliveries was as follows: 23.3Mtoe (40.7%) to Western and Central Europe; 15.4Mtoe (30%) to the Mediterranean; 11.1Mtoe (19.4%) to the APR; 6.2Mtoe (10.8%) to Commonwealth of Independent States (CIS) countries; and 1.2Mtoe (2.1%) to Baltic states. At that time, China had become the largest single importer of Rosneft's oil after purchasing 8.9Mtoe of oil (15.5% of the total oil exported by Rosneft). De-Kastri began to export 2.2Mtoe of crude oil per year. Due to production increases expected from Sakhalin-1 and other offshore projects around the island, Rosneft forecast a considerable rise in crude export deliveries, with De-Kastri having become a link between the company's large production capacities in Russia's Far East and the APR.<sup>18</sup>

In 2007, Rosneft exported 58.9Mtoe of oil, of which 11.7Mtoe (20.0%) were delivered to the APR. China remained the largest importer, purchasing 8.9Mtoe of crude oil (15.1%). At that time, De-Kastri had become a major hub ensuring efficient crude exports from Rosneft's facilities in the Russian Far East to the increasingly lucrative APR market.<sup>19</sup> In 2008, Rosneft exported 54.2Mtoe of oil, 10.8Mtoe (19.8%) of it to the APR. China was again the biggest importer of Rosneft's oil (8.9Mtoe, the same as the 2006 and 2007 figures, or 16.4%).<sup>20</sup>

In 2009, Rosneft exported 56.3Mtoe of oil, 10.5Mtoe (18.7%) of it to the APR. Deliveries to China in 2009 were unchanged from 2008 at 8.9Mtoe (15.8%). In 2009, an agreement was reached on the delivery to China of 15Mtoe of oil per year over the period in 2011–2030. According to the agreement, oil would be transported via the ESPO (Eastern Siberia–Pacific Ocean) oil pipeline to Skovorodino and then via a branch line to the border with China and to Daqing (see Map 6-1).<sup>21</sup> In December 2009, Transneft completed construction of the first stage of the ESPO, as far as Skovorodino, from where oil was delivered by rail to the Kozmino for export to the APR. It was significant that the first oil delivered through the ESPO pipeline was from the Vankor field. Total supplies of oil from Vankor were 3.7Mtoe during 2009, of which 2.8Mtoe were exported. The company's intention was to export most of the oil produced at Vankor in the future via the ESPO.<sup>22</sup>

Map 6-1 Russia's Major Oil Fields and Supply Infrastructure Eastward



In 2010, Rosneft exported 60.8Mtoe of oil, 16.9Mtoe (27.8%) of it to the APR, representing an increase of over 60 per cent on 2009. China was again the biggest importer (9.5Mtoe, as prescribed by agreements dating from 2005; 15.6%).<sup>23</sup> The growth of exports to the APR reflected the completion of the first stage of the ESPO pipeline.<sup>24</sup> The year 2010 saw the formation of a new market in Kozmino and the establishment of a new ESPO crude oil brand. ESPO prices were linked to the prices of its main competitor – Dubai crude from the Middle East.<sup>25</sup> Oil shipments from Kozmino take two to three days, which is considerably quicker than transportation from the Middle East and made ESPO crude more attractive to buyers. Deliveries via Kozmino in 2010 amounted to 7.5Mtoe. The ESPO spur pipeline towards China, from Skovorodino in Russia to Daqing in China, was completed in November 2010 and use of the pipeline for agreed oil deliveries began in January 2011.

In 2011, Rosneft exported 63.9Mtoe of oil, 18.2Mtoe (28.5%) to the APR, of which 15Mtoe (23.3% of its total exports) were delivered by pipeline to China, and the remaining amounts were exported via the ports of Kozmino and De-Kastri. The oil market at the port of Kozmino became fully functional.<sup>26</sup>

### **Russia's Gas Exports to the APR**

Russia's natural gas exports to the APR are also relatively new. In 2005, Gazprom began to consolidate its positions in the new markets in the US and the APR.<sup>27</sup>

In 2006, Gazprom developed its corporate strategy: with its rich resource base, vast gas transportation infrastructure, and developing liquefied natural gas (LNG) production industry, the company aimed to become the core for the establishment of a unique transcontinental gas supply system covering most parts of Eurasia and entering North America.<sup>28</sup>

The Russian government charged Gazprom with coordination of activities to prepare the programme for the creation of a unified gas production, transportation and supply system in Eastern Siberia and the Russian Far East with account taken of the possible export of gas to dynamically growing new markets in the APR. The programme envisaged the creation of new gas production centres in the country's east: Sakhalinskii, Yakutskii, Irkutskii, and Krasnoiiarskii. Gazprom's major tasks in Eastern Siberia and the Russian Far East were to establish its own resource base; carry out exploration; develop fields; devise gas supply projects; and provide for interaction with the existing players in the gas market. The island of Sakhalin was to become the initial area for the development of full-scale production.<sup>29</sup>

Gazprom also saw the APR as a promising opportunity. About 27 per cent of its aggregate natural gas resources are located in the east of Russia. In order to plan for their comprehensive development, Gazprom drafted its own programme. The development of LNG projects was one of top priorities in the programme because LNG allows for a flexible response to any changes in different markets and minimizes the transit risks which arise when gas supplies pass through third countries using pipelines.<sup>30</sup>

In December 2006, a protocol was signed between the shareholders of the Sakhalin Energy Investment Company Ltd (Sakhalin Energy) and Gazprom on Gazprom entering the Sakhalin-2 project as a leading shareholder. The project was focused on LNG supplies to the APR. In April 2007, Gazprom acquired a 50 per cent shareholding plus one share in Sakhalin Energy. The Sakhalin-2 project, whose reserves amount to approximately 570Mtoe of gas and 173.4Mtoe of oil, was one of the largest comprehensive infrastructural oil and gas projects in the world.<sup>31</sup>

In September 2007, the Ministry of Industry and Energy of the Russian Federation issued an order to approve the Eastern Gas Programme for the creation of a unified gas system in Eastern Siberia and the Russian Far East with account taken of possible exports of gas to the APR. Gazprom was assigned as the coordinator of the programme and initiated 'gasification' of the Irkutsk region. The first stage of implementation of the programme would involve the construction of the Sakhalin–Khabarovsk–Vladivostok (SKV) gas pipeline, which would allow for 'gasification' of the Primorskiy krai and Khabarovsk krai. The Chaiandinskoe field was to be connected to this system later on.<sup>32</sup>

In 2008, Gazprom began to build the SKV pipeline. Its marketing strategy in the new markets foresaw increases in both gas supplied via pipelines and LNG.<sup>33</sup> In 2009, the first weld was marked in the SKV. In the framework of the Sakhalin-2 project, for the first time in Russia's history, LNG began to be exported to the APR. A new LNG production plant was put into service in February 2009. Gazprom exported a total of 1.35Mtoe of LNG to Japan, India, South Korea, China, Taiwan and the UK. The LNG supply within the Sakhalin-2 project accounted for about 60 per cent of that total.<sup>34</sup>

The fast pace of implementation of the Eastern Gas Programme was creating a favourable climate for gas exports in the APR. In May 2009, Gazprom signed a memorandum of understanding (MoU) with the Agency for Natural Resources and Energy of the Japanese Ministry of Economy, Trade and Industry (ANRE/

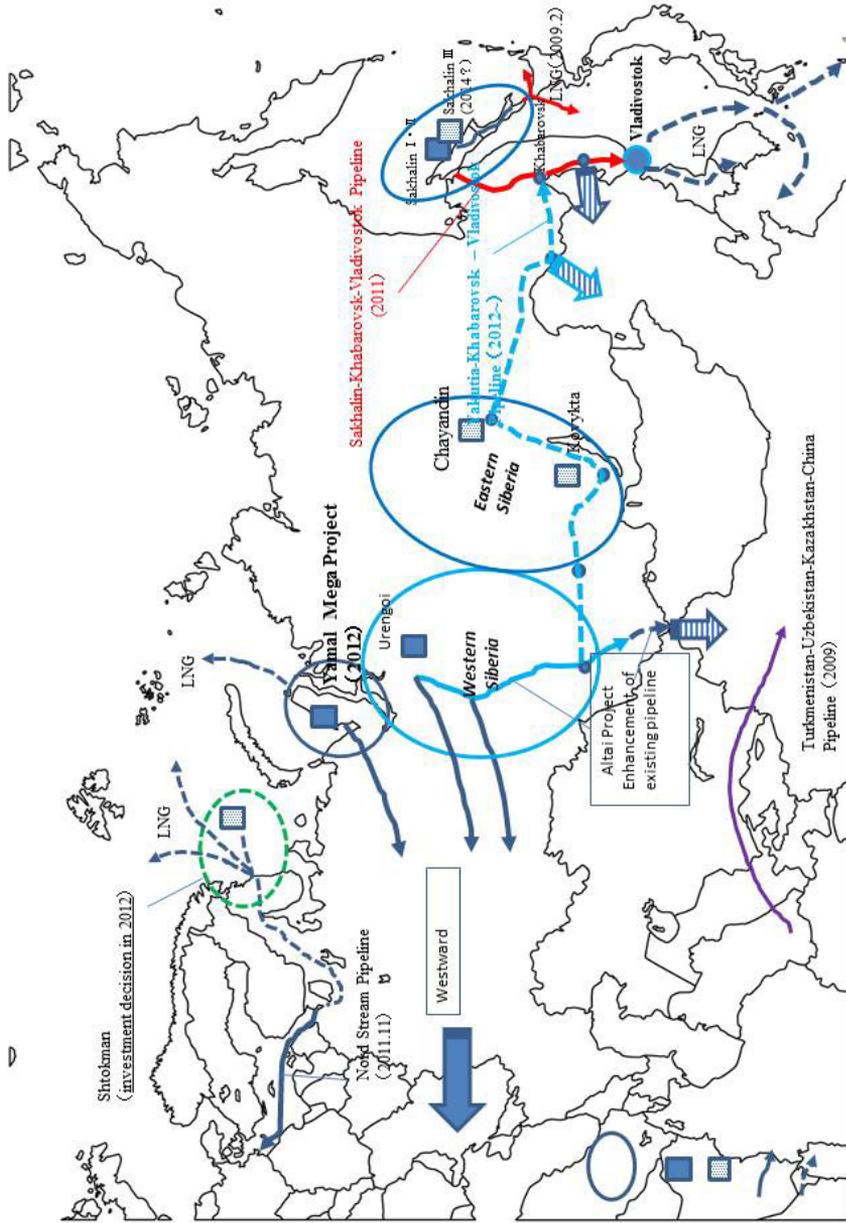
METI), as well as with Itochu Corporation and Japan Petroleum Exploration Co. Ltd. The document envisaged joint investigation of opportunities for using gas in the Vladivostok area, including its further transportation and sale to the APR. In June 2009, Gazprom and the South Korean company KOGAS signed an agreement on joint investigation of a gas supply project, envisaging studying options to arrange gas supply from the terminal point of the SKV to South Korea through a pipeline across the territory of North Korea. In December 2009, Gazprom and the China National Petroleum Corporation (CNPC) signed an agreement on the main terms for gas trade. The parties were to continue negotiations on the details on the basis of this agreement.<sup>35</sup>

In 2010, Gazprom exported 1.82Mtoe of LNG, with 1.6Mtoe of LNG produced as part of the Sakhalin-2 project. The LNG production plant constructed within the project reached its design capacity of 9.6Mtoe per year. Major LNG volumes (about 60%) were supplied to Japan and the remainder was supplied to South Korea, India, Kuwait, China and Taiwan. After reaching its full capacity, the Sakhalin-2 project accounted for about 5 per cent of world LNG production.<sup>36</sup>

One major project has been to supply gas to China. Gazprom has carried out work to arrange the export of pipeline gas through the two export corridors – western and eastern – with a volume of up to 61.2Mtoe. In September 2010, Gazprom and the CNPC signed an expanded agreement on the main terms for gas supply, which would be used as a basis for developing contracts. According to the arrangement, after signing the contracts the parties would be able to launch construction of the Russian and Chinese parts of the pipelines. The western corridor was expected to be commissioned in late 2015, and the eastern corridor could be organized after 2017.<sup>37</sup> In 2011, Gazprom sold 2.3Mtoe of LNG, of which 0.96Mtoe was from the Sakhalin-2 LNG project. Additionally, Gazprom responded promptly to changing market conditions and increased supply volumes to cover gas shortages resulting from the Fukushima disaster in Japan in March 2011.<sup>38</sup>

Gazprom was also working on long-term LNG supplies. In January 2011 Gazprom and ANRE/METI of Japan signed a cooperation agreement to prepare a feasibility study for the development of Vladivostok. In May–June 2011 Gazprom signed an MoU with four Indian companies to supply India with up to 10Mtoe of LNG per year over 25 years. Gazprom and the CNPC continued intensive talks to align the conditions of gas trade. In May 2011,

Map 6-2 Russia's Gas Exports to the APR



Deputy Prime Minister of the Russian Federation Igor Sechin and Vice-Prime Minister of the State Council of the People's Republic of China (PRC) Wang Qishan signed a schedule to the MoU for cooperation in the area of gas dated 24 June 2009. Gazprom also continued work to arrange pipeline deliveries of up to 9Mtoe of gas per year to South Korea. It is in talks with North Korea in line with the MoU signed by Gazprom and the Ministry of Oil Industry of North Korea in September 2011.<sup>39</sup>

### **6.3 IMPLICATIONS FOR REGIONAL ENERGY SECURITY**

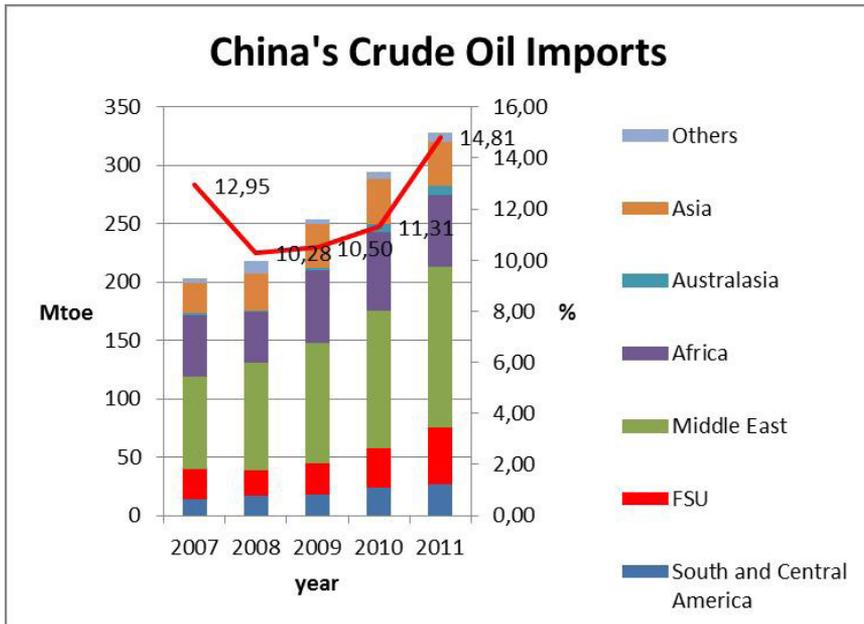
#### **Implications for China**

China is the world's largest energy consumer, and its total energy consumption in 2009 was 2,271Mtoe. Over the 30 years from 1978 to 2008, the average annual growth rate of primary energy consumption in China was 5.5 per cent and the average annual rate of growth of gross domestic product (GDP) was 9.8 per cent. In other words, China achieved its goal of quadrupling GDP supported by a doubling of energy consumption.<sup>40</sup> This is one reason why the most efficient use of available resources is accepted as the guiding principle of the Chinese economy.

