

Chapter 6.

**RUSSIAN FOREIGN POLICY –
MULTI-VECTOR NATURE AS A WAY OF AVOIDING
THE HARD CHOICE**

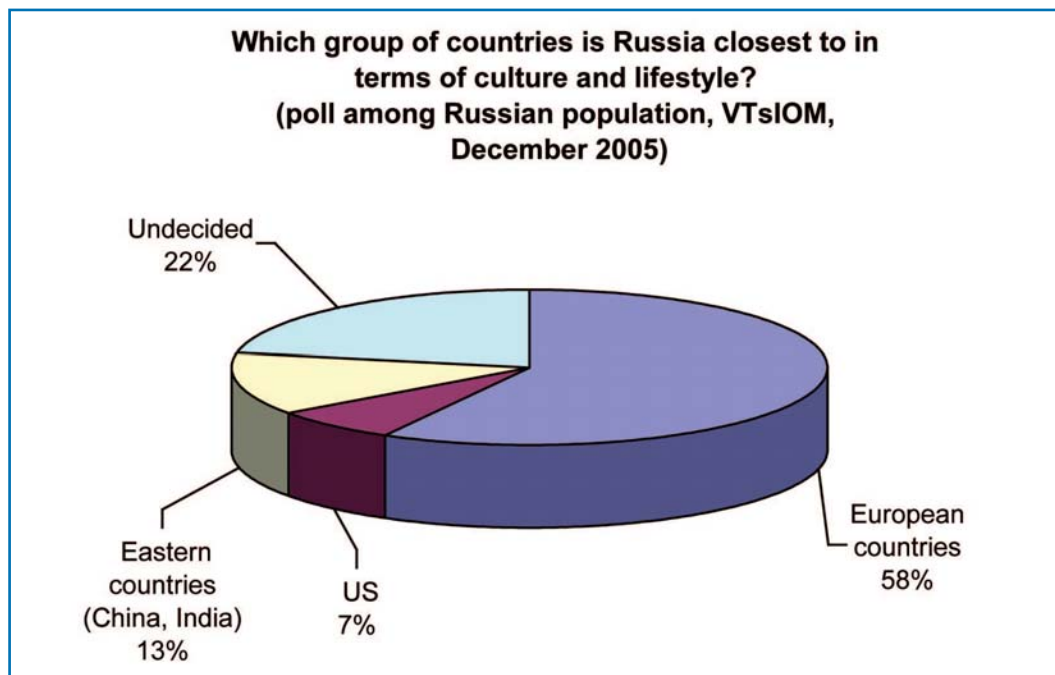
The Russian foreign policy is multi-vector which in principle is typical of any state having the ambitions of a world power. However, *if the multi-vector nature of great powers is usually characterized by clear determination of friends and foes in the international arena, the Russian multi-vector character looks even somewhat forced due to the inability to outline the foreign policy priorities of the country.* Largely, such uncertainty has to do with the confrontation of the leading elite groups – the „liberals” and „siloviki” each of which is trying to implement its own foreign policy and geopolitical project.

At the basis of the „liberals” foreign policy project lies the strengthening of cooperation with the West. The „liberals” view the US and EU as priority partners of Russia, and Russia itself as part of the European political and economic space. However such cooperation by no means presupposes the subordination of the Russian Federation to the West. The „liberals” stick to the concept of „sovereign democracy” meaning that it is the national elites that rule the country. The position of the „liberals” is based on the consideration and implementation of national interests, but in close interaction with the US and United Europe.

While the „siloviki” propose as their foreign policy doctrine a synthesis of the ideas of the „stronghold of Russia” and the creation of a strategic „triangle”: Moscow-Delhi-Beijing (or in extended version – BRIC – Brazil, Russia, India and China). The idea of the „strategic triangle” – Moscow-Delhi-Beijing – emerged in the late 90s of last century during the NATO military campaign against Yugoslavia. The idea was put forward by ex-Premier Eugenie Primakov and was supposed to substantiate the need for the restoration of a multipolar world and for the creation of a new global player capable of standing up to the military and political might of the US. All the three are large developing countries discontent with the American dominance and advocating the idea of a „multipolar” world. Currently the „security elite” still adhere to the „stronghold of Russia” concept which presupposes that the RF should consolidate its position in those regions where it still has some clout – in the CIS countries, and should limit contacts with the West, without forgoing its national interests in situations of conflict. In contrast to the BRIC, the „stronghold of Russia” project is of defensive not expansionist character. However both concepts have something in common which makes them acceptable for the „security” elite, – the anti-Western (first of all, anti-American) bent, therefore they quite aptly complement each other.

So far it is hard to speak of the success of one or the other project, nevertheless, the 2005 events bear witness to the intensification of foreign policy efforts exactly on the „Eastern Front” – RF contacts with China and India are on the rise. The promotion

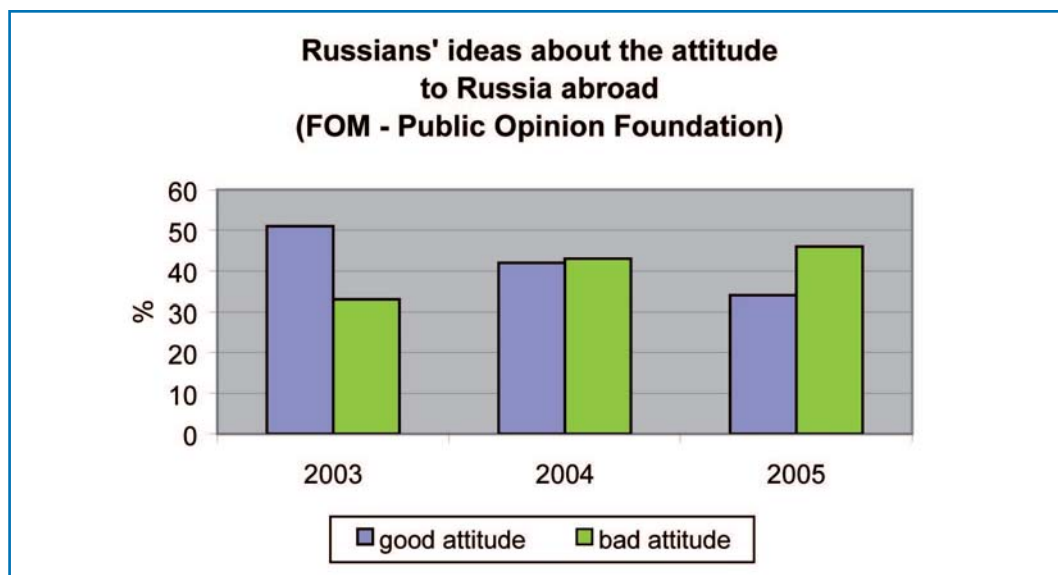
of the status of „silovik” Sergei Ivanov, who is now not only the Defense Minister but also a vice-premier of the RF Government, contributes to it as well. *The „siloviki” are developing their foreign policy project more actively, and it holds good prospects both in the economic and geopolitical areas, whereas the potential of the „liberals” is primarily of an economic nature.*