Since as early as the 1990s, Chinese authorities have been encouraging fuel switching, and this fuel switching policy has increased oil and gas production and consumption.<sup>41</sup> In 2011, China's own oil production reached 203.6Mtoe, while its imports reached 252.9Mtoe.<sup>42</sup> China's oil import dependency has increased sharply since 1993, rising from 6 per cent in 1993 to 54 per cent in 2009.<sup>43</sup> In 2011, it reached 55.3 per cent.<sup>44</sup> While domestic gas production has increased rapidly – from 27.3Mtoe in 2001 to 92.3Mtoe in 2011 – gas consumption totalled 117.3Mtoe in 2011, and the share of gas in total primary energy increased from 2 per cent in 2005 to 4.5 per cent in 2011. China's gas import dependency has increased sharply from almost 0 per cent in 2005 to 23.8 per cent in 2011.

China has strengthened the security of its oil supply through bilateral cooperation with new trading partners. Energy diversification is considered important for the establishment of a secure energy base. In 2006, the government of China adopted the 11<sup>th</sup> Five-Year Plan, which covered the period 2006–2010, and details of the 11<sup>th</sup> Plan relating to the energy sector were released in 2007.<sup>45</sup> At the time China's energy-policy challenges were largely framed by its national socio-economic policy goals, and China needed to sustain its rapid economic development and growth in output in a way that was more environmentally sustainable and less energy-intensive.<sup>46</sup> China has its own energy resources, particularly

Figure 6-1



**Source:** BP, *Statistical Review of World Energy*, various years.

**Note:** FSU – Former Soviet Union.

coal, and significant oil and gas resources. But its reserves seemed to be insufficient to match the projected growth in demand through to 2030. The government has therefore sought to curb the growth in demand, to diversify its supply sources geographically and to secure preferential access to foreign resources. Diversifying energy sources was one of objectives set out in the 11<sup>th</sup> Plan.<sup>47</sup>

As described in the previous section, Russia's oil and gas exports to China have gradually increased; above all, after 2010 oil exports have increased rapidly due to the commissioning of the ESPO pipeline. This means that China has been able to meet part of the growing energy demand and diversify its supply sources in a geographic sense by increasing its energy imports from Russia (for oil, see Figure 6-1). In other words, from the perspective of energy security Russia's energy supply has contributed to security of supply for China. Underinvestment problems have not as yet been explicitly identified.

### **Implications for Japan**

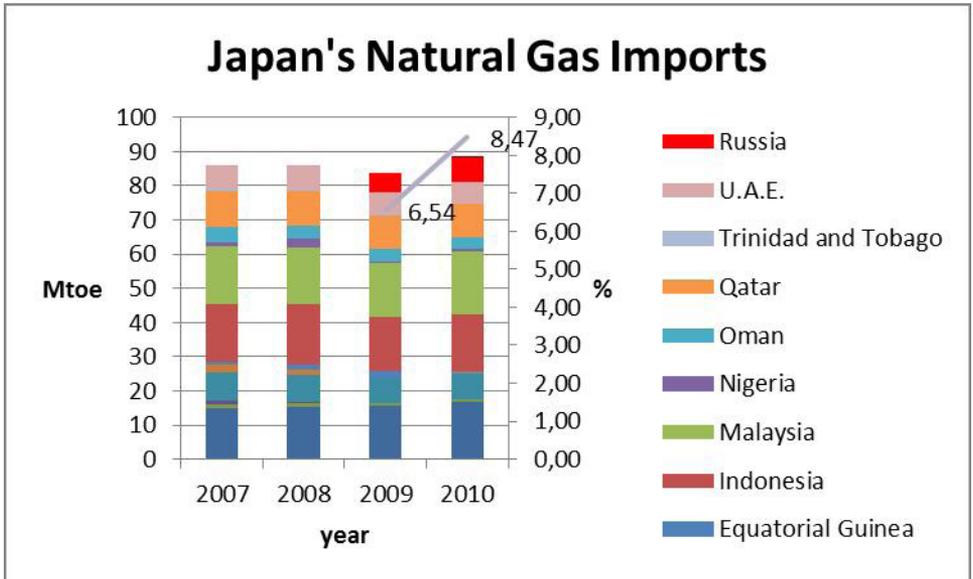
In 2008, net imports accounted for 85 per cent of the total primary energy supply of Japan. With limited indigenous energy sources, Japan imported almost 99 per cent of its oil and 96 per cent of its gas.<sup>48</sup> In 2011, the bulk of the oil imports (78.9%) came from the Middle East. Domestic gas demand was met almost entirely by imports of LNG, which come from Malaysia (19.0%), Australia (17.8%), Qatar (14.8%), Indonesia (11.8%), Russia (9.2%), Brunei Darussalam (7.9%), the United Arab Emirates (7.2%), Oman (5.0%) and others. In 2011, LNG imports to Japan comprised 32.3 per cent of total world LNG trade.<sup>49</sup>

The Basic Law on Energy Policy adopted in 2002 positions 'assurance of a stable supply' as one of the core principles of Japan's energy policy. In 2003, the Strategic Energy Plan based on this law was adopted. In 2006, Japan launched the New National Energy Strategy in response to the global energy situation. The strategy contains a programme of action to 2030 that places considerable emphasis on achieving energy security. In 2007, based on this strategy, the Strategic Energy Plan was revised. The revised version focused on the assurance of the stable supply of oil and other fuels; the promotion of international cooperation in the energy and environmental fields; and other factors. The plan was revised again in 2010.<sup>50</sup>

Japan has consistently aimed to reduce its oil dependency, partly because of its experiences during oil crises. For that reason, demand for gas has been increasing rapidly over the past two decades. Between 1980 and 2007, gas demand grew at an annual rate of 5 per cent – the fastest growth in all primary energy sources. This robust growth is expected to continue. Since Japan has prioritized the stable and secure supply of LNG, Japanese LNG buyers have generally been paying a higher price than buyers in Europe or the United States under long-term 'take or pay' contracts.<sup>51</sup>

As described in the previous section, Russia's oil and gas exports to Japan have increased gradually. In particular, since 2009 its LNG exports have increased rapidly due to the start of LNG supply from Sakhalin-2. This means that Japan was able to diversify its supply sources in a geographic sense by increasing its energy imports from Russia (see Figure 6-2). In other words, from the perspective of energy security, Russia's energy supply has contributed to Japan's security.

Figure 6-2



Source: IEA, *Natural Gas Information 2011*.

Note: FSU – Former Soviet Union.

### Implications for Russia

Its energy exports are important for Russia's economy and the federal budget relies increasingly on high oil prices. In 2011, exports of oil and gas accounted for two-thirds (65.5%) of its total exports, and oil and gas revenues accounted for 10.4 per cent of GDP and half of federal revenues. In 2009 they accounted for only 7.6 per cent of GDP and two-fifths of federal revenues.<sup>52</sup> Since 2005, each year the federal budget has been based on the assumption of a higher oil price than the previous year. Thus, the oil price is critical if the federal budget is to break even. Hence even a moderate correction in oil prices could reverse improvements on the revenue side of the Russian federal budget.<sup>53</sup>

In May 2008, a new Ministry of Energy was established to deal with these structural problems. The ministry's objectives are to develop and monitor an economy-wide energy policy, including energy exports. The Energy Strategy of Russia to 2020, adopted in August 2003, identified the economy's long-term energy policy and the mechanisms for its realization. A revised version of the strategy – the Energy Strategy of Russia to 2030, with an extended time frame – was adopted in November 2009.<sup>54</sup>

The strategic objective of Russia's external energy policy is to use its energy potential effectively to maximize its integration into world energy markets, to strengthen Russia's position in the markets and to maximize the benefits from energy resources to the economy.<sup>55</sup> To achieve this, Russia will implement several measures, among them an expansion in exports to the APR, including the diversification of export delivery routes.<sup>56</sup>

In September 2007, the federal government approved the East Gas Programme to develop gas fields and build extensive trunk gas pipelines in Eastern Siberia and the Russian Far East up to 2030. It is reasonable to take it that the background to these decisions was a movement of liberalization of the European gas market.<sup>57</sup> Conversely, the movement offered Russia/Gazprom opportunities to raise the efficiency of gas sales. Gazprom's top priority objective in foreign markets became to maintain the share gained in the European markets and raise efficiency through participation in such segments as gas distribution and electric power generation and by gaining access to ultimate consumers.<sup>58</sup> Another important direction was diversification of sales markets aimed at active expansion and an increase in LNG supply, primarily to the APR.<sup>59</sup> Gazprom's strategy prioritizes the marketing of LNG.<sup>60</sup>

As described in the previous section, Russia's oil and gas exports to consumers in the APR have gradually increased, above all exports of LNG. This means that Russia has been able to diversify the geographic destinations of its energy exports and secure the revenue (see Figure 6-3). In other words, from the perspective of energy security Russia's entry into new energy markets in the APR contributes to its own security of demand.

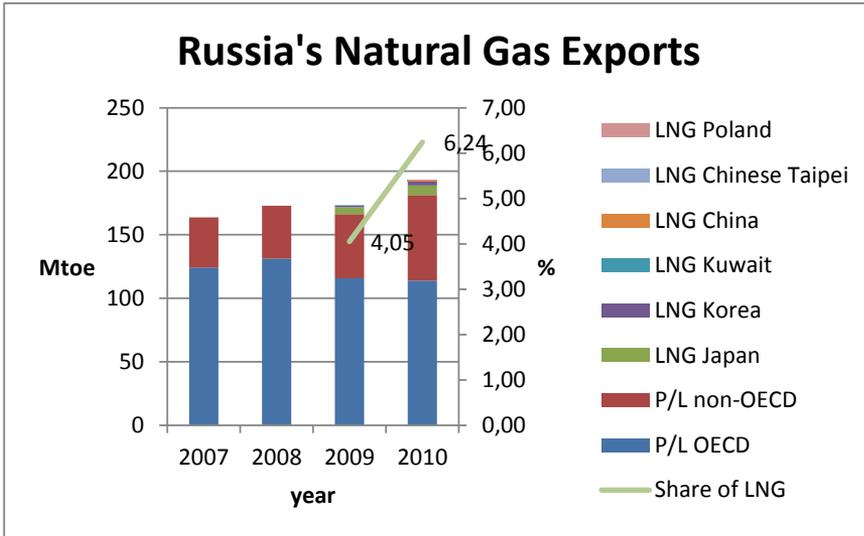
#### **6.4 ISSUES OF REGIONAL ENERGY SECURITY IN THE FUTURE**

The IEA estimates that world energy demand will increase by 40 per cent by 2035 as compared to 2009 levels. Natural gas shows the greatest increase with 54 per cent. The background to this trend is the forecast growth in demand for gas-fired power as a result of the orientation towards gas with its low environmental impact, and the reconsideration of nuclear power in the aftermath of the nuclear accidents in Japan.<sup>61</sup>

##### **Rapid Growth in China's Demand for Gas**

China shows the most significant growth. Energy demand in China as at 2011 has surpassed that of the United States, and is expected to exceed that of the United States by more than 70 per cent in 2035. By 2035, China will in fact account for more than 30 per cent of the global increase in energy demand. The IEA projects

Figure 6-3



**Source:** IEA, *Natural Gas Information* 2011.

**Note:** P/L – pipeline; LNG – liquefied natural gas; OECD - Organisation for Economic Co-operation and Development.

that China could overtake the United States in terms of oil imports shortly after 2020 and become the largest oil consumer in the world around 2030, at nearly double the level of consumption of 2009, and China's oil import dependency could increase from 54 per cent in 2009 to 84 per cent in 2035.<sup>62</sup>

The 12th Chinese five-year plan drawn up in March 2011 placed the focus on China's energy policy. According to the plan, by improving energy efficiency and raising the proportion of clean energy it would be possible to ease the pace of growth of energy demand, as well as to respond to environmental problems. It would also involve raising the proportion of gas and nuclear power generation as clean energy sources.<sup>63</sup>

Consequently, China's demand for natural gas will also continue to grow at an annual rate of 6.7 per cent, increasing five times from 78Mtoe in 2009 to 420Mtoe in 2035. China's share of total world demand for gas will also increase, from 3 per cent in 2009 to 10.6 per cent in 2035. The IEA projects that China's gas import dependency could increase from 8 per cent in 2009 to 42 per cent in 2035. China will account for 35 per cent of the total growth in the world gas trade, as its imports grow from less than 9Mtoe in 2009 to 112Mtoe in 2020 and over 190Mtoe in 2035.<sup>64</sup>

Reasonably, China could diversify its sources of gas geographically. This means that it plays a critical role in the orientation of Eurasia's gas export flows. The IEA projects that the volume of China's imports of gas from Russia and the Caspian region will grow from 3.6Mtoe in 2010 to 120Mtoe in 2035 if Russia and Caspian exporters respond to China's growing import needs.<sup>65</sup>

### **Uncertainty of Japan's Energy Policy**

The IEA states that the energy outlook for Japan has been affected by a number of factors, mainly arising from the damage to the Fukushima Daiichi nuclear power plant caused by the earthquake of 2011.<sup>66</sup>

Indeed, LNG demand has been growing strongly in Japan following the economic recovery. Japan's LNG imports in 2010 increased from 83.7Mtoe in 2008 to 86.4Mtoe. Additionally, imports of LNG increased significantly to 95.8Mtoe by 13.5 per cent in 2011, reflecting the continual shutdowns of nuclear power plants following the Great East Earthquake of March 2011.<sup>67</sup> At the time of writing, Japan is struggling to sort out its energy policy after the Fukushima accident. It has been working on energy security concentrating on ensuring the supply of oil and stabilizing its prices. However, following the Great East Earthquake, unexpected problems have surfaced, such as shutdowns of nuclear power plants and the huge Asian premium on LNG prices.<sup>68</sup> This makes it necessary to rebuild Japanese energy policy, carefully re-examining what measures are practicable, feasible and effective.

### **Russia's Supply Potential**

China's oil imports will increase by more than two-and-a-half times from 2010 to 2035 to reach 627Mtoe.<sup>69</sup> This is nearly twice the level of Russia's oil exports in 2035, while Russia's net oil exports are expected to decline from 373.5Mtoe in 2010 to 318.7Mtoe in 2035. This means that Russia's bargaining power in the oil trade sphere could be gradually diminished.<sup>70</sup>

Russia's own demand for gas is expected to increase significantly, at an annual rate of 0.8 per cent, from 407Mtoe in 2009 to 506.4Mtoe in 2035. However, the increase in the volume of its production – from 546.5Mtoe in 2009 to 819.7Mtoe in 2035 – is expected to exceed the increase in demand. Thus, export capability is expected to more than double, from 139.5Mtoe in 2009 to 313.4Mtoe in 2035. It is clear that Russia has an outstanding level of export capability. Moreover, it is characterized by its connections to Europe and the APR, and is expected to meet two-fifths of the total demand for these two regions in 2035.<sup>71</sup>

The IEA projects that Russia's share of Europe's total gas imports could fall gradually, from 34 per cent in 2010 to 32 per cent in 2035. On the other hand, in the event that it concludes the currently stalled gas negotiations with China and commences exports from 2015, 10 per cent of China's gas imports will come from Russia in 2020, and that percentage is expected to increase rapidly, to 35 per cent in 2035. According to the IEA's evaluation, Russia's large share of overall gas consumption in both Europe and China highlights its central position in global gas security. Above all, gas flows from Russia to China are set to become one of the main arteries of the global gas trade, providing Russia with diversity of markets and revenues, and China with access to the large and yet underdeveloped gas resources of Eastern Siberia and the Russian Far East. At the same time, however, the IEA points out that there are uncertainties and competitive pressures over Russia's ambitious new energy strategy.<sup>72</sup>

Whether favourable scenarios can be realized depends on the course of pipeline gas negotiations between Russia and China. A conclusion of the negotiations could lead to the development of new gas fields in Eastern Siberia. The negotiations are currently stalled. Supplying enough gas to meet the demands of consumers in the APR requires new sources. And the development of gas fields requires an adequate transmission system.

## **6.5 Conclusion**

This chapter has investigated the implications of Russia's energy exports to the APR for the energy security environment in the region. In summary, from the point of view of the security of supply, the entry of Russia into the APR market has promoted energy security in the region as far as can be seen so far. Energy demand in this region is growing with the rapid growth in China's demand, and the region needs to secure a large quantity of additional energy while also diversifying the sources. At the same time, from the point of view of the security of demand, increasing energy exports, Russia has realized its own energy strategy as a means of diversifying its export markets. The IEA expects Russia, which has the world's largest energy resource potential, to take up the important role of satisfying the rapidly growing demand in the APR, above all the demand for gas.<sup>73</sup>

However, looking at the current situation, little progress has been made in negotiations on the terms of natural gas trade between China and Russia since the mid-2000s. The conclusion of the negotiations has been postponed time and again despite expectations. Why is this so? In addition, what does the lack of progress in Russia's entry into the APR gas market signify? What are

the clues to resolving such issues of delays in negotiations? These are the most important problems. This problem is being examined by many experts,<sup>74</sup> but it has not been completely solved.

Thus, there is every reason to focus future research into Russia's energy security policy on the structural and situational aspects of the energy security environment in the APR and Russia, that is, how economically reasonable energy policies are carried out, and how political intentions intervene in the regional energy markets. And, more importantly, we should explore an adequate framework to prevent the political use of energy trade when relation-specific investments are being made.

## Endnotes

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- 3 IEA (2011b) *Measuring Short-Term Energy Security (Paris, OECD/IEA)*.
- 4 Umbach, Frank (2011) 'Energy Security in Eurasia: Clashing Interests' in Adrian Dellecker and Thomas Gomart (eds) *Russian Energy Security and Foreign Policy (Oxon and New York, Routledge)*, pp. 23–38.
- 5 Yeniekeyeff, S. Midkhatovich (2006) 'The G8 and Russia: Security of Supply vs. Security of Demand?', *Oxford Energy Comment, August 2006 (London, OIES)*.
- 6 Ibid. pp. 2–3.
- 7 Henderson, James (2011) *The Strategic Implications of Russia's Eastern Oil Resources, WPM 41, January 2011 (London, OIES)*, p. 1.
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- 11 BP (2012) *BP Statistical Review of World Energy June 2012 (London, BP plc)*.
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- 13 Calculated by the author based on BP (2012).
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- 16 In 2006, Rosneft stated that over a 30-year development period it would produce over 400Mtoe of oil at Vankor. Oil production of up to 33Mtoe per year would be anticipated in 2014. Rosneft planned to begin to start deliveries to the ESPO pipeline at the beginning of 2008. See Ibid.
- 17 Ibid.

- 18 Rosneft (2007) *Rosneft Annual Report 2006 (Moscow, Rosneft)*.
- 19 Rosneft (2008) *Rosneft Annual Report 2007 (Moscow, Rosneft)*.
- 20 Export sales volumes were 8.3% lower compared with 2007, reflecting an increase in refinery throughput at the company's own refineries. See Rosneft (2009) *Rosneft Annual Report 2008 (Moscow, Rosneft)*.
- 21 Rosneft (2010) *Rosneft Annual Report 2009 (Moscow, Rosneft)*.
- 22 Ibid.
- 23 Rosneft (2011) *Rosneft Annual Report 2010 (Moscow, Rosneft)*.
- 24 These export deliveries were sourced from the Vankor and Verkhnechonsk fields in Eastern Siberia. See Ibid.
- 25 The average premium for ESPO in comparison with Urals crude was USD 0.8 per barrel during 2010. See Rosneft (2011).
- 26 Rosneft (2012) *Rosneft Annual Report 2011 (Moscow, Rosneft)*.
- 27 Gazprom (2006) *Annual Report 2005 (Moscow, Gazprom)*.
- 28 Gazprom (2007) *Annual Report 2006 (Moscow, Gazprom)*.
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- 34 Gazprom (2010) *Annual Report 2009 (Moscow, Gazprom)*.
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- 40 China's primary energy supply has expanded sharply since 2001, driven mainly by rapid growth, especially by the energy consumption of heavy industry. See APERC (2011), p. 42.
- 41 Ibid., p. 42.
- 42 BP (2012).
- 43 IEA (2011a).
- 44 BP (2012).
- 45 IEA (2007), p. 270.
- 46 IEA (2007), pp. 271–2.
- 47 The plan established specific goals which included target shares for each major fuel in the primary energy mix in 2010. The shares of both oil and gas were to be increased, while that of coal was to be reduced.
- 48 APERC (2011).
- 49 BP (2012).
- 50 APERC (2011).
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- 52 World Bank (2012) 'Russian Economic Report: Moderating Risks, Bolstering Growth', *Russian Economic Report, No. 27*, April 2012 (Washington, D.C., World Bank).
- 53 Ibid.
- 54 APERC (2011).
- 55 NIDS (2012) 'Russia: Crafting an East Asian Strategy with an Eye on China' in NIDS (ed.) *East Asian Strategic Review 2012 (Tokyo, Japan Times)*, pp. 159-203; and APERC (2011).
- 56 Russia aims to increase the share of the APR in its energy exports to 26–27%. See Ministry of Energy of the Russian Federation (2010) *Energy Strategy of Russia: For the Period up to 2030 (Moscow, Institute of Energy Strategy)*, Appendix 5.
- 57 In January 2007, the European Commission proposed the new energy policy for Europe which aimed, through a comprehensive package of measures, to achieve a series of ambitious targets as well as to create a true internal market

for energy and to strengthen effective regulation. See 'Communication from the Commission to the European Council and the European Parliament: An Energy Policy for Europe', *Commission of the European Communities, COM (2007) 1 final, Brussels*, 10 January 2007.

58 Gazprom (2008).

59 Ibid.

60 See 'Gazprom New Route', Speech by Alexey Miller at the General Shareholders' Meeting, 29 June 2012, on Internet: <http://www.gazprom.com/press/miller-journal/936857/>.

61 IEA (2011a).

62 Ibid.

63 Ibid.

64 Ibid.

65 Ibid.

66 Ibid.

67 IEE Japan (2012) 'Asian Premium on Gas Strikes LNG Importing Countries', *Japan Energy Brief, No. 18, March 2012, pp. 4-7*.

68 IEE Japan (2012) 'Japan Struggled to Sort Out Energy Policy After Fukushima Accident', *Japan Energy Brief, No. 18, March 2012, pp. 1-4*.

69 IEA (2011a).

70 The IEA, however, argues that an expansion of the Eastern Siberia–Pacific Ocean (ESPO) pipeline and a completion of the second Baltic Pipeline System (BPS-2) will give Russia a further oil export capacity. Russia is expected to have ample westbound capacity in its oil pipeline system and could make a competitive offer to transport incremental volumes of its Caspian neighbours' oil, above all Kazakhstan's. See Ibid.

71 Ibid.

72 Ibid.

73 Ibid.

74 See, for example, Henderson, James (2011) 'The Pricing Debate over Russian Gas Exports to China', *OIES Working Paper No. NG 56*; Lo, Bobo (2008) *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (London, Royal Institute of International Affairs); and Trenin, Dmitri (2012) *True Partners? How Russia and China See Each Other* (London, CER).

## 7. Russia's Energy Strategy up to 2030: Continuing the Extensive Path or Investing in Energy-saving?

Susanne Oxenstierna<sup>1</sup>

In November 2010, the Russian government adopted an energy strategy for the period up to 2030 (hereafter called the Energy Strategy) setting out the prerequisites for Russian energy policy up to 2030.<sup>2</sup> The Energy Strategy forecasts domestic and foreign demand for Russian energy based on the government's economic strategy adopted in 2008, *Russia 2020*,<sup>3</sup> and offers analyses in the form of two scenarios of what levels of production will be required if these needs are to be met.<sup>4</sup> A key question in the strategy is how to secure supply of the energy Russia itself needs while at the same time maximizing gas and oil exports. Energy exports account for almost a fifth of Russia's gross domestic product (GDP), over half of all export earnings and half of the revenue in the federal budget.<sup>5</sup> The Energy Strategy shows that major investment will be required – corresponding to 6–9 per cent of GDP up to 2015<sup>6</sup> – if energy policy focuses one-sidedly on an extensive increase in the supply of energy resources and production capacity. If energy efficiency could be improved at home, however, it would be more realistic to expect export levels to be maintained.

Russian energy policy in the 2000s focused primarily on eliminating bottlenecks and transit problems in the systems for transporting oil and gas to Western export markets. This was made possible by the rising price of oil and has left Russia in a stronger position as an energy supplier to the West. During the 2000s Russia also developed closer energy relations with Asia and in the 2010s there is a clear tendency for Asia to become an increasingly important client for Russia, since Europe is cutting down its demand for fossil fuels.

As a result of the increase in exports during the 2000s, at the end of the 2000s Russia produced almost twice as much energy as it uses for its own use. Over the coming ten-year period domestic demand and exports are expected to rise further. Increasing the supply of energy will prove costly for Russia if the extensive development path that has hitherto characterized its energy policy is continued. Substantial investment resources will be required for

the twin tasks of opening up new gas and oil fields and modernizing production processes. Energy savings of 40 per cent by 2020 were called for in a decree of President Dmitrii Medvedev in 2008 that was subsequently developed into a Law on Energy-saving that was adopted in 2009.<sup>7</sup> This would be a rational course to take, but it is not self-evident that Russian oil and gas companies will comply.

The Energy Strategy also emphasizes the importance of energy for the country's foreign policy.<sup>8</sup> Russia's National Security Strategy for the period up to 2020<sup>9</sup> stresses this, predicting among other things that competition for energy resources will harden in the future and may give rise to conflicts, particularly in Central Asia, the Caspian Sea and the Arctic.<sup>10</sup> Energy is Russia's main competitive commodity of note and Russia has used it as an instrument of power in its dealings with countries and enterprises that do not acquiesce to its wishes. Thus energy exports are not only a trade policy but have to a considerable extent supplemented other instruments of power on the regional stage.<sup>11</sup>

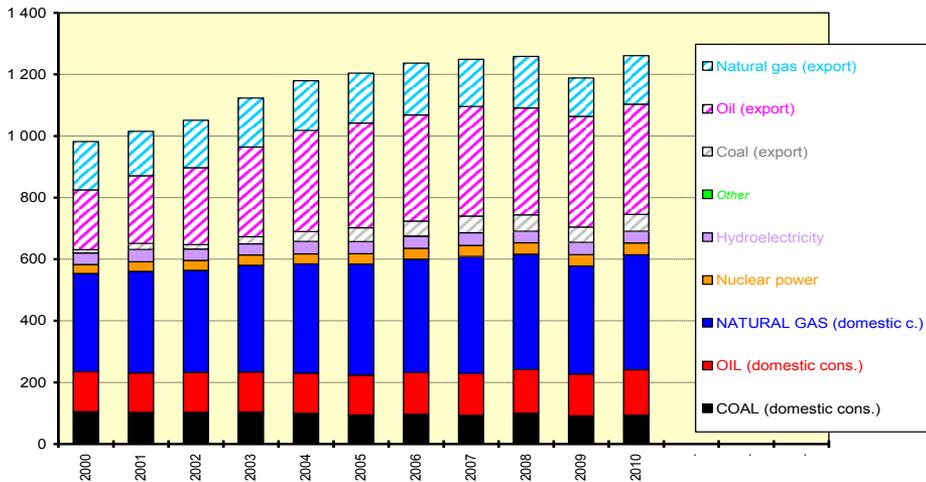
The purpose of this chapter is to assess the Russian energy sector's ability to satisfy domestic demand up to 2020 while at the same time maintaining export levels that are essential for GDP growth and for federal budget revenues. The basic questions addressed are: What is the Russian energy strategy up to 2030? What significant tendencies are expected in the energy sector in the 2010s and what challenges does the sector face? How could energy policies spur modernization?

The next section describes the development of the energy sector in the 2000s. In section 7.2 the Energy Strategy and the possibilities of energy-saving are investigated. Section 7.3 analyses development in the oil sectors and section 7.4 that of the gas sector. Then the possible replacement of European demand for Asian demand is analysed in section 7.5. The final section draws the conclusions.