Russia's relations with the West

The Russian foreign policy efforts in the Western direction are aimed at making Russia a full-fledged member of the Western community and taking an equal place among the other participants in the club of the „developed” countries. However in 2005 this goal was not achieved, the Western countries still don't consider the Russian Federation as a powerful international player, but, on the contrary, try to impose on it the role of a guided, junior partner. They also seek to influence the Russian leadership in order to get their own interests taken into account. Hence – never-ending demands for broader democratization, observance of human rights, etc. At the same time, the West cannot but be alarmed by the intensification of the „Eastern” vector in Russia's foreign policy which clearly shows in the development of its cooperation with China and India and in the ambition of the

RF leadership to assert its presence in fast-growing South-East Asia. This vector is based on the urge for a multipolar structure of the world and the desire to create a block standing up to the Western, mostly American, influence in the world. In its turn, the West would not want the RF to join the „enemy” camp. Here some analogy can be drawn with Turkey which they still keep off the European community, but at the same time without shutting out the possibility for it to join the EU, for fear of its „Muslim” reorientation. In this connection, in recent time claims to Russia have been expressed mostly at the level of „semi-official” international organizations, constantly criticizing the RF for deviation from Western standards of democracy.



American President George Bush tries to pursue a rather cautious course towards Russia, despite competition and inevitability of anti-Russian invectives on the part of the US. The American and Russian Presidents are deemed friends which were confirmed during the election campaign in the USA in 2004, when Putin unambiguously demonstrated his support for Bush. And therefore during the Russian-American summits the most acute issues were discussed at closed meetings. The Russia-US summit in Bratislava which took place in late February 2005 was no exception. The very fact that the meeting was held on neutral and not Russian territory as was wanted by Moscow hardly contributed to a comprehensive and trust-based dialogue. As a result, notwithstanding a wide range of subjects under discussion (issues of security, combating terrorism, non-proliferation of arms of mass destruction, regional problems, trade and economic relations, humanitarian contacts) no landmark

decisions were made. Off the official agenda the parties did not sidestep the painful-for-the-RF „YUKOS case” (almost the next day the Houston Court dismissed the company’s claim for the initiation of bankruptcy proceedings), discussed the state of affairs in the post-Soviet countries in connection with the increased activity of the US in the area of traditional Russian interests, as well as cooperation of Russia with „renegade” countries and the state of Russian democracy. The problem of Russia’s accession to the WTO which is linked by the US to democratization of the Russian Federation was also brought up.

At the same time, the American leadership has a realistic assessment of the prospects of democracy in Russia, and therefore it realizes that too much of emphasis on this issue will unlikely lead to constructive relations with the RF. Despite losing the status of a superpower, Russia continues to be a fairly important state in the international arena to be ignored. Bush even acknowledged publicly Russia’s right to the need for an adaptation of Western values allowing for its national interests, other Western leaders prefer not to pay attention to the authoritarian tendencies which are becoming increasingly evident in Russia’s political life.

However if such „authoritarian” practice affects interests of the Western community, it will be difficult for it to disregard similar cases. It clearly showed in the discussion of the amendments to the Russian law on Non-Profit Organizations (NPO). The NPO problem escalated at the end of 2005, just on the eve of Russia’s chairmanship of the G-8, provoking demands to expel the Russian Federation from the most prestigious club of world powers.

Nevertheless, Russian law-makers made amendments to the Law on NPO, this resulting in substantial difficulties in their activity in the Russian territory. The draft law seriously affects the interests of foreign structures acting in the RF territory. Thus, Western Funds which are oftentimes not registered as public associations (PA) even in their own country will have to reorganize their representative offices in Russia into OOs. Moreover, from now on foreigners or stateless persons, permanently residing in the Russian territory, are not allowed to be founders of public associations. The response of the West was immediate. Criticism towards Russia was voiced by both the European structures and the US. In Russia arrived first Deputy State Secretary Nicholas Burns who met representatives of Russian NPOs, including human rights organizations. The high-ranking American official was to send a message to the Russian leadership that even US President George Bush was concerned with the problem of NPOs in Russia. The West is aware that the tightening of the Russian legislation on NPOs will cut off a pivotal resource of „democratic modernization” of Russia, just as it will block the possibility of rearing Russian elites in different spheres, from political to academic, loyal to the West.

Being constantly under fire over its „non-compliance with democratic standards”, Russia tries to improve its image in the eyes of the West. As one of the methods it was decided to use information resources which have been actively employed for a long time already by the Western countries themselves. Thus, by analogy with Western news channels, such as BBC World, CNN, etc., the Russian leadership organized the broadcasting of the Russia Today channel in English. However it is doubtful that the Western public and expert community will take it without bias. They have enough information sources about Russia which are deemed more reliable and independent than the propaganda mass media of Russian origin. The more so that attacks on the Western mass media working in Russia have already become a trend, and, apparently, it will keep growing. After the disruption of radio BBC broadcasting, an almost identical situation happened to Deutsche Welle in late 2005. In both cases technical failures were named as the cause; however, a string of shutoffs sparked quite justifiable suspicions that these did not happen by chance but were purposeful actions aimed at ousting the opposition-minded radio stations from the RF information field. The disruption of broadcasting, evidently, became a sort of „warning” to the Western mass media working in the RF territory about the inadmissibility of the opposition trend in their materials.

Another step towards improving its image in the West was the early repayment of Russia’s foreign debt to the IMF and the Paris Club which actually turns Russia from a borrower into a donor, raising thereby its status in the world community. However here it was not without pitfalls either: in its ambition to become equal to the wealthy Western countries Russia has to assume also unprofitable financial obligations. Thus, along with the other G-8 members it had to participate in writing off the debt to the world poorest countries, whereas most of the population of Russia itself lives in poverty.

Russia’s successes in the Western direction can be seen mostly in the energy sphere. Both Europe and the US are interested in the diversification of energy supplies, and Russia in this respect can act as a more reliable partner than, say, countries of the Middle East region.

Despite their fears of becoming energy-dependent on Russia (already now 40% of gas received by Europe comes from the RF), the European countries on the whole are still positively disposed towards the intensification of cooperation with Russia in this sphere. As the largest success here can be named the adoption of the decision on the construction of the North-European gas pipeline (NEGP): in September 2005 the management of Gazprom and German concerns E. ON and BASF signed the appropriate agreements. By means of the NEGP Russia will be able to supply gas

directly to the territory of Germany, the principal importer of Russian energy resources in Europe. Already today the FRG's share in Russian exports is 37%. Provision is also made for the construction of a sea gas branch pipeline – for the supply of gas to Sweden's consumers, the laying of a branch to Great Britain is also a possibility. Notably, the leading European nations, for the sake of receiving energy resources, openly ignored the protests of the transit countries of Russian resources to Europe (Poland and the Baltic States) which aggravated relations between the „old” and „new” Europe.

An important event in the energy sphere became the opening of the Blue Stream gas pipeline which had been constructed on the basis of inter-governmental agreements and contracts between Gazprom and Turkish company Botas with the active participation of Italian concern ENAPSA responsible for the construction of the underwater section of the pipeline across the bottom of the Black Sea to the Turkish port of Samsun. From Turkey a route is expected to be laid through Greece up to the south of Italy. Thus, over time this gas pipeline will possibly be used for Russian gas supplies to Southern Europe.

In the US, where, according to analysts' forecasts, gas consumption will increase roughly by 50% in the coming 20 years, cooperation is developing in the area of liquefied gas supplies (LNG). Gazexport's subsidiary Gazprom Marketing&Trading Limited (GM&T) signed an agreement with BG Group Plc and Shell Western LNG BV on LNG supplies to the US. Two tankers have already been shipped. Gazprom's Deputy Chairman of the Board Alexander Medvedev declared the company's plans for shipping to the US from three to five LNG tankers in 2006. Another direction of cooperation with the United States may become Russian oil supplies for the replenishment of the US' strategic reserves which are planned to be increased to as much as 1 billion tonnes of oil. Potential objects for cooperation with the West are the shelf of the Barents Sea and the Shtokmanovskoye hydrocarbon field located on it, the Sakhalin shelf as well as the fields of Western and Eastern Siberia.

The Russian leadership is aware that the RF remains an attractive partner for the US and EU owing to the existence of significant mineral reserves. And at the same time, *Moscow realizes that, remaining an ordinary supplier of energy resources it will never be able to become a full-fledged member of the Western community but will always be in a position of a „raw material appendage”. The „way out” of the situation was outlined by Vladimir Putin who promised to transform Russian into a leader of the world energy industry.* Putin outlined two strategic tasks which must be addressed by the country to achieve leadership in the world energy market. First, – it is reliable provision of world economy with energy resources. The RF positions

itself as a stable and reliable oil-and-gas supplier; however, in view of the recent „gas wars” in the post-Soviet space, its positive image happens to be somewhat shaken. Diversification and security of supplies was named as the second strategic task along with the development of new technologies providing for the optimization of energy consumption. As for the security issue, particular emphasis is laid on anti-terror security – it is another subject on which the RF and the West understand each other. As for the new technologies and innovations in the energy sector, here Russia is substantially behind the Western countries. It is unlikely to become a leader since at present the country is poised at a lower technological level. The implementation of the latest scientific developments in the energy industry may get Russia closer to the level of the most advanced countries in the field, but its ability to overtake them is very much in question.

In other areas cooperation between Russia and Western countries did not show as much progress as in the energy sector. The RF is still trying to implement the concept of four „common spaces” with Europe which consists in creating a mutual understanding in the field of economy, foreign and domestic security and humanitarian cooperation which, supposedly, is to accelerate the process of general European integration. In May 2005 the preparation of draft agreements on these spaces was completed, but their implementation, it appears, will take a long time.

Against the backdrop of somewhat uneasy relations with the EU Moscow has managed quite successfully to develop its relations with the countries of the „old” Europe. The negative stance of Russia, France and Germany on the Iraqi military campaign of the US served as the basis for political rapprochement within the Moscow-Berlin-Paris „axis”. Particularly amicable relations developed between Russia and Germany thanks to the personal friendship of President Vladimir Putin and German Federal Chancellor Gerhard Schroeder. Germany would turn a blind eye to the constant criticism of Russia on the part of public organizations over human rights abuses and scaling down of the democratic processes in the country. However in the second half of 2005, after Schroeder stepped down as Federal Chancellor, the retention of this „axis” came into question. In Germany Angela Merkel came to power, who yet during the election campaign had earned a reputation of a supporter of closer ties with the United States and countries of the „new” Europe which have very difficult relations with Moscow. That the political union between Russia and Germany became history was confirmed by Merkel’s refusal to participate in the ceremony of welding the first joint of the strategic project of the North-European Gas Pipeline (NEGP), though initially it was planned to be attended by the heads of the participating countries. Also telling was the visit to the Russian Federation of German Foreign

Minister Frank-Walter Steinmeier, in the course of which, despite the declared continuation of intensive cooperation between the countries, the issues of democracy and human rights which yet during the election campaign Angela Merkel had promised not to overlook, unlike her predecessor, were not sidestepped. ***In the person of Schroeder Moscow lost its main ally in Europe who had always strived to iron out tensions between the RF and EU over the issues of human rights and building of democracy in Russia. Having said that, the latest statements of Merkel who set great store by the energy cooperation of the two countries and confirmed commitment to the NEGP project show that ideological preferences recede into the background when they come into conflict with specific economic interests.***

At the same time the NEGP construction revealed contradictions and a conflict potential between Russia and countries of the „new” Europe, traditionally distinguished by constant anti-Russian sentiments. ***After the breakup of the socialist bloc the former allies in Eastern Europe opted for the course of closer ties with the West, integration into the European structures and distancing themselves from Russia.*** It is particularly typical of Poland for which the confrontation with the RF is a way of establishing itself as the leader among the „new” European countries.