## **7.1 GROWTH OF THE ENERGY SECTOR**

During the 2000s, Russian energy production rose dramatically as a result of increased foreign demand for fossil fuels (oil, gas and coal). As Figure 7-1 shows, Russia exported about a third of its energy production in 2000 and almost half of the total by 2010. Crucial to the country's ability to meet rising demand was the high price of oil throughout the period; this enabled it to step up its exploitation of existing deposits, expand its oil and gas pipeline system and develop ports.

**Figure 7-1** Russia's Domestic Energy Production and the Total (Domestic and Exports) Consumption of Russian Energy by Source, 2000–2010; *million tonnes of oil equivalent*



**Source:** Susanne Oxenstierna and Jakob Hedenskog (2012) 'Energistrategi' [Energy Strategy], Chapter 7 in Carolina Vendil Pallin, ed. (2012) *Rysk militär förmåga i ett tioårsperspektiv – 2011* [Russian Military Capability in a Ten-Year Perspective], FOI-R--3404--SE, March 2012, p. 12.

Domestic energy use also increased in the 2000s, but only by 11 per cent for the period as a whole. It is still below the 1990 level, and according to the forecast for 2020 will remain so.<sup>12</sup> Figure 7-1 shows that the domestic energy mix is dominated by gas, followed by oil and coal. Russia uses mostly gas but also coal, hydroelectric power and nuclear power to generate electricity. The Energy Strategy foresees a decline in gas consumption and an increase in the use of other sources for power generation, since gas will be needed to meet international demand.

The International Energy Agency (IEA) does not expect Russia's domestic demand for energy to increase to any great extent over the coming 10-year period, but the Russian Energy Strategy anticipates a dramatic increase after 2015 (Figure 7-3). In the IEA's main 2010 scenario, the New Policies Scenario (NPS), which assumes that countries implement the environmental and energy-saving measures they have already committed themselves to, the level of domestic demand in Russia – like that of the US – remains stable. In Russia's case, this translates into 735 million tonnes of oil equivalent (Mtoe) in 2020. Meanwhile energy use in the European Union (EU) countries is expected to decline. This contrasts sharply with the situation in the other BRIC (Brazil, Russia, India and China)

countries. It is estimated that both China – which overtook the US in 2009 as the world’s largest energy user – and India will see a dramatic increase in energy consumption during the period (Figure 7-2).

Russia stands out in that it will continue to use gas as its main source of energy, in contrast to the other countries, where coal and oil will be the principal sources. The energy mix in the IEA forecasts for Russia in 2020 resembles the Energy Strategy’s scenarios, but total domestic consumption in the NPS is much lower (Figure 7-3).

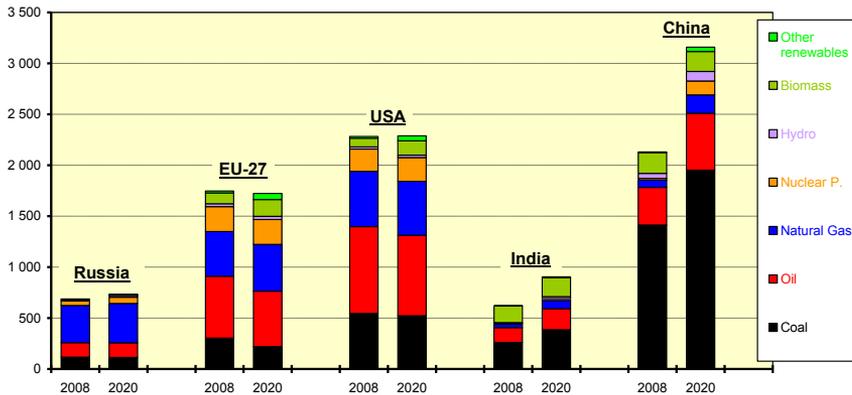
## **7.2 ENERGY EFFICIENCY**

Despite the decline in energy use since the Soviet era, Russia remains one of the most energy-intensive countries in the world. In 2005, energy intensity per unit of GDP was 0.42 kg of oil equivalent, which is twice as high as that of the two largest energy users, the US (0.19) and China (0.20).<sup>13</sup> According to a study by the International Finance Corporation (IFC) and the World Bank, Russia could reduce its energy consumption by 45 per cent.<sup>14</sup> As mentioned above, President Dmitrii Medvedev signed a decree in June 2008 laying down that energy intensity in the Russian economy should be reduced by 40 per cent by 2020. A law was subsequently passed in November 2009 on energy efficiency,<sup>15</sup> and the government also adopted an action plan for the promotion of energy efficiency. At the same time, a new Russian energy authority (Rossiiskoe agentstvo energetiki) was tasked with implementing the planned improvements in energy use.<sup>16</sup> The Energy Strategy’s scenarios take no account of the presidential decree’s 40 per cent reduction in energy intensity up to 2020, instead setting a target for the same year of a 57 per cent reduction from the 2005 level.<sup>17</sup>

### **How Much Could Be Saved?**

When a comparison is made between the IEA’s NPS and the Russian Energy Strategy’s higher and lower scenarios, it becomes apparent that the assumption in the Energy Strategy is that Russia will continue to pursue its extensive energy use, that is just adding energy resources without any improvement in energy efficiency. As Figure 7-3 shows, domestic energy consumption in both Energy Strategy scenarios [ES High] and [ES Low] exceeds the rate estimated in the IEA’s NPS after 2015.

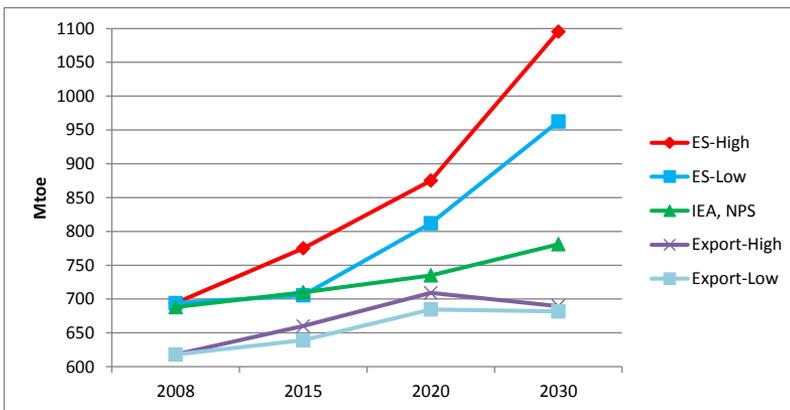
**Figure 7-2** Domestic Consumption and Energy Mix 2008 and 2020 in Selected Countries, according to the IEA’s New Policies Scenario;\* million tonnes of oil equivalent.



**Source:** Susanne Oxenstierna and Jakob Hedenskog (2012) ‘Energistrategi’ [Energy Strategy], Chapter 7 in Carolina Vendil Pallin, ed. (2012) *Rysk militär förmåga i ett tioårsperspektiv – 2011* [Russian Military Capability in a Ten-Year Perspective], FOI–R--3404--SE, March 2012, p. 127.

**Note:** \*The New Policies Scenario (NPS) assumes the introduction of a number of measures to combat the carbon dioxide problem.

**Figure 7-3** Comparison between the Energy Strategy (ES) Scenarios and the IEA’s NPS Estimate of Russian Domestic Energy Consumption and Energy Exports, 2008–2030; million tonnes of oil equivalent.



**Source:** Susanne Oxenstierna and Jakob Hedenskog (2012) ‘Energistrategi’ [Energy Strategy], Chapter 7 in Carolina Vendil Pallin, ed. (2012) *Rysk militär förmåga i ett tioårsperspektiv – 2011* [Russian Military Capability in a Ten-Year Perspective], FOI–R--3404--SE, March 2012, p. 129.

**Note:** ES-High is the Energy Strategy’s high scenario and ES-Low its low scenario. IEA, NPS is the IEA’s New Policies Scenario. Export-High and Export-Low refer to total energy exports in the respective ES scenarios.

In the two Russian scenarios, a strong rise in domestic energy consumption is anticipated after 2015, while the NPS shows that Russia would be able to achieve a lower level by saving energy and improving efficiency. The latter course would enable it to free up substantial energy resources for export purposes – saving 10 per cent on the rate in the lower scenario and 16 per cent on the rate in the higher – without having to exploit all the new gas and oil deposits and increase production to the extent implied in the Energy Strategy.<sup>18</sup> In 2012 medium-term GDP growth was expected to be 4 per cent, which means that it is the Energy Strategy's low scenario that is of relevance.

Energy exports are specified in Figure 7-3 as [Export High] and [Export Low] for the two scenarios. In 2008, exports corresponded to almost 90 per cent of domestic consumption. In the high scenario, exports would fall to just over 80 per cent of domestic consumption by 2020 and in the low scenario to 84 per cent. Energy-saving in the domestic market, therefore, is key to a better energy economy in the export sector as well, since it would mean less production.

The Energy Strategy may thus be viewed as a much-needed 'wake-up call' to the Russian government. The comparison with the IEA New Policies Scenario clearly reveals the cost of extensive energy wastage. Moreover, demand for new, up-to-date technology in the Russian energy sector would provide the impetus for the modernization of Russian industry since it opens opportunities for new producers and service companies. Renewal in the energy sector would be based on export earnings and favour a market in which many producers are allowed to compete. Streamlining the energy sector, therefore, is a fundamental element in the modernization of the Russian economy.

### **7.3 OIL PRODUCTION AND EXPORT**

About 80 per cent of Russia's energy exports are dispatched to the West. Over the past 20 years, southbound gas exports via Turkey have increased and work has begun on the expansion of pipelines to China and Asia, which accounted for just over 10 per cent of exports in the early 2010s. The diversification of gas and oil exports away from Europe, where demand for energy is on the decline, and towards the Asian markets, looks like becoming the principal trend over the next 10 years.

#### **Oil Production**

In 2010, Russia produced over 10 million barrels of oil per day, corresponding to 13 per cent of global production.<sup>19</sup> This meant Russia was the largest oil producer in the world. Half of the production was exported. The rest was converted into oil products,

half of which were exported while the other half went to domestic consumption.<sup>20</sup> The upstream projects expected to affect national oil production in the 2010s are to be found in Eastern Siberia, the Russian Far East, the Barents Sea (Timan–Pechora Basin) and continental shelf areas rather than in Western Siberia, where Russia's principal oil resources were located in the first decade of the 2000s.<sup>21</sup> In 2010, Russia possessed a total of 10 600 million tonnes of oil, or 5.6 per cent of the world's known reserves.<sup>22</sup>

The Energy Strategy assumes that Russian oil production will increase by approximately 30 per cent up to 2020 and by 65–80 per cent up to 2030.<sup>23</sup> It also foresees major investments in the oil sector to secure this increase. About USD 135 billion would be required up to 2020 and USD 315 billion up to 2030.<sup>24</sup> The investments will be needed to ensure that new oil deposits can be exploited and that technology can be updated or replaced. Russia will need Western help with the sophisticated technology it will require, such as offshore mining equipment.

### **Existing Oil Pipelines**

Russia's oil pipeline system is dominated by the state-owned enterprise Transneft, which transports 90 per cent of all oil produced in Russia. Besides domestic oil pipelines, oil is transported to export terminals such as Novorossiisk on the Black Sea and Primorsk on the Baltic Sea. The pipelines delivering oil to the European market are the Druzhba, the Baltic Pipeline System (BPS), the North-Western Pipeline System, Tengiz–Novorossiisk and Baku–Novorossiisk. The Druzhba ('Friendship') pipeline is the country's largest and has two trunk lines, one running north through Belarus, Poland and Germany, and one running south via Belarus, Ukraine, Slovakia, the Czech Republic and Hungary (see Map 7-1).

Due to disruptions in oil supply through some transit countries, Russia has concentrated on expanding oil pipelines and its own ports so as to become less dependent on transit. The greatest change is the expansion of the ports in Primorsk and Ust-Luga (BPS and BPS-2), as a result of which the export route via ports in the Baltic states has closed and less oil is being transported via Druzhba. The other important trend is Russia's intensive search for new customers for its oil exports. Exports to the US via Arctic ports have increased, and with the expansion of the Eastern Siberia–Pacific Ocean (ESPO) pipeline China is becoming an increasingly important importer of Russian oil.

### **Planned Oil Pipelines**

In December 2009, the first eastward ESPO trunk line was opened, extending from Taishet via Kazachinskoye and Skovorodino to Kozmino (see Map 7-3). This pipeline will be the main route for Russian oil exports from Eastern Siberia to Asia. In February 2009, Russia and China signed an agreement whereby one of the ESPO pipelines is to run to China and transport 15 million tonnes of oil per year over 20 years. In exchange, China granted Russia a loan of USD 25 billion for the construction of oil pipelines and the development of oilfields. Expansion of the line to China began in May 2009. The oil pipeline between Tengiz and Novorossiisk is operated by the Caspian Pipeline Consortium (CPC) and transports oil from the Tengiz Kazach field to the Black Sea port of Novorossiisk (Map 7-1). In 2008, the CPC's owners decided to increase capacity further up to 2013. Transneft has proposed establishing a pipeline between Kharayaga and Indiga to serve as an export route for oil produced in the Black Sea region of Timan–Pechora and in other fields in northern Russia. Russia is also in favour of a pipeline between Burgas and Alexandroupoli that would run between the Black Sea coast in Bulgaria and the Aegean Sea in Greece. In addition, Russia wants to be involved in the building of the Samsun–Ceyhan oil pipeline through Turkey.<sup>25</sup>

### **Oil Ports**

Primorsk in the county of Leningrad is the largest oil port, and Russia can bring oil here via the BPS instead of using the traditional ports in the Baltic states, Ventspils in Latvia and Butinge in Lithuania. Other Russian oil ports are DeKastri, Kozmino Bay and Prigorodnoye in the Russian Far East, and Novorossiisk, Yuzhny and Tuapse in the Black Sea. There are plans to expand Primorsk's capacity to cope with the increased volumes from BPS-2, which is under construction, and to develop the export terminal in Ust-Luga on the Gulf of Finland. This terminal will also receive oil by rail. About 5 per cent of Russian oil exports are transported by rail. Russia has invested in new terminals and ice-breakers in the Barents Sea to facilitate exports to the US and Asia. Sovkomflot has made test voyages to Asia via the Northeast Passage, and in August 2010 shipped oil to China by this route.<sup>26</sup>