Over recent years there have been constant conflicts between Moscow and Warsaw: a „spy scandal” when the Polish authorities extradited several Russian diplomats from the country declaring them persona „non-grata”, attacks on the children of Russian diplomats in Poland and on Poles in Russia, support by Poland of the „color revolutions” in the post-Soviet countries which particularly manifested itself during the events in Ukraine. Currently Poland increasingly acts as the main „democratizer” in the post-Soviet space actively supporting the Belarusian opposition on the threshold of the 2006 Presidential elections. The Polish leadership has already criticized more than once the Lukashenko regime and demonstrated the resolve to support the local opposition.

In spite of Moscow and Warsaw not being close economic partners, Poland plays an important role of an in-between for Russia in the transportation of Russian gas to Europe. Therefore it is quite natural that the RF is interested in direct gas supplies to Europe in order to avoid dependence on the transit countries, particularly those demonstrating an „anti-Russian” stance. In this context, Poland’s negative reaction to the conclusion of a „separate” deal on the construction of a direct gas pipeline from Russian to Germany was quite logical. The Polish authorities accused its Western neighbor of violating the unwritten law prohibiting the conclusion of any agreements with Russia „over Poland’s head”. Moreover, Poland along with the Baltic states was indignant that by signing the agreement with Russia the German party went beyond

the framework of the European energy dialogue and neglected the interests of its new EU partners.

After Russia's use of „gas” blackmail with respect to post-Soviet republics some countries of the „new” Europe went about looking for alternative gas suppliers to reduce their dependence on Russia. But it will be much of a problem for them to deal with this task single-handedly, they can only hope for help from the European Union whose most influential members are not longing to provide assistance to „young democracies”.

Russia's relations with the Asian countries

Foreign Policy of Russia with respect to China and India

In relations with the counties of the „strategic triangle”, as in the case with the Western partners, the energy industry is a priority sphere. The fast-growing economies of China and India require an ever increasing amount of energy resources which Russia, in its turn, has to offer.

However currently the struggle is still on between the Russian political elites over the choice of the western or eastern direction of the pipeline, due to which the development of energy cooperation with Asian countries, despite all declarations, has not been translated into practice so far. Uncertainty in this issue results in slowing down the implementation of the project of constructing the Eastern pipeline, though the Russian side puts down the delay in pipeline construction to the result of competition between China and Japan. Even the specific route of the pipeline has not been selected so far. Initially it was decided to opt for the „Japanese” direction but later the construction of a branch pipeline to Chinese Daqing was declared. The final decision is still up in the air.

The pipeline construction – is fairly long away, and as of now the „siloviki” lobbying the Chinese direction, represented by Open Joint-Stock Company Russian Railroads (OJSC RZhD), have expressed readiness to increase Russian energy supplies to the PRC by railroad. For this purpose a reduction in the tariffs for oil transportation to China was announced. At present OJSC RZhD transports around 19 mln. tonnes of oil per year, however, already by 2007 the transportation volumes are planned to go up 3 times. Besides, the first stage of the „Eastern” pipeline construction provides for constructing a pipeline from Taishet (Irkutsk region) to Skovorodino

(Amur region) which is 70 km away from the Chinese border, whence it is convenient to supply oil to China without waiting until the construction of the entire pipeline is completed. In July Rosneft and Sinopec also agreed on establishing a joint venture for geological exploration of the Venin block within the Sakhalin-3 project.

India is not an ordinary recipient of Russian energy resources but a participant of joint projects in Russian fields. Indian Company ONGC holds a 20% stake in the Sakhalin-1 project having invested 2.7 billion dollars. At the moment ONGC expresses interest in the tender for the development of new Sakhalin-3 deposits as well as voices the possibility of participating in 20 oil-and-gas projects both in the Far East, and in Siberia, in the north and south of Russia. According to the Indian side, potential Indian investment in the Russian oil-and-gas sector amounts to 25 billion dollars.

Moscow, in its turn, is interested in promising energy projects implemented with the participation of India in the territory of Asia. Thus Russia is seriously contemplating the possibility for the RF to join the transnational project for the construction of the Iran-Pakistan-India pipeline. Although, thus far this issue was brought up in the conversation of the Russian Minister of Industry and Power Energy, Victor Khristenko, with India's Minister of Energy, while in the four-party format the construction of this pipeline has not been discussed. Moreover, the project itself was supported only at the political level, and the project documents concerning its implementation are still in preparation. Moscow also expressed readiness to be involved in the construction of the planned Turkmenistan-Afghanistan-Pakistan-India pipeline. Thus, the Russian Federation is seeking to increase its presence in the promising Asian markets. At the „energy summit” which took place in Delhi, Victor Khristenko stated that Russia intended to significantly step up supplies of hydrocarbons to the Asian market, so as, by 2020, to reach the level of cooperation with Asian consumers comparable to that with Europe (30% for oil and 20% for gas).

Military-technical cooperation is another pivotal sphere of partnership between the „triangle” countries. India and China account for 70% of Russia's military-technical exports. The signing of an agreement for the protection of intellectual rights in the military-technical sphere between the RF and India will contribute to the development of joint production of military hardware, since official Delhi is seeking precisely this pattern of cooperation and not ordinary purchases from the RF. As of now contracts between Russia and India for a total of 10 billion dollars are under implementation. The accomplishments of the Russian-Indian cooperation include the joint project for the creation of cruise missile BraMos and modernization of the aircraft carrier Admiral Gorshkov. By the estimate of India's Defense Minister Pranab

Mukherjee the value of contracts for supplies of Russian weapons and military hardware to his country, which are currently in the process of agreement, is as much as 9 billion dollars, and the package of the already executed documents exceeds 5 billion.

The contacts between the armed forces of the „triangle” are also actively developing. In 2005 there were conducted Russian-Chinese exercises, Peaceful mission 2005, followed up by joint Indian-Russian tactical anti-terror exercise Indra-2005. By the way, new Russian-Indian exercises are scheduled for 2006.