By expanding oil pipelines and its own ports, Russia has overcome the transport bottlenecks of the first half of the 2000s in the oil export sector. As a result, Russia is now experiencing overcapacity in its transport system, and increasing volumes of foreign oil are being transported through it, particularly from Kazakhstan. Despite this, Russia is continuing to boost capacity. The ESPO (Map 7-3) and BPS-2 (Map 7-1) pipelines alone will increase capacity by 130 million tonnes. In all, the Russian plans are expected to result in new capacity of more than 200 million tonnes by 2020.<sup>27</sup>



at the same relative level, and the total supply of gas is estimated at 834–906 billion cubic metres per year. Exports are expected to remain stable at around 35 per cent. Due to the diversification of gas exports and the possibility of transporting gas eastwards, the Energy Strategy estimated that exports to Asia would rise from 12 per cent to 15–20 per cent of the total export volume.<sup>30</sup>

In 2010, Russia had 24 per cent of the world's known gas reserves, which means it possesses the largest national reserve in the world.<sup>31</sup> During the 2000s, Russia exploited its gas fields in Western Siberia. The largest gas field, Nadym–Purtazovsky in the Tiumen region, produced almost 90 per cent of all Russian gas, or a total of just over 590 million cubic metres in 2008. This gas field will decline in importance but is nevertheless expected to produce around 75 per cent of the total volume in 2015 and over 56 per cent in 2020.<sup>32</sup> Exploitation is to begin of the deposits on the Yamal Peninsula, where production is expected to reach 2–6 per cent in 2015 and to account for around 9 per cent of total production in the early 2020s. Other fields in the Tiumen region that will become increasingly important are Ob–Tazovskaia and Bolshekhetskaia. Russia is also planning to open the Prikaspii and Shtokman fields, which will have an impact in the 2020s, as will the gas fields of Eastern Siberia and the Russian Far East, including Sakhalin. Together, these will account for an estimated 20 per cent of production.<sup>33</sup>

The conditions for gas imports from Central Asia have changed, since China now has a direct pipeline from Turkmenistan and Kazakhstan. Also, capacity has been increased in the gas pipeline between Iran and Turkmenistan. As a result, Russia is having to compete for Central Asian gas and will probably have to pay netback prices (in practice, European prices minus transport costs) instead of the reduced import rates it paid previously. Despite this, the Energy Strategy assumes that gas imports from Central Asia will continue and will total around 60–70 billion cubic metres per year throughout the period up to 2030.<sup>34</sup>

### **Gas Pipelines**

Recurring transit problems have caused Russia to build gas pipelines that circumnavigate the Commonwealth of Independent States (CIS) countries (see Map 7-2). The Yamal–Europe pipeline, which passes through Belarus and Poland to Germany, was ready in 2006 but has created growing problems for the federal gas giant, Gazprom, as relations with the two transit countries have been troublesome.

**Map 7-2** Russia's Westbound Gas Pipelines

**Source:** Susanne Oxenstierna and Jakob Hedenskog (2012) 'Energistrategi' [Energy Strategy], Chapter 7 in Carolina Vendil Pallin, ed. (2012) *Rysk militär förmåga i ett tioårsperspektiv – 2011* [Russian Military Capability in a Ten-Year Perspective], FOI-R--3404--SE, March 2012, p. 136.

With the advent of Nord Stream, all transit countries are avoided, since the pipeline runs directly from Portovaya Bay to Greifswald. Blue Stream is a pipeline that runs directly from Russia to Turkey via the Black Sea. Russia is pursuing the construction of South Stream while at the same time a number of gas-dependent EU countries have sought to establish a rival gas pipeline, Nabucco, to deliver Central Asian gas without interference from Russia (Map 7-2).

The idea was for South Stream to run from the Russian Black Sea coast to Bulgaria and from there either via a northern route to Serbia, Hungary, Austria and Slovenia, or via a southern route to Greece and Italy.<sup>35</sup> In the autumn of 2011, postponement of South Stream seemed likely. Unlike Nord Stream, South Stream was to extend through other countries, which in time could lead to fresh problems with transit. Nevertheless, in early 2012 South Stream again appeared on the agenda.

### **Liquefied Natural Gas**

Liquefied natural gas (LNG) is gas that has been liquefied and frozen to facilitate transportation and storage. LNG has created competition with pipeline gas since it is transported by sea and is more mobile. Russia has opened an LNG factory on Sakhalin Island. Other LNG factories are planned for the Russian Far East and the Shtokman field. Exploitation of the Shtokman field has been postponed, however, because of the increasing availability of shale gas in the US, which has reduced export prospects for Russian LNG.

### **7.5 REPLACING EXPORTS TO EUROPE WITH EXPORTS TO ASIA?**

The most important export pipelines from Russia are still those that run westwards to the European market; in 2009, they transported 80 per cent of Russia's oil exports and 70 per cent of its gas exports. Fifty per cent of Russia's coal exports went to the EU countries.<sup>36</sup> Of the EU member states, Germany is the largest importer in terms of volume, followed by Italy, Poland, the UK, the Czech Republic and France. Dependence on Russian energy varies considerably within the EU. Some EU countries are strongly opposed to a common European energy policy. As a rule, these countries have access to alternatives and delivery of gas from other countries besides Russia, and have robust energy companies that are able to offer Gazprom access to financing, technology and major markets. The countries of Central and Eastern Europe have fewer alternatives and are usually dependent on Russian oil or gas for their energy supply, to 70–100 per cent.<sup>37</sup> These countries tend to be more keen on a common European energy policy towards Russia.

### **China**

Russia wants to ensure security of demand for the coming decades and Europe will be less and less able to provide it, while China will be increasingly able to do so due to its expected growth in energy usage (cf. Figure 7-2). China, however, wants to be involved on its own terms.<sup>38</sup> China has invested heavily in Central Asian energy resources and infrastructure, including oil and gas pipelines from Kazakhstan and Turkmenistan. Half of Russia's exports to China comprise oil and oil products, while high-tech products make up only 2 per cent. Chinese exports to Russia consist of value-added products such as electronic equipment, heavy machinery and cars.<sup>39</sup>

**Map 7-3** Russia's Eastbound Oil and Gas Pipelines.

**Source:** Susanne Oxenstierna and Jakob Hedenskog (2012) 'Energistrategi' [Energy Strategy], Chapter 7 in Carolina Vendil Pallin, ed. (2012) *Rysk militär förmåga i ett tioårsperspektiv – 2011* [Russian Military Capability in a Ten-Year Perspective], FOI-R--3404--SE, March 2012, p. 139.

### Non-fossil Fuel Exports

Russia also wants to diversify its energy exports and not only focus on oil and gas. It has an expansive nuclear energy programme and is planning to export around 20 nuclear plants to different countries during the 2010s (e.g. India, Vietnam, China, Turkey). Russia is also a big exporter of nuclear fuels and provides both the US and Europe with approximately 20 per cent of the demand on those markets.<sup>40</sup>

In the wake of the nuclear accident in Fukushima in spring 2011, Russia offered Japan a strategic programme of energy cooperation. In the short term this will involve increasing Russian exports of oil, LNG and coal.<sup>41</sup> For the period 2016–2020, Russia has offered Japan a strategic partnership that would include the exploitation of natural resources in Eastern Siberia and the Russian Far East. Under this set of proposals, the two countries would cooperate on prospecting for new deposits in Sakhalin's oil and gas field, on the construction of LNG factories both in Vladivostok and on Sakhalin Island, and on the building of a petrochemical facility at Nakhodka,

linked to the ESPO pipeline. In addition, Russia is discussing the joint exploitation of coal deposits and the construction of a coal-based power plant in the Russian Far East capable of delivering electricity to Japanese consumers via an underwater cable.<sup>42</sup>

## **7.6 CONCLUSION**

Russia is still one of the most energy-intensive countries in the world and modernization of the energy sector's production processes is crucial to the achievement of a more economical use of energy to satisfy domestic demand while export levels of oil and gas may be maintained. Comparison between the Russian Energy Strategy and the IEA's New Policies Scenario for Russia shows that Russia would have a lot to gain by reducing its energy waste. Technological renewal of the energy sector could also act as an engine of modernization of the Russian economy. One of Russia's leading reform-minded economists argues that modernization of the energy sector and further emphasis on energy exports are both essential if Russia is to progress to a more modern, innovative economy.<sup>43</sup> Contrary to what is sometimes claimed, giving priority to the energy sector does not necessarily conflict with the modernization efforts as long as investment and technological renewal proceed competitively and give innovative new enterprises the chance to grow.

Neither production nor transport routes are seen as an enduring problem limiting Russian energy exports in the 2010s. Rather, the limitation and the major risk is to be found on the demand side. The demand for energy is steadily declining in Europe and the growing demand from Asian customers is presenting fresh challenges. China has skilfully kept Russia outside a new gas pipeline from Central Asia and has also disputed the Russian practice of linking the price of gas in long contracts to the price of oil. Furthermore, the competition from LNG and unconventional gas is growing. Thus Russia will probably not be able to keep the dominant price-setting position on gas markets that it enjoyed in the 2000s.

The growth of the energy sector is dependent on the price of oil. The oil price rose during the previous decade and is expected to remain high in the 2010s. As a result, Russia is in a position to continue expanding its transport system and exploiting new energy resources. Like international demand, however, the price of oil is a factor that Russia cannot control. The price may fall or vary in the short term, and basing energy policy entirely on a belief that the price of oil will be high or will rise is a high-risk strategy.

Energy-saving is a catalyst that Russia has not previously made

use of in its energy policies. Russia is still one of the most energy-intensive countries in the world in terms of energy use per unit of GDP, and more efficient usage could be of key importance in the 2010s. This would free up energy for export with a smaller increase in production than anticipated in the Energy Strategy, and Russia would thus be spared some of the high-cost, high-risk projects for the exploitation of new energy deposits. Unlike the oil price and new export markets, energy-saving is something Russia itself can control completely. Where the exploitation of new fields, the expansion of the transport network and dramatic increases in production are concerned, profitability is associated with external risks and is wholly dependent on oil price trends and external demand. Investment in energy-saving schemes, on the other hand, can proceed in stages and only reduces domestic demand. For producers, this can be offset by export growth and increases in the dome

## Endnotes

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## 8. Russian Security Policy and Counter-terrorism Efforts in Central Asia: Benefits and Shortcomings of Cooperation in the SCO and the CSTO<sup>1</sup>

Hiroshi Yamazoe

This chapter analyses the reality of Russia's security efforts in Asia. Russia joins in counter-terrorism cooperation in Central Asia. While Russian concerns about stability in Central Asia, especially about the issue of the flow of narcotics from the region, are genuine, the threat from Central Asia to the territory of the Russian Federation is not as imminent as that from the North Caucasus. Thus the Russian approach towards terrorism in Central Asia is different and should be assessed in the light of its interactions with its major partners in the two international organizations, the Shanghai Cooperation Organisation (SCO) and the Collective Security Treaty Organization (CSTO). The main component of Russian activities within the framework of these organizations is joint exercises with their member states, which often involves operations beyond military action against terrorists or illegal trafficking groups. This is closely tied to Russia's bilateral relations with China, a major power in both regional and global geopolitics.

First, this chapter will examine the development of the SCO. It originated in the Shanghai Five, the five countries which in 1996 started multilateral talks in Shanghai for the reduction of tensions along the Chinese border (China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan). These five states and Uzbekistan formed the SCO in 2001. Afghanistan, India, Iran, Mongolia and Pakistan have observer status and the organization's range has grown both in the issues it deals with and in the geographical sense. Second, the CSTO as an organization for post-Soviet states will be discussed. Its member states are Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan (though the last state suspended its membership in June 2012). It is an openly military organization, unlike the SCO, which does not have the nature of an alliance, and it is based on the Soviet legacy. The chapter will then assess Russian joint exercises through these two institutions, with references to the bilateral relations between China and Russia in these contexts.

## **8.1 THE SHANGHAI COOPERATION ORGANISATION AND ITS DEVELOPMENT**

The Soviet Union and the People's Republic of China (PRC) shared a long border, along which the ownership of a number of places was unclear due to the lack of a clearly defined demarcation agreement. During the friendship period of the 1950s the border caused no problems, but it did during the 1960s, culminating in the military clash in Damanskii/Zhenbao Island on the Ussuri River. Throughout the period of Sino-Soviet confrontation both sides tried to reduce the danger but had to allocate a major part of their ground forces to the border area. Leonid Brezhnev suggested arms reduction talks to the PRC but could not agree to the conditions China demanded.<sup>2</sup>

Only the advent of the 'New Thinking' diplomacy of Mikhail Gorbachev provided the conditions necessary for negotiations on a settlement. In 1989 the Soviet Union and China started negotiations to reduce tensions along their border, and these can be considered the origins of what is now the SCO.<sup>3</sup> In April 1990, the document called the Guiding Principles of Reducing Border Forces and Enhancing Mutual Trust in the Military Field was signed. As Moscow moved military hardware from the European theatre to the east following the signing of the Conventional Forces in Europe (CFE) Treaty of 1990, confidence-building measures were important in reducing the Chinese nervousness.<sup>4</sup> In May 1991 the agreement on the eastern part of the USSR-PRC border was signed, with the issue of small contentious parts of the border remaining unsettled.

With the dissolution of the Soviet Union, four new states emerged which had borders with China: Kazakhstan, Kyrgyzstan, Russia and Tajikistan. Since all the parties shared an understanding of the need for border settlements, they started talks, initially bilaterally between each of the post-Soviet states and China, producing a number of agreements for reducing border tensions. In April 1996, the first multilateral summit was held in Shanghai and the participant states were called the Shanghai Five. Here the five countries signed the Agreement on Confidence-Building in the Military Field in Border Areas between Russia, Kazakhstan, Kyrgyzstan, Tajikistan and China, and in April 1997 the Agreement on Mutual Reduction of Military Forces in the Border Areas. Thus they agreed on notification measures, observer measures, constraint measures and force limitations.<sup>5</sup> Russian President Boris Yeltsin pushed for force limitations against the hesitation of Defence Minister Pavel Grachev.<sup>6</sup> While proclaiming a 'strategic partnership', Russia and China were still in the process of moving from being adversaries to being normal neighbours.

Settlement efforts involved difficult issues both in negotiations between the governments and in dealing with domestic opposition opinion. China and Kyrgyzstan settled the border issue judicially in 1996 and 1999 but it became a target of the Kyrgyz domestic political struggle in 2005.<sup>7</sup> In the Russian Federation the governors of Khabarovsk krai and Primorskii krai together with local media were vocal in opposition to an easy compromise with China by the central government of Boris Yeltsin. Nevertheless, the two central governments settled the territorial issues in the Khasan region by simply dividing the land equally in 1997.<sup>8</sup> Kenji Horiuchi points out that it may have been a weakness on the part of the Russian central government that led to compromise by the Chinese government.<sup>9</sup>

In 2001 the forum developed into the Shanghai Cooperation Organisation, with the goals of mutual confidence and friendship among member states, cooperation in the political, economic, and social spheres, and joint efforts to maintain regional peace and security.<sup>10</sup> The Shanghai Convention on Combating Terrorism, Separatism and Extremism of June 2001 defines three types of threats to be countered by the SCO member states, in which 'separatism' means 'any act intended to violate territorial integrity of a State ... committed in a violent manner, as well as planning and preparing'.<sup>11</sup> The interests of the SCO member states lay first in reducing security concerns about one another, and later included cooperation for common security and economic interests.

The Chinese perspective on the SCO also emphasizes the security field, although within the SCO framework China has been increasingly active in the economic field. Beijing stressed that the agreements of 1996 and 1997 made the 7 000 km of the Chinese border 'a secure belt of mutual trust'.<sup>12</sup> Pan Guang, Director of the SCO Research Centre at the Shanghai Social Science Academy, assesses the achievements of the cooperation by China, Central Asian states and Russia highly. Among them are the resolution of historical border issues, efforts to counter transnational threats, cooperation in the cultural and economic fields, and the creation of a 'harmonious region' in Central Asia.<sup>13</sup>

Beijing seeks cooperation through the anti-terrorism mechanism of the SCO because of its sensitivity to Uighur secessionist movements, which Beijing thinks are encouraged by the US and terrorist groups in the Central Asian region.<sup>14</sup> China also claims that there is a connection between the movements in Xinjiang and al-Qaeda, but al-Qaeda is unlikely to cooperate with what it regards as a heretical ideological group.<sup>15</sup> The serious violent activities by Uighur separatists have in fact declined since the late 1990s.<sup>16</sup>

Beijing wants Uighur movements in neighbouring Central Asian states to be suppressed and therefore prefers authoritarian rule in these states to democratic rule, which might allow ethnic autonomy or claims to independence. China and Russia, through the SCO, share interests in maintaining the status quo in Central Asia and preventing US influence altering the forms of government in the countries concerned. In addition, among various fears voiced in China about the ousting of Kyrgyz President Askar Akaev in 2005 was the possibility of abrogation of the border agreements, which the opposition had called for.<sup>17</sup>

After the 11 September attacks of 2001, some post-Soviet states allowed a US military presence for US operations against terrorism. Beijing sought a greater role for the SCO in counter-terrorism and in 2002 advocated a new SCO structure for this purpose.<sup>18</sup> The Regional Anti-Terrorist Structure (RATS) was set up and is said to have thwarted many terrorist attempts since then. The site for the RATS headquarters was first planned to be in Bishkek but later transferred to Tashkent thanks to Chinese and Russian efforts to involve the reluctant government of Uzbekistan.<sup>19</sup> The RATS Council includes high-ranking officials of security organs of the member states, for instance, the First Deputy Director of the Russian Federal Security Service (Federalnaia sluzhba bezopasnosti, FSB).<sup>20</sup> According to the RATS press release at the Tashkent conference of 27 March 2012, the member states agreed on coordinating measures to regulate financing channels and computer networks against terrorism, separatism and extremism.<sup>21</sup>

Uzbekistan has a mixed record in its relations with Russia. It was not an original member of the SCO or the CSTO but in 1999 it joined Georgia, Ukraine, Azerbaijan and Moldova (GUAM) in order to maintain a distance from Moscow within the Commonwealth of Independent States (CIS). For operations concerning Afghanistan, the US agreed with Uzbekistan on the use of the Kharshi-Khanabad (K2) base. However, growing US pressure on its internal political affairs, and especially the condemnation of Tashkent's suppression of the Andijan uprising in 2005, turned Uzbekistan towards Russia and China. In the same year the Shanghai Five issued a joint declaration to demand the end of the US military presence in Central Asia and President Islam Karimov requested that the US withdraw from the K2 base.<sup>22</sup>

After the initial pro-US stance of the early Putin administration, Moscow became increasingly uncomfortable about the Bush administration's tendency to expand US influence in many places, including Central Asia. Michael Clarke points out the Chinese uneasiness about the US geopolitical presence in Central Asia

by citing an article published in *Liaowang* weekly in 2002.<sup>23</sup> The SCO joint declaration mentioned above to end the US presence in Central Asia can be understood in the context of the shared interests of China and Russia in limiting US influence in Central Asia. As Bobo Lo puts it, while China's increasing economic dominance and Russia's stress on the security structure are potential sources of rivalry in the SCO, the two share the need to keep good bilateral ties and unease about the heavy US military presence in Central Asia.<sup>24</sup> On the other hand, neither Russia nor China wants the SCO look explicitly anti-American by admitting Iran as a full member.<sup>25</sup> Russia does cooperate with the US forces in the region, possibly implying that a certain level of US presence is preferable to Chinese dominance.

In sum, the SCO framework and its predecessor have provided China and Russia with important preconditions for the security and development of each country, even though competition between them for influence on the Central Asian countries is apparent. First, the SCO member states benefit from confidence-building measures and settled shared borders. Second, they can cooperate against terrorism and ethnic tensions, partly through their efforts to maintain the political status quo. Finally, any excessive US influence is prevented from disturbing the political, security and economic interests in Central Asia of both countries. The SCO is not a military alliance and its small budget does not allow a standing military structure,<sup>26</sup> but its member states can organize joint exercises using this dialogue framework, to serve the interests mentioned above.

## **8.2 THE COLLECTIVE SECURITY TREATY ORGANIZATION AS A SOVIET LEGACY**

The CSTO originated in the Collective Security Treaty (CST) of 1992, which was signed by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, when Moscow was seeking to preserve some of the structure of the former Soviet Union in the name of the CIS. However, the CIS lost concrete interaction among its members (except for the collective air defence posture). In October 2002 the CST signatory states signed the Charter of the Collective Security Treaty Organization and the Agreement on the Legal Status of the CSTO, thus forming a collective security body. The treaty stipulates that in the event of a threat to a member state arising, other member states 'will immediately put into action the mechanism of joined consultations with the aim to coordinate their positions and take measures to eliminate the threat that has emerged' (Article 2) and 'will provide it with necessary assistance, including military one' for an aggression (Article 4).<sup>27</sup>

Russia's dominance of the CSTO is evident. Its key component is the bilateral military ties between Russia and each post-Soviet state. Its headquarters are located in Moscow. The Secretary General since 2003 is Nikolai Bordiuzha, who served in the Strategic Missile Forces and the Committee for State Security (*Komitet gosudarstvennoi bezopasnosti*, KGB) of the USSR, and served in the Russian government as the chief of the Presidential Administration from December 1998 to March 1999. The CSTO website is written in Russian, with only one introductory page in English. The SCO website, by contrast, has a great many Chinese, English and Russian documents, reflecting the openness towards countries outside the former Soviet states and China.

Russia seeks tangible cooperation between the CSTO and the SCO, but China is reluctant. It rejected a Russian proposal for a joint exercise of the two in the Peace Mission-2007.<sup>28</sup> The CSTO and the SCO did conclude a document on an agreement for cooperation in September 2007, but the legal preconditions for concrete actions are lacking.<sup>29</sup>

The difference between the CSTO and the SCO was apparent in the joint declaration after the Russian war against Georgia in August 2008. While the SCO joint declaration included the phrase 'None of the modern international problems can be solved by force', the CSTO summit in September expressed support for Russia's action, although none of these member states has followed Russia in recognizing the independence of Abkhazia or South Ossetia.<sup>30</sup> Many Chinese were sympathetic to the Russian position towards NATO expansion, but after Russia recognized the independence of separatist regions the Chinese officials limited their statements to simple concerns about military events.<sup>31</sup>

In 2009, a Collective Rapid Reaction Force (*Kollektivnye sily operativnogo reagirovaniia*, KSOR) was created within the framework of the CSTO. Russian President Dmitrii Medvedev said the CSTO would develop troops equipped with modern military hardware, just as good as the NATO troops. From Russia the 98<sup>th</sup> Guards Airborne Division of Ivanovo and the 31<sup>st</sup> Guards Air Assault Brigade of Ulianovsk were to join the KSOR, while Kazakhstan would offer an air assault brigade and others a battalion. The number of these armed forces, together with some other paramilitary troops such as Emergency Ministry forces, amounts to fewer than 20 000.<sup>32</sup> According to the Agreement on the KSOR, its tasks include the prevention and repulsion of military attacks, the fight against terrorism and other types of organized crime, and humanitarian aid in emergencies (Article 2).<sup>33</sup>

In 2010 the popular protests in Kyrgyzstan, involving the ousting of President Kurmanbek Bakiev, led to an increase in inter-ethnic violence in the southern part of the country. The provisional government sought the dispatch of troops to contain violence, but the CSTO did not deploy troops. The Institute of Contemporary Development (INSOR), close to then President Medvedev, published a report in 2011 to promote the roles of the CSTO. The report claimed that Kyrgyzstan's request was sent directly to Russia but not to the CSTO office, and the CSTO was therefore unable to make a move, even though the KSOR was ready for new types of challenges.<sup>34</sup> But this in fact proves that the CSTO mechanism is unprepared to ensure regional security. Reportedly Kazakhstan and Uzbekistan were suspicious of the expanding role of the Russian forces, and the logistics for the Russian forces were not ready at that time. On the other hand the dialogue mechanism was instrumental in preventing military intervention by Uzbekistan in support of ethnic Uzbeks being damaged within Kyrgyzstan.

Apart from conventional military cooperation, the CSTO member states have been working to regulate narcotics flows associated with illegal groups in Central Asia. Here Russia shares concerns with its Central Asian counterparts and has been active in countering illegal traffic, for example, in operations to confiscate narcotics in Afghanistan. Since 2003 the CSTO has been carrying out the Kanal anti-narcotics operations, confiscating dozens of tons of narcotics flowing from Afghanistan almost every year. International observers join these operations and the UN calls them the most effective operations.<sup>35</sup>

The CSTO has offered opportunities for joint efforts, including military training by post-Soviet states, but has not fully achieved a security system whereby neighbouring member states can help each other collectively. This is a reflection of the reality of the hub-and-spoke system around Moscow. In fact Russian efforts to prevent terrorism and illegal trafficking of narcotics are often realized by bilateral collaboration (Russia–Tajikistan and Russia–NATO, for instance) rather than by collective initiative of CSTO member states.

### **8.3 THE TREND OF JOINT MILITARY EXERCISES AND THE CHINA FACTOR**

Russia's interactions with Central Asian states and its involvement in regional security issues are greatly influenced by its strategic relations with China. As has been seen above, measures Russia has taken include maintaining the conventional advantages of Moscow in Central Asia. This can be seen most clearly in the trend of Russian efforts for joint military exercises involving Central Asian states and China.

Within the framework of the SCO, China and Russia have conducted a series of 'Peace Mission' joint exercises. The first joint exercise undertaken by China with a foreign country was one with Kyrgyzstan in 2002. The Peace Mission-2005 exercise was the first Sino-Russian large-scale bilateral joint exercise, with 1 800 Russian troops and 7 000 Chinese troops. While officially labelled as an anti-terrorism exercise, it was often considered as designed to counter US influence, in the context of the year 2005 mentioned above. The two sides had different motivations for the political message conveyed, as was shown in the discussions on the site for the exercise. Russia, reluctant to give any impression that a 'Taiwan scenario' was in preparation, rejected a Chinese proposal to hold the exercise in Zhejiang Province, opposite Taiwan.<sup>36</sup> In 2007 Central Asian states also joined the Peace Mission-2007 exercise. Joint manoeuvres can provide each state's military with experience in planning, command and control, logistics, and manoeuvres.<sup>37</sup>

In 2009, far fewer troops joined the Peace Mission-2009 exercise than joined the previous exercises in 2005 and 2007, while more sophisticated weapons systems such as surface-to-air missiles were involved. The objectives of the exercises are not confined to operations against terrorists. In his analysis of the exercise, Richard Weitz commented that the usefulness of surface-to-air missiles against terrorists was unclear, except for a case of hijacking of an aircraft.<sup>38</sup>

The Russian Armed Forces have been undergoing drastic structural reform since 2008 and have conducted strategic-level exercises for a newly-integrated command system. Following the Zapad-2009 exercise in the western theatre, a wide range of troops and fleets joined the Vostok-2010 exercise in the area which is now, after reorganization, the Eastern Military District.

This is basically a reform to prepare Russian troops for small-scale conflicts but, combined with the fact the Eastern Military District was formed to unify the command of the whole eastern border with China and has more brigades than other military districts, it could be interpreted as a provocative anti-Chinese build-up.<sup>39</sup> Russia sought to keep Chinese confident by inviting observers to Vostok-2010 only from China and Ukraine.<sup>40</sup>

The next strategic-level exercise, Tsentr-2011 in the Central Military District, to which the Russian 201st military base in Tajikistan belongs, involved the CSTO members. Special forces from Armenia, Belarus, Kazakhstan, Russia and Tajikistan joined the exercise under the command of the KSOR for the liquidation of illegal armed groups. In parallel the Russo-Belarusian exercise Shchit

Soiuz-2011 and the CIS joint air defence exercise were carried out.<sup>41</sup> A joint naval exercise of Russia and China was talked about in media reports, but was not carried out in 2011.

This trend in 2011 – the Russian emphasis on the unilateral and the CSTO exercises – could be interpreted as illustrative of the distance between China and Russia. Some observers point to evidence that indicates the existence of frictions in the Sino-Russian relationship and growing concern on Russia's part about a rising Chinese power. However, that does not necessarily lead to a Russian policy of confrontation towards China or to a Russian alliance with a China-containing power, which would be highly risky for the vulnerable Russian Far East.

Russia made great efforts to reduce future risks by settling the unstable border between two countries. Arms sales between Russia and China have declined since 2007 but are not directly connected to the ebb and flow of their bilateral ties. Recently they have largely been dictated by the Chinese search for technology and the Russian manufacturers' interests in export markets. The Russian industry is wary of China selling equipment using technology of Russian origin, but is still willing to increase its profits by offering certain advanced products, such as Su-35 aircraft. However, the types and quality of military hardware supplied to China are still being kept within a range that is tolerable for Russia (and India), indicating Moscow's efforts to maintain a relative qualitative advantage. Although situations vary for each aspect of Sino-Russian relations, they imply that the Kremlin is seeking to preserve Russia's relative advantages in some areas of military affairs while avoiding tensions with China at the same time.<sup>42</sup> Dmitri Trenin, while emphasizing the generally good nature of Sino-Russian relations, has the following expression on concerns about China:

For Moscow strategists, China's potential hostility has always been a strategic nightmare; at the height of its power in the 1960s and 1970s, the Soviet Union spent vast sums on strengthening the border with China, effectively arming it to the teeth. With China now in many regards stronger than Russia, the resumption of an adversarial relationship would spell more than a financial catastrophe for the Russian Federation.