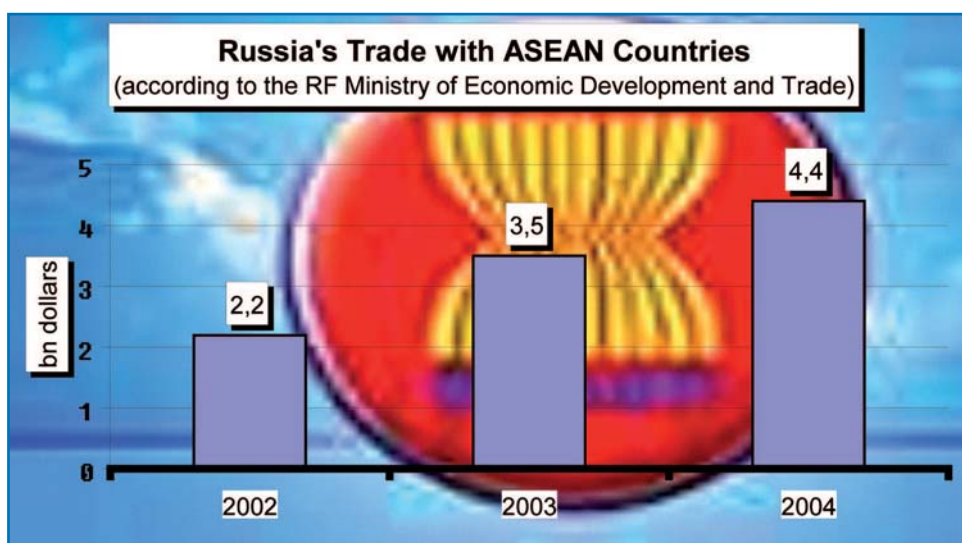
Another significant direction of cooperation with China and India is the nuclear power industry. In the south of India nuclear power station Kudankulam is under construction with Russia's participation. This year two power units were delivered, assembly work is underway. Other areas of cooperation are the exploration and production of hydrocarbons on the shelf in the Bay of Bengal, large-scale joint projects in the areas of power energy and metallurgy, civil aviation and space exploration, there are possibilities for expanding our cooperation in the sphere of information technologies. As far as China is concerned, it was stated that Russian companies may participate in the tender for the construction of the 3rd and 4th power units of the Tianwan NPP. In the tender for the construction of two new NPP in China the Russian party proposed a project of nuclear reactor VVEP-1000 with service life increased up to 60 years. The countries plan to engage in joint construction of a floating nuclear power plant. In the future there are plans to build a pilot fast neutron reactor in China.

Russia's Relations with Countries of South-East Asia

The intensification of cooperation with China and India was naturally followed up by attempts to expand partnership with the countries of South-East Asia, the more so, according to experts' forecasts, in the short term this region will be fast growing and assume an important place in the fledgling world order. Russia so far cannot boast such development, and its prospects don't look as bright as for the „Asian tigers” or China, for that matter. However, *using the remains of its clout left due to the status of a nuclear power, a member of the UN Security Council, as well as a representative of the leading Western club of G-8, the RF is trying to fall in beside the potential world leaders so as later down the road not to find itself at the periphery of global processes.* Thus in 2005 were held at once two landmark Asian summits with the participation of Russia: the first ever Russia-ASEAN summit and the summit of the East-Asian Community (EAC) held for the first time in history.

At the Russia-ASEAN summit no specific decision were made, though they were hardly expected. The result of the summit was a joint declaration on progressive and comprehensive cooperation and a complex program of measures for the development of cooperation between the Russian Federation and ASEAN for 2005-2015. And besides, in both documents there are no provisions which could really facilitate the intensification of cooperation between the RF and the regional countries, they all require more detail and refinement. It should only be noted that the program of measures mentions the Dialogue Partnership Financial Fund whose resources will presumably be used for financing the cooperation. Russian is expected to invest 500 thou. dollars in it.

In the EAC summit Russia participated as a guest, since Russia's request for entering the organization had been dismissed because of the protests of Singapore, Indonesia and Japan. The question of Russian membership will be on the table again in 2006, supposedly in its first half, so in the event of a positive decision the Russian Federation will be able to comprehensively participate in the work of the community at the next summit which is planned to be held annually. The behavior of the countries resisting Russia's membership in the EAC is accounted for by their predominantly pro-American orientation. It was already during the summit that Australia and Indonesia rallied for the suspension of the RF joining the community. Despite the political motives preventing Moscow's full-fledged participation in the EAC, in reality there are also fairly objective economic reasons. The RF share in the foreign trade of the ASEAN countries is just 0,3% which does not meet one of the requirements for membership in the EAC consisting in the „real nature of cooperation with ASEAN”.



Tellingly, the US were not invited to the summit at all, even though, in contrast to Russia, they account for a substantial share of trade of the regional countries which is directly indicative of the participants selection criterion for selecting participants. It should be noted that the membership of Australia, New Zealand and Japan raises some questions as well, in particular, on the part of Malaysia because notwithstanding their geographical position they are considered part of the Western world and ranked among the so-called „developed democracies”, on a par with the countries of Western Europe and the US. Whereas Russia is not considered the „West”, furthermore, it increasingly often tries to compete with it in some way, for example, by cooperating with „renegade” states and initiating the creation of anti-Western alliances.

Despite the heterogeneous nature of the EAC summit's participants, its anti-American basis is clearly evident. Russia, fitting in with the EAC ideology by this criterion, nevertheless, did well not to forget about the importance of the economic factor for the cooperation with the countries of the region, and that's why Russian President Vladimir Putin found it necessary to point out the main reasons why the regional countries would be interested in cooperation with the RF. Among such reasons were named energy cooperation (Russia declared its plans to redirect to the „south-east” up to 30% of the Russian oil-and-gas exports, Russia's participation in the construction of power plants in the region is also in plans), as well as the creation of a financial fund of partnership between the RF and the ASEAN counties. Combating terrorism, of which mention was also made, has already become a commonplace, therefore, notwithstanding its importance, it is not viewed as a serious basis for cooperation. The specific agreements which the RF managed to conclude during the East-Asian summits were: the protocol of completion of the talks for the RF's accession to the WTO with Malaysia, readiness of the Philippines to sign a similar protocol, as well as the agreement on the abolition of visas with Thailand for travels of both countries' citizens for a period of up to 30 days.

There are prospects for developing military cooperation with the countries of the region. Thailand and Malaysia are regarded as the most probable buyers of Russian weapons. The amount of cooperation in the military-technical sphere with Malaysia has reached 1.7 bn dollars since 1994 without considering the delivery contract for 18 jetfighters Su-30MKM for the amount of 900 mln. Russia also plans to supply to Malaysia helicopters Mi-171. In its turn, Thailand in the coming years plans to carry out rearmament for the amount of 6.6 bn dollars. It has already declared its willingness to purchase Russian jetfighters Su-30MKI. However, according to some sources, Bangkok expects to pay Russia on a barter basis – by chicken legs. Moscow will hardly agree to such a deal, although, previously there were precedents when, for example, Malaysia paid part of the SU-30 MKM contract with palm oil.