Given the speed of China's rise and its newfound military strength, Moscow has been remarkably comfortable with the current state of the Russo-Chinese relationship.<sup>43</sup>

The trend in the joint exercises in which Russia participates can be understood as Russian efforts to limit the risks from China. The period when Russia and China ostensibly displayed brilliant

achievements of their partnership has passed. However, tangible cooperation can continue in a smaller scale. A SIPRI report on China suggests that cooperation in training and education is significant, for instance, Chinese long-flight operations in Peace Mission-2010.<sup>44</sup> In April 2012, Russian ships joined the Chinese Navy for the Naval Cooperation 2012 exercise in the Yellow Sea, as had been announced in August 2011.<sup>45</sup>

Joint exercises of Russia and China can have several benefits for either party. Joint actions among neighbouring countries can be placed in a series of confidence-building measures following the reduction of forces in 1996. If one party perceives a possible military tension with another, joint manoeuvres provide opportunities for each to observe the other side's capability.<sup>46</sup> This reflects the Russian desire for stable relations with China, a power which otherwise could cause trouble. In addition, it is possible that the Russian arms industry has benefited from the exhibition of Russian weaponry in operation, to promote Russian arms sales to China. Richard Weitz points to a Chinese order for Il-78 tankers, placed shortly after the Peace Mission-2005, as an example of this promotion effect.<sup>47</sup>

Russian military activities are largely due to the context of the ongoing military reform and efforts by each part of the Armed Forces to expand its own roles and resources. Although some factors can be pointed out as Russian preparations for growing Chinese power, Russia is still maintaining its defence ties with China in order to prevent risk from growing. Meanwhile the Russian emphasis is on enhancing military ties with the CSTO member states as a security policy in Central Asia.

#### **8.4 CONCLUSION**

This chapter has examined a number of aspects of Russian security policy in Central Asia, which involves relations with the states in the region, including China. The SCO is an important framework, first as a forum to reduce mutual tensions, and later also as coordination platform for preserving the status quo against ethnic or religious disturbances. In comparison, the CSTO is more a vehicle for the Russian desire to sustain or enhance a security cooperation network around Moscow. The trends in Russian joint exercises with these states suggest that Russia is making efforts to develop its military capacities in the familiar Moscow-centred manner but without undermining stable relations with China. Joint exercises can serve to sustain a relationship between partners, all the more so if one assumes that Russia fears the growing power of China. Although joint exercises are often labelled 'counter-terrorism' exercises, there is little evidence that there is any joint military

counter-terrorism mechanism of the member states either in the SCO or in the CSTO. Counter-terrorism efforts hitherto have amounted to intelligence exchanges among the SCO member states and a non-military approach to countering criminal groups. Military efforts under the banner of 'counter-terrorism' within these frameworks are in fact made to enhance the ties between and capabilities of the current political regimes of the member states. That also, from their perspectives, serves to prevent political and ethnic turmoil. In that sense, the current Russian security policy in Central Asia provides measures to keep terrorism from intruding into Russian territory. However, a more effective mechanism for collaboration among the Central Asian states will be required to contain various security threats in Central Asia and from Afghanistan in the near future.

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## 9. Putin and Russian Counter-terrorism Policy in the North Caucasus

Jakob Hedenskog

My mission, my historic mission – it sounds pompous, but it is true – is to solve the situation in the North Caucasus.

Vladimir Putin, 2000<sup>1</sup>

On 7 May 2012, Vladimir Putin was officially sworn in as President of the Russian Federation for the third time. Since his emergence in Russian national politics in 1999, Putin has been closely tied to the events in the North Caucasus. During his political career, he has used the terrorist threat in the North Caucasus in order to win the support of the Russian population both for tough measures in the region and for himself as a politician. The fight against terrorism has also been used as an excuse for curtailing democratic freedoms and rights in the Russian Federation.

This chapter aims to analyse how the security situation has changed in the North Caucasus since Putin's first term as President as well as the Russian counter-terrorism measures. Putin's initial popularity in Russia, when still Prime Minister under President Boris Yeltsin, was built on his reputation as a vigorous anti-terrorist fighter. On 2 August 1999, insurgents led by the Chechen Shamil Basayev and the Saudi Jihadist Ibn al-Khattab invaded Dagestan from bases in Chechnya. On 10 August, one day after Putin was appointed Prime Minister, the invaders declared the independent Islamic republic of Dagestan.

Their success was short-lived. The response from the Russian federal and regional law-enforcement authorities was massive, including 1 000 Dagestani OMON (special task force) troops and air-mobile Russian infantry. The Russian bombardment did not stop short of destroying Dagestani homes and saw the introduction of fuel-air explosives. On 22 August, Basayev and Ibn al-Khattab were forced to withdraw their forces from Dagestan. Perhaps to their surprise, the invasion had also been resisted by local villagers and by the overwhelming majority of the population in Dagestan, who spontaneously formed citizen militias.<sup>2</sup> However, this setback

did not prevent Basayev and al-Khattab from launching a second attempt at an invasion of Dagestan on 5 September 1999, which met with the same fate.

Further, in September 1999, a series of bombings – one in the Dagestani town of Buinaksk, two house bombings in Moscow, and one in the southern town of Volgodonsk – claimed the lives of almost 300 people and left more than 1 000 injured. Putin immediately claimed that Chechen terrorists were behind these explosions, although this was denied by Chechen President Aslan Maskhadov. Chechen rebel leaders like Basayev or Salman Raduyev, usually quick in claiming responsibility for their deeds, did not do so for the house bombings in 1999. Another suspected bomb, discovered in the basement of an apartment building in Ryazan on 22 September 1999, turned out to be a part of a ‘training exercise’ sponsored by the Federal Security Service (Federalnaia sluzhba bezopasnosti, FSB).<sup>3</sup> Together with the Basayev–Khattab invasion of Dagestan, these bombings were used to justify the second Chechen War (1999–2000), which started with Russian bombing raids over Chechnya on 26 August 1999.

Putin’s immediate response to the Dagestani crisis and the bombings in August and September 1999 was in contrast to the dejected reaction of his predecessor, Sergei Stepashin, who in his farewell address to the ousted Cabinet had said that Russia ‘could lose Dagestan’.<sup>4</sup> Practically overnight, Putin went from being almost unknown to becoming Russia’s most popular politician. In the following presidential election, on 26 March 2000, he won a landslide victory in the first round against the communist Gennadii Zyuganov.

In addition to boosting his legitimacy and support for Putin as President, the second Chechen War and the subsequent anti-terrorist campaign in Chechnya served as a pretext for establishing the so-called power vertical in Russia. Although this was not explicitly stated, terrorist attacks such as that against the Dubrovka Theatre in Moscow in 2002 and the one, two years later, against a school in Beslan, North Ossetia, provided an excuse for the authorities to curtail media and political freedoms, and establish barriers for electoral competition, which further strengthened the powers of the ruling regime.<sup>5</sup> For instance, in the aftermath of the Beslan hostage massacre, which led to the deaths of more than 300 people, among them many schoolchildren, the Russian government abolished direct popular elections of regional governors, a ‘reform’ which had no obvious connection with the fight against terrorism.<sup>6</sup>

The North Caucasus and terrorism coupled to the situation there had in no way disappeared from the agenda when Putin was up for re-election to the presidency in 2012. Less than a week before the election date, Russian and Ukrainian intelligence services claimed to have worked together to thwart an assassination attempt against the Prime Minister.<sup>7</sup> Furthermore, two months later, it was announced that the Russian FSB had arrested a suspected terrorist and uncovered an arsenal to be used for a major terror attack on the 2014 Winter Olympic Games in Sochi.<sup>8</sup>

### **9.1 THE CHARACTER OF RUSSIAN COUNTER-TERRORISM**

During Soviet times, terrorist acts were rare and the security service (the Committee for State Security, *Komitet gosudarstvennoi bezopasnosti* (KGB)) had almost no experience of counter-terrorism. During the 1980s, only six terrorist acts were committed in the whole of the Soviet Union and in all of these cases Soviet citizens hijacked an aircraft in order to defect from the country. The symbolic transition to the more complex terrorist threat agenda, which is current in today's Russia, came in November 1991, one month before the end of the Soviet Union. An Aeroflot Tu-154 was hijacked by three Chechens, among them Shamil Basayev, who threatened to explode the aircraft if Russia did not recognize independence for Chechnya.<sup>9</sup>

By the late 1990s, after the first Chechen War, the Russian authorities had adapted to the new terrorist threats. From 1998, the law On Combating Terrorism became a cornerstone of Russian anti-terrorism efforts. According to the law, the FSB and the Ministry for Internal Affairs (*Ministerstvo vnutrennikh del*, MVD) were mainly responsible for combating terrorism.<sup>10</sup> After the second Chechen War, in January 2001, the responsibility for counter-terrorism operations in Chechnya was transferred from the Ministry of Defence (MoD) to the FSB, which in July 2003 handed it over to the MVD.<sup>11</sup>

A new federal law On Counteraction against Terrorism, which replaced the earlier version, came into force in 2006. The new law legalized the use of armed forces for counter-terrorist operations inside and outside the country, but did not provide a detailed description of the measures aimed at defending the Russian people and infrastructure against the threat of terrorism.<sup>12</sup> During the same year, Putin created the National Antiterrorism Committee (*Natsionalnyi antiterroristicheskii komitet*, NAK), a high-level interdepartmental agency, headed by the FSB and with the task of coordinating all the counter-terrorist activities on a federal and region level within Russia.<sup>13</sup>

From the late 1990s, by the time Putin came to power and the second Chechen War began, Russian special forces started to use more brutal methods in the war on terrorism in Chechnya. The focus was on extrajudicial operations, conducted by secret special forces' subunits, operating without transparency and without control from the central command.<sup>14</sup> One of these methods was to liquidate Chechen leaders, for example, the elected President of the Chechen republic, Aslan Maskhadov, in March 2005.<sup>15</sup> There is evidence of widespread use of pacification of villages through *zachistki* (cleansing), murders of civilians and captured militants, arrests without ensuing trials, hostage-taking of suspected terrorists and their families, rapes, torture to extort testimony, and plunder.<sup>16</sup> As a result, the Russian war in Chechnya became everything from fighting militants to full-scale repression.

Starting with the killing of the Chechen leader Zelimkhan Yandarbiyev in Qatar, on 13 February 2004, the war on terrorism was expanded outside the territory of Russia. Yandarbiyev had been responsible for the Chechen rebel movement's contacts with al-Qaeda and the Arab world. The Russian Foreign Intelligence Service (Sluzhba vneshnei razvedki, SVR) and/or the Main Intelligence Directorate (Glavnoe razvedyvatelnoe upravlenie, GRU) of the General Staff were believed to be behind the liquidation. Although these suspicions were never proved, the following years saw similar pre-emptive operations against the Chechen separatist movements' leadership in the diaspora, particularly in Turkey.<sup>17</sup>

## **9.2 TODAY'S SECURITY SITUATION IN THE NORTH CAUCASUS**

On 16 April 2009, the Kremlin announced that the 10-year counter-terrorist operation in Chechnya had been completed. Indeed, the number of terrorist attacks within the Chechen republic had been significantly reduced and the routine work of carrying out counter-terrorist operations had been successively transferred from the Russian federal organs to the regional security forces, manned by ethnic Chechens. The policy of 'Chechenization' allowed the Kremlin to present the conflict not as a separatist but as an intra-Chechen one, as well as to divert the criticism of domestic human rights groups and the international community away from the federal centre.<sup>18</sup> The most powerful of the regional security agencies became the 'Kadyrovtsy', which had emerged from the intra-Chechen leadership struggle and allied with the Kremlin. Its leader, Ramzan Kadyrov, was nominated Chechen President in 2007, a few years following the murder of his father, Akhmad Kadyrov, the former President who had been assassinated in 2004.

However, even if the security situation in Chechnya stabilized to a

certain extent, mainly because of the ruthless methods of the pro-Kremlin Ramzan Kadyrov, the situation in the North Caucasus as a whole has deteriorated during the last few years. Putin will therefore have to handle a much more complex North Caucasus than that which existed when he became President for the first time. Several factors have coincided to create this more complex picture.

First, the level of violence has increased overall, compared to previous years. Where Chechnya and the surrounding republics are concerned, the reason for this is partly that the end of the counter-terrorism operation in Chechnya in 2009 led to the withdrawal of some of the 20 000 Interior Troops from Chechnya. Flight restrictions, curfews and roadblocks were removed in the republic, and this almost immediately led to increased activity among the remaining Chechen rebel groups, many of which had been pushed back for years.<sup>19</sup>

The increased level of violence was also visible in that three major suicide bombings occurred in Russia from late 2009: one bomb exploded under the Nevsky Ekspres fast train between Moscow and St Petersburg on 27 November 2009; two bombings occurred in the Moscow metro on 29 March 2010; and one bomb exploded at Domodedovo Airport outside Moscow on 24 January 2011. Together these attacks claimed more than 100 lives. Following the Beslan school siege in 2004, the use of suicide bombings had declined within the rebel movement, but since 2008–2009 it has returned as a feature of terrorist activity in the North Caucasus, this time not only in Chechnya but in several of the ethnic republics in the region.<sup>20</sup>

The second factor that points to the deteriorating security situation in the North Caucasus is that the violence has spread geographically since 2004–2005. During the 1990s and early 2000s rebel violence was a phenomenon more or less limited to Chechnya. It later spread to the neighbouring republics of Dagestan and Ingushetia. Today it is spreading across the whole of the North Caucasus region. Worst hit is Dagestan, followed by Ingushetia, Kabardino-Balkaria and Chechnya. Even in regions which have hitherto been more or less spared, such as Karachaevo-Cherkessia and Stavropol Krai (in the latter ethnic Russians form an absolute majority of the population), there have been armed incidents in recent years.<sup>21</sup>

Where the republics neighbouring Chechnya are concerned, often local causes contribute to the increased violence in different regions. In Ingushetia, for instance, the Islamic underground movement increased its activities in the republic in 2008, largely in answer to the despotic rule of Murat Ziazikov, then the republic's President.

Although the Kremlin dismissed Ziazikov in late 2008, the new President appointed, the decorated war hero Yunus-Bek Yevkurov, failed to bring the situation under control.<sup>22</sup> The most spectacular incident involved a suicide car-bomb attack against the life of Yevkurov himself on 23 June 2009, which left him seriously injured.