Another area of partnership with Kuala-Lumpur became the space industry. Malaysia intends to send a Malaysian cosmonaut to the ISS with the help of Russia that can earn around 20 mln dollars on it.

Russian-Japanese relations

The year 2005 did not bring a resolution of the main problem of the Russian-Japanese relations – the territorial issue. Tokyo sets its settlement as a condition for signing the peace treaty between the two countries. Japan has never come to terms with the loss of the Southern Kurils (it implies four islands: Iturup, Kunashir, Shikotan and Habomai) which were assigned to the Soviet Union based on the results of the Second World War, and considers the Russian (earlier – the Soviet) presence on them as occupation. If there is to be any progress on this issue, it can be expected only from the Russian party, since the Japanese have made it clear they have no intention of giving up on their claims under whatever circumstances, because they hold these islands to be their „integral part”.

There is a potential possibility of concessions on the part of Russia. The precedent was set by the transfer to China of several disputed islands that previously were part of the Khabarovsk region. Besides, Moscow earlier proposed to transfer to Japan two islands – Shikotan and Habomai. As early as 1956 Soviet leader Nikita Khrushchev proposed to relinquish the Soviet sovereignty over these islands in exchange for quick signature of the peace treaty between the two countries. Truth to tell, however, it was stipulated that the foreign military bases on Japan’s territory must be liquidated. A similar position on the two islands was voiced by the head of RF Foreign Ministry, Sergei Lavrov. However, the Japanese leadership dismissed it in the middle of last century and in 2005 as well.

First, consent to such conditions means relinquishing of the greater part of the territories claimed by Japan, since Shikotan and Habomai are small islands and account only for 7% of the total area of the four „disputed territories”. Second, Japan adamantly insists on signing the peace treaty only after the transfer of all the four islands of the Kuril Chain.

Returning to the proposal of the transfer of two islands Moscow was aware the Japanese would not go for it. Besides, in Russia itself there are protest sentiments against the „giving out” of our own territories. For, though, in terms of its size Russia is the largest country in the world, and as Japanese Prime-Minister Junichiro Koizumi put it, „as compared to the big territory of the Russian Federation the four islands – are tiny, small areas”, they, as is known, are not superfluous, the more so that they are of

fairly important military-strategic and geographic significance. While earning the image of a „traitor of Russian interests” is the last thing Putin would want. The Russian military are particularly negative about the possibility of the islands” transfer. They consider the islands an important strategic point, particularly, Kunashir and Iturup whose Russian jurisdiction enables control over the Yekaterina Strait, since it can be used for the passage of submarines. Such islands are convenient territories for stationing the Fleet surface forces. The islands” transfer will significantly reduce the area of radar surveillance over the air situation in Japan’s direction and the adjacent ocean zone, and the loss of the Kurils airfield system will result in the reduced striking range of the Russian land-based naval aircraft.

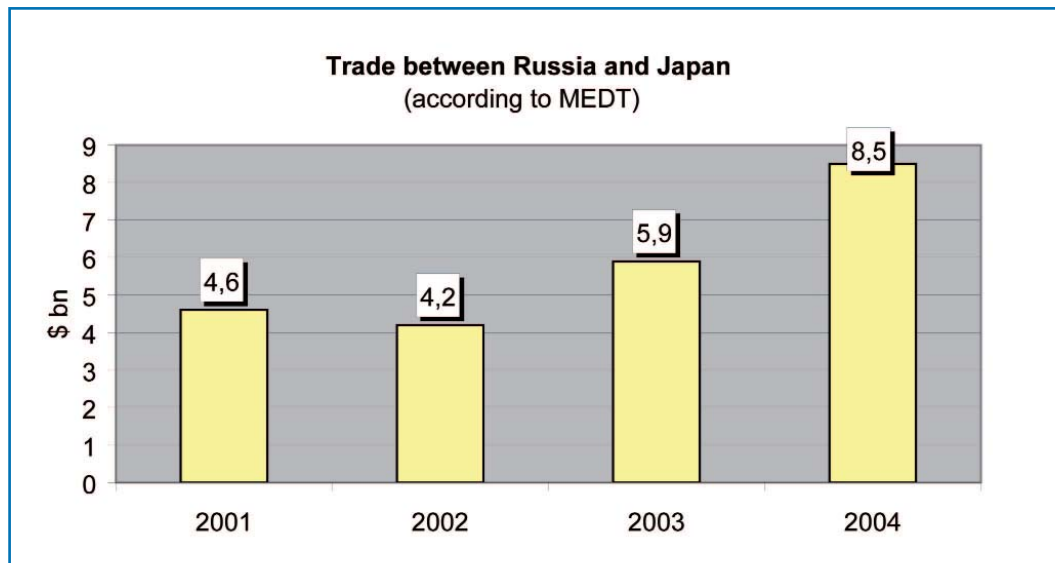
At the same time, Lavrov’s proposal for two islands was meant to demonstrate Russia’s readiness for a compromise and striving for a „fair” settlement of this old dispute, and Japan, by its intransigent attitude, showed who was to blame for slowing down the talks. In their turn, the leaders of the „Land of the Rising Sun” emphasize that they are ready to discuss the terms and time of the islands” transfer, but provided that the need for return of all the four islands at once is beyond further debate. Although, Japan proposed as an alternative for the resolution of the territorial dispute the formula of „delayed sovereignty”, according to which the Russian Federation must officially recognize the Japanese jurisdiction over the islands in principal but without pledging their immediate transfer. However the RF dismissed this variant.

On its part, Russia made an attempt to find a way out of the existing diplomatic deadlock by suggesting that Japan put this problem on hold and jointly participate in the economic development of the islands, which for considerations of principle cannot be accepted by Tokyo either, it would actually mean putting up with the loss of the islands.

Notwithstanding the obvious difficulties, both countries are interested in developing economic cooperation. As „payment” for the islands” transfer Japan promises Russia a considerable influx of investment. At the same time, Japanese companies are launching work in the Russian market without waiting for the settlement of the territorial problem. The two countries have plans to sign documents on simplifying the visa regime and Tokyo’s financial assistance in the area of dismantling the written-off Russian nuclear submarines in the Far East. Japan is also ready to support Russia’s accession to the WTO.

The territorial problem is not an obstacle for Japan when it comes to cooperation with the RF in the energy sector. Thus the objective need for Russian energy resources is pushing Japanese companies to participation in the Sakhalin-2 project, and energy supplies to the island are already contracted. While so far the

Japanese side purchases energy resources in the Middle East, which has „minuses” due to the instability of the region and its remoteness from the „Land of the Rising Sun”. Another factor in favor of cooperation with Russia is the transportation risks, furthermore, diversification of supplies reduces the dependence on one supplier.



Tokyo has actively lobbied the „Japanese” direction of the Eastern pipeline and insists on its fastest possible construction, because it has reasonable apprehensions that on completion of the construction period there may not be enough oil for Japan. At the same time the „Land of the Rising Sun” needs Russian support in the international arena on the issue of Japan’s acquiring the status of a permanent member of the UN Security Council. For Tokyo it is important to have the help of Russia as a permanent SC member whose approval will definitely be required for adoption of a decision of this level, as well as for „strategic partner” China which spoke strongly against this initiative of Japan, while the RF could try to persuade it into changing its tough stance. Nevertheless, in spite of Russia having, as it seems, a few levers for putting pressure on Japan they are not working so far. Russia’s proposals are not vital for it, not worth sacrificing the possible enlargement of the territory.

No advances over the territorial issues were made also at the Russian-Japanese summit which had long been postponed but still took place in the second half of 2005. The Russian party already sent a message that the question of Russian sovereignty over the islands was beyond discussion, and refused to call these territories disputed. In response the Japanese cite the recognition of the Southern Kurils as a disputed

territory by first Russian President Boris Yeltsin at the negotiations in 1993, though then the RF President spoke only of the two islands pursuant to the 1956 Declaration. Though Putin's visit to Japan received increased attention it was largely related to the fact that the arrival of the Russian leader was the first over the last five years, which, however, in no way affected the possibility of progress in the talks between the parties.

Russia in the Middle East

The interaction of Russia with the countries of the Middle East is guided by the logic of confrontation with the United States. Thus in 2005 the Russian foreign policy in the region was marked by the strengthening of cooperation with countries assigned by Washington to the „axis of evil” – Syria and Iran.

In January last President of Syria Bashar Assad paid an official visit to Russia. The visit was accompanied by a scandal associated with an information leak about the agreement in preparation between the countries concerning the delivery of Russian high-precision weapons to Syria. Initially it was assumed Russia intended to supply to its Middle East partner high-precision short-range ballistic missiles Iskander-E, which caused Israel's discontent. But then it came out that Tel-Aviv was mostly concerned with the supplies to Syria of 200 portable anti-aircraft missile systems (PZRK) Igla for the amount of 20 mln. dollars. The US also got involved in the scandal threatening Moscow with sanctions, the more so that the Russian-Syrian deal was to take place right on the eve of the Russia-US summit in Bratislava, where Vladimir Putin and George Bush planned to sign a PZRK non-proliferation agreement.

Nevertheless, in spite of the frustrated deal, Moscow and Damask declared the intention of developing military-technical cooperation, besides, an important agreement for writing off 73% of Syria's debt by Russia was achieved. Based on the results of the Russia-Syria summit both Presidents signed the Declaration on Strengthening Friendship and Cooperation between the Two Countries. The joint declaration, apart from recognizing the need for developing inter-Governmental dialogue, provided for holding bilateral consultations with respect to the strengthening of interaction between Russia and the League of Arab States and the Islamic Conference Organization (ICO), where Syria is an active member. Thus the course for strategic partnership was established.

On top of the political declarations Russia and Syria expressed readiness to strengthen economic cooperation. Thus the Soyuzneftegaz company and the Syrian Ministry of Oil and Mineral Resources signed an agreement for the construction of

a plant for the production of basalt-plastic pipes and for cooperation in the oil-and-gas industry. They also signed an intergovernmental agreement for the promotion and mutual protection of investment. Syria suggested to Russian companies that they participate in the modernization of its oil refinery (this project is estimated at 1.5 bn dollars), build a 403 mln dollar plant for the production of fertilizers, as well as a nitrogen fertilizer plant (315 mln dollars).

But ***most clearly the cooperation of Moscow and Damask showed in Russia's support of its Middle East strategic partner at the UN Security Council in the case of the assassination of the former Prime-Minister of the Lebanon, Rafik Hariri, an opponent of the Syrian military presence in the Lebanon.*** The Syrian special services are suspected of implication in his assassination, and the Western countries chose the tactics of putting tough pressure on Damask.

With respect to the Syrian case Russia found itself in a rather ambiguous situation. On the one hand, if the RF had voted against the resolution containing the demand for the introduction of sanctions which was proposed by the US and France it would have resulted in an escalation of tensions between the RF and the West and in deterioration of relations with Americans. On the other hand, approval of the resolution or a passive neutral position during its acceptance would have demonstrated Russia's weakness and inability to stand up for its vision under pressures from the West. Besides, it would have lead to a drastic deterioration of relations with Syria. In which case one would have to take into consideration Syria's refusal to pay to Russia its debt of 1.5 bn dollars as well as the possibility of scaling down the military-technical cooperation between the countries for 2004-2008 (within which Russia now counts on selling to Syria modern weapons worth 2.5-3 bn dollars). The RF is also interested to a considerable degree in developing the Russian-Syrian cooperation in the fuel-and-energy complex. In Syria Russia participates on a commercial basis in the construction of new and operation of previously built power energy, irrigation, water management, and oil industry facilities. The power facilities built with Russia's assistance provide for 20% of the country's power energy needs and 30% of oil production. In Syria are employed over 100 Russian specialists. Russian companies provide technical assistance at 24 facilities in the area of power industry, oil production, irrigation and water management.

However during the first consideration of the „Syrian case” Russia was lucky: the Western countries which initially had insisted on the tough version of the resolution suddenly agreed to a milder one. In the end, the adopted resolution demanded from Syria, by December 15, 2005, to start cooperation with the Detlev Mehliis commission investigating the murder case „in full and without any conditions”, as well as to detain

those Syrian nationals which the international investigators would consider suspects in Hariri's murder. In the event of non-compliance with these demands provision was made for the possibility of taking tough sanctions against Damask.