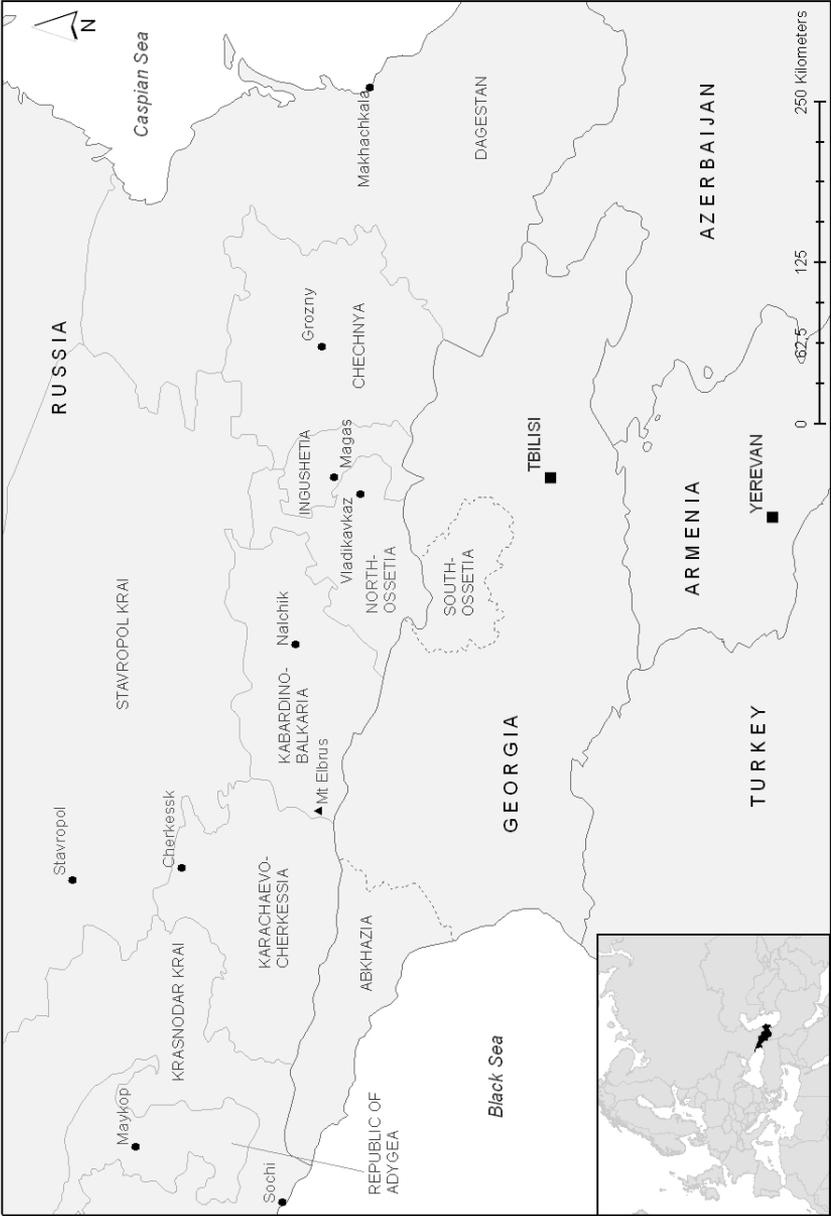
The security situation in Kabardino-Balkaria, arguably once one of the most stable of the North Caucasus republics, deteriorated exceptionally in 2010–2011. In 2010 alone, the number of attacks increased five-fold. The timing of the rise in violence was associated with the change of leadership in the local *jamaat* (a group of radical Islamic insurgents) following the death of its leader, Anzor Astemirov, in March 2010.

By 2011, Dagestan – the largest of the North Caucasus republics – had emerged as the most violent republic in the North Caucasus with almost 60 per cent of all the deaths in the armed conflict between rebels and the security forces. The total number of dead and wounded for that year for the entire North Caucasus was 1 378.<sup>23</sup> Unlike in the other republics of the North Caucasus, where factors such as nationalism and secessionism play a more significant role in fuelling the insurgency, the violence in Dagestan is considered to be almost entirely incited by gross poverty, cases of police brutality and religious intolerance.<sup>24</sup>

The third factor behind the deteriorating security situation in the North Caucasus is that the violence problem the Russian central government now faces there is radically different from that in the 1990s and early 2000s. Earlier, the main problem was ethnic separatism in Chechnya, but today the Russian authorities face a potentially even more difficult opponent, namely an underground Islamist separatist movement. Its goal is the Islamization of political and social life and, by extension, the creation of an Islamic state throughout region.

The core of this Islamist separatist movement consists of the ‘Caucasus Emirate’, a virtual Islamic state encompassing all of the North Caucasian republics and parts of Krasnodar Krai and Stavropol Krai. The leader of the emirate, the ‘Emir’, is the Chechen separatist leader Doku Umarov (Arabized name Dokka Abu Usman), who has claimed responsibility for numerous terror attacks in Russia. This underground armed movement has proclaimed jihad against the Russian federal and regional authorities and has as its declared aim to unite the ‘occupied’ territories and impose Sharia law in the ‘liberated’ areas.<sup>25</sup>

Map 9-1 The North Caucasus



The number of rebel combatants in the Emirate is estimated at no more than a few hundred in the whole region, and they are mostly active in Dagestan, Ingushetia and Chechnya. Although the combat units are formally subordinated to the Emir and swear fealty to him, they are relatively autonomous, have their own command and enjoy a high degree of tactical freedom from the central command. The rebels' most common ways of operating are to plant bombs at public buildings, to attack police stations or other public buildings, and to kill government officials or members of the local Muslim clergy whom they perceive as having betrayed Islam. As mentioned above, suicide bombings are also used regularly.

The rebels associate themselves with Salafism, a strict interpretation of the Quran with its roots in Saudi Arabia. The Salafists, who claim themselves to be the 'true' Muslims, long suffered discrimination from representatives of the majority of Muslim communities in the North Caucasus, which align themselves with Sufism (an interpretation of Islam with elements of mysticism that has traditionally dominated the area). Today the Muslim communities in the North Caucasus are undergoing transformation, especially in Dagestan, where the Salafi movement is growing in popularity and becoming increasingly accepted as mainstream in the societies.<sup>26</sup> However, it is important to note that far from all Salafists are violent, so-called Salafi jihadists.

The wider popularity and reach of Salafi ideas in the 1990s resulted from various contacts and exchanges between young Muslims and the broader Islamic world, and fed into the religious revival that took place in the North Caucasus after the end of the Soviet Union. In the early 1990s, a growing number of young Muslims started regularly attending mosques, observing fasts and performing daily prayers. Many travelled to other Muslim countries in the Middle East, in many cases to study Islam in their institutions and universities or to perform the Hajj – the pilgrimage to the holy places of Mecca and Medina. Through these experiences they significantly increased their knowledge and understanding of Islam. More importantly, they also became acquainted with Salafi Islam and other radical Islamic views. Salafi ideas also reached the North Caucasus through the efforts of various foreign Islamic funds and organizations which opened offices in the region, and supported the construction of new mosques, Islamic schools and the publication of Islamic literature.<sup>27</sup>

To some extent the current radicalization of the Muslim society in the North Caucasus is also a reaction to the behaviour of the Russian forces over the last 20 years. As mentioned, by the late 1990s, the Kremlin had greatly widened the freedom of action of

the Russian forces (first the Armed Forces, and later also the Interior Troops and FSB units) in the North Caucasus. They received an almost arbitrary right to define what ‘Wahhabism’ is and who is a ‘Wahhabi’ or not.<sup>28</sup> As a reaction to this, the underground armed organizations grew more radical both in terms of ideology, as the Chechen militants abandoned nationalism and switched to the ideology of jihad, and in terms of tactics as the militants adapted terrorist methods, including suicide attacks. Moderate Salafi circles grew more marginalized or became radicalized.<sup>29</sup>

Russia has always claimed that it is fighting an international terrorist movement in the region and there have definitively been ties, both personal and financial ones, between the North Caucasus rebel movement and al-Qaeda. During the 1990s, al-Khattab, described as Usama bin-Laden’s personal friend, was an al-Qaeda operative. Also, North Caucasus mujahideen fought on other fronts in the global jihad during the same period, both in Afghanistan and in the civil war in Tajikistan in 1992–97. For example, two Kabardins were among eight Muslims from both the North Caucasus and the Volga area captured by US forces in Afghanistan in 2001. They were accused of fighting for the Taliban and al-Qaeda and sent to Guantanamo Bay in 2002.<sup>30</sup> In an interview in 2004, Shamil Basayev admitted receiving funding from international Islamists ‘on regular basis’.<sup>31</sup> Despite the deaths of Khattab in 2003, Yandarbiyev in 2004 and Basayev in 2006, and despite al-Qaeda being a more decentralized network since the 11 September 2001 attacks, personal and financial ties to the North Caucasus insurgency probably still exist.

With the growing trend among various jihadist North Caucasian movements to be less ethnically based and more pan-Caucasian in terms of their objectives and organization – demonstrated by the declaration of the Caucasus Emirate – national aspirations are likely to give way to transnational Islamic dreams of participating in the current ‘global jihad’.<sup>32</sup> Even if they are still not closely connected to al-Qaeda and other jihadist groups, either financially or logistically, the North Caucasus Islamist radicals at least share a similar Salafi-jihadist ideology with them, and in broad term the strategic objectives as well – the establishment of an Islamic state in the Caucasus, to be ruled by Islamic Sharia law.<sup>33</sup>

### **9.3 FEDERAL NON-MILITARY APPROACHES TO THE REGION**

Moscow has tried various methods, both military and non-military, to combat the escalating violence in the North Caucasus, which in parts of the area is approaching a low-intensity war in character, sometimes even involving jet fighters and regular units of the Armed Forces. The Russian authorities have also responded to the

deteriorating situation in the North Caucasus with administrative measures. In January 2010, the North Caucasus Federal District was created on the basis of the Southern Federal District. One of the purposes of this reform was probably to isolate Sochi, which remained in the Southern Federal District, from the rest of North Caucasus, in view of the forthcoming 2014 Olympic Games. Aleksandr Khloponin, the former Governor of Krasnooiarsk Krai, became the Kremlin's envoy to the North Caucasian Federal District.

Various federal measures have been taken in order to raise living standards and make recruitment more difficult for the rebels. In September 2010, the Russian government released a Strategy for the Socio-Economic Development of the North Caucasus Federal District up to 2025, focusing on the economic development of the North Caucasus. Further, in July 2011, the Ministry for Regional Development presented a federal programme, 'Russia's South', for the development of the North Caucasus from 2012 to 2025. The programme pushed for investment equivalent to 125 billion USD, which was 10 times more than the federal budget for the North Caucasus Federal District. It included investment to develop tourism and tackle unemployment in the district.<sup>34</sup> The proposal was initially sharply criticized by the Ministry of Finance, which stated that it threatened federal economic development. In spite of this, the sum was even increased to a total of 176 billion USD, before it was finally approved.<sup>35</sup> The generous subsidies paid to corrupt leaderships in the mainly Muslim North Caucasus republics have been criticized by a growing group of mostly right-wing nationalists in Moscow, who have demonstrated under the banner 'Stop feeding the Caucasus!'.<sup>36</sup>

Khloponin has invested heavily in ski tourism in the district with the help of the Sochi Olympics, so far with mixed results. Contracts have been signed with French and Austrian investors. At the same time, the terror threat puts the success of these efforts in doubt. In February 2011, for instance, Islamist insurgents shot down three tourists from Moscow in the Elbrus district (in Kabardino-Balkaria) and simultaneously a cable car was blown up in the area. This led the NAK to organize a local counter-terrorist operation in the Elbrus district, which temporarily closed the area to tourists.<sup>37</sup> Apart from the terror threat, tourism ventures are also encountering other problems in the North Caucasus based on the local culture and tradition. It is a matter of honour in the region to offer hospitality, but certainly not to charge money for it. The ski tourism project in the North Caucasus, therefore, bears every sign of being top-down without involving the local population and seems to be a way for Moscow to try to increase federal control over the restive region.

Furthermore, it involves a potential conflict over land and rumours of corruption are ripe. Attractive properties have been earmarked for the purpose of developing tourism – something that is anything but popular among the local population.

#### **9.4 PUTIN'S NEXT STEP?**

Russia has yet to find a cohesive strategy for its troubled southern regions. Russian security forces have had some success in eliminating the leaders of the local *jamaats* of the North Caucasus insurgency, particularly during the spring of 2011. However, the continuing violence and the spread of rebel activities over the region indicate that the rebel movement is far from being suppressed. The rebels do not seem to have any problem in recruiting new members to fill the ranks after their fallen brothers and sisters.

Furthermore, during his third term as president, Putin could find it increasingly difficult to use the violence in the North Caucasus to his own advantage, either to boost his own popularity or as a pretext for introducing more authoritarian legislation in Russia. Although he won the March 2012 presidential elections, Putin has been facing greater popular opposition than at any time during his political career. Since the parliamentary elections in December 2011, which were a setback for his United Russia party, Moscow and other major Russian cities have been witnessing anti-Putin demonstrations on a regular basis. Although loosely organized, this movement has been able to mobilize protests on a scale previously unknown during Putin's tenure of power.

The North Caucasus rebel movement appears to have realized this change of political mood in Moscow. In February 2012, Doku Umarov released a video statement in which he ordered the insurgents of the Caucasus Emirate not to target civilians in Russia because 'the peaceful people of Russia no longer supports Putin and his Chekist regime'.<sup>38</sup> So far, however, it has been difficult to estimate the validity of the statement. On the one hand, even if attacks on federal institutions and law-enforcement agencies continue as before, the statement may indicate that the Caucasus Emirate is trying to capitalize on the decline in support for Putin and what could be a growing split in Russian society on the issue of Russian federal policy in the North Caucasus. On the other hand, despite the statement about not hurting civilians, two suicide car bombs in Makhachkala, the capital of Dagestan, on 4 May 2012 killed 13 people and wounded more than 100, among them many civilians and rescue workers. It was the most deadly terror attack in Russia since the January 2011 attack on the Domodedovo Airport that killed 37 people.<sup>39</sup>

Putin simultaneously faces growing domestic opposition against federal spending that tends to end up in the pockets of the corrupt leaders of the North Caucasus republics, and a growing opposition to his authoritarian leadership style in Russia proper. After more than 12 years as de facto leader of Russia, either as President or as Prime Minister, and with the low-level war still going on in the North Caucasus, it will be difficult for him once again to claim that his policy has established order in the North Caucasus. In the eyes of most observers and of the Russian population, Putin is therefore still far from completing his 'historic mission' in the North Caucasus.

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