At the next meeting of the UN Security Council held in December 2005, there was lack of resolve again with respect to Damask, and the decision was taken to extend the authority of the Mehlis commission for another half a year. All this notwithstanding the fact that the interrogation was ignored by the most high-status suspect – the son-in-law of President of Syria Bashar Assad and the boss of the Syrian special services, Assef Shawkat, as well as the fact that, as was learned by the international investigators, all the documents relating to the activity of the Syrian special services in the Lebanon had been destroyed. Moreover, right on the eve of the UN SC meeting in the Lebanon there occurred the murder of another politician speaking against Syria's influence in the country – the Editor-in-Chief of the anti-Syrian newspaper An-Nahar and deputy of the Lebanese Parliament Gebran Tueni. The new murder could have complicated Damask's position, the more so that the Mehlis commission had evidence clearly not in favor of Syria. However, the murder of the Lebanese politician just on the eve of the SC meeting was taken by many as an „anti-Syrian” provocation, similar statements were voiced also by the Syrian authorities.

However the mildness demonstrated by the international community with respect to Syria, though advantageous to Russia, should hardly be viewed solely as Moscow's achievement. Apparently, the irresolution of the West consists in the unwillingness to escalate the already unstable situation in the Middle East.

Iran, the second Russian partner in the Middle East, accused of the ambition to create nuclear weapons under the disguise of a peaceful atom development program, found itself even in a worse predicament than Syria. The situation around the IRI escalated in August when its talks with the „European three” broke off after which they began raising the question of the need for using international sanctions against Teheran. However in 2005 it was never done, on the one part, due to the indecisiveness of the international community and disagreements between the leading participants involved in the resolution of the Iranian problem, and, on the other hand, due to the foot-dragging tactics chosen by the Iranian leadership.

Iran did not refuse to hold talks and demonstrated readiness for dialogue, though from the very beginning it was evident that it would not lead to a positive result, since the Islamic Republic firmly intended to stand up for its right to develop its nuclear program. Russia actively supported the IRI. Thanks in no small part to the RF the IAEA meetings dedicated to the Iranian issue never resulted in the transfer of Iran's „dossier” to the UN Security Council.

However several times Iran almost dashed Moscow's diplomatic efforts and put it in an „awkward” position, for instance, in connection with „non-diplomatic” statements of Iranian President Mahmud Ahmadinejad (about the need to destroy Israel or transfer it somewhere to Europe or Canada). One of the ways of rescuing the Iranian nuclear program, in which the RF is involved, became the proposal to Iran to enrich uranium on Russian territory. Teheran's positive reply would serve as a guarantee of the peaceful bent of its nuclear designs. The Iranian authorities made it crystal clear they would not agree to it, though, still sticking to the foot-dragging tactics they spoke of the need for negotiations over this proposal.

Making use of the irresolution of the world community, Teheran not only afforded, in the person of Mahmud Ahmadinejad, to make aggressive attacks against the neighboring countries, but also openly made plans for developing the nuclear energy industry in the country and purchasing modern weapons. Thus, in spite of the fact that the issue of the Iranian nuclear program was under discussion at the IAEA, and the decision on Teheran's right to at least complete the construction of the nuclear power plant in Bushehr was not yet made, Iran had already declared its intention to increase the number of its NPPs. By March of 2006 the IRI leadership planned to call a tender for the construction of two new nuclear plants. The legal basis for the construction is already in place: yet in early 2005 a draft law was passed on the construction of the NPP with a capacity of 20 thousand megawatt. It was also decided to build a new plant in Iran's South-Western province of Khuzestan.

Russia expressed readiness to take part in the tender, which it stands a very high chance of winning. First, the RF is already involved with the NPP construction in Bushehr and in practice has proved its ability to provide quality work performance. Second, Iran receives substantial foreign policy support from Moscow. And, third, it is unlikely that Iran's appeal for a broad international cooperation in the area of nuclear technologies (whatever the economic interest) will be met with enthusiasm by companies from other countries, particularly Western. It goes without saying that under the existing conditions this kind of business initiatives will spark an extremely negative reaction on the part of the ruling circles of these states.

Moscow is striving to use Iran's position of a „renegade” to the full and is ready, almost on a monopoly basis, to develop active interaction with it in different areas. The sale to Iran of Russian anti-aircraft systems TOR-M1 became a demonstrative act of such bilateral cooperation, which immediately made headlines around the world. According to the mass media, 29 Russian ZRK will go to Iran. The contract is estimated approximately at 1 bn dollars. The American leadership immediately expressed concern about the deal, and rumor even appeared about the

possibility of imposing sanctions against Russia. In its turn, the Russian side, represented by Defense Minister Sergei Ivanov, stated that this deal did not violate any international norms and that the contract would be executed despite the discontent of a third party, clearly implying thereby the US. And head of Rosoboronexport Sergei Chemezov maintained that the first TOR-M1 systems would be received in Iran as early as this spring of 2006.

All the activities of Iran's leadership only confirm its intention to develop nuclear weapons, almost no one has doubts about it. And nevertheless, the world community is divided in its position towards the state officially calling itself the „Islamic Republic”, and, as the US believes, supporting international terrorists. The long period of marking time in the Iranian issue can be put down to the diverging interests not only between the major geopolitical players, but also to each of them having controversial approaches to this issue.

The state which has clearly determined its position is Israel, currently the only holder of nuclear weapons in the Middle East. In striving to prevent Iran from coming into possession of weapons of mass destruction Israel will go to every length, including the initiation of military action. While so far all efforts of the Israeli diplomacy are aimed at compelling the international community toward more decisive actions.

Russia initially took the side of Iran, since it is extremely interested in developing economic cooperation with this country. The RF hates the idea of losing the Iranian market in the area of nuclear energy as well as the arms market. Partnership with Teheran gives the RF certain geopolitical weight, as long as Moscow can act as a mediator between it and the West. However this mediation was not overly successful. On the whole, Moscow is quite content with the maximal dragging out of the resolution of the Iranian case, since while the international community is of two minds, Iran with the immediate participation of Russia is developing its nuclear program.

Having said that, the issue of economic cooperation between the RF and Iran is not so simple. *On the one hand, it Russia is not interested in the economic blockade of Iran, since it calls into question the military-technical and nuclear cooperation between the two counties. On the other hand, Iran is one of the largest suppliers of energy resources in the world market: 85% of its exports are accounted for by oil and gas. In the event of imposing a ban on trade with Iran, world energy prices will grow even higher. Such a turn of events is objectively in Moscow's interests. In other words, it receives a possibility of further increasing its revenues due to „unplanned” oil dollars.* Thus, though Russia publicly condemned the war unleashed by the US in Iraq it ended up with economic benefits.

In this case it also plays into the US' hands to destabilize the situation in the region, since it must have a negative impact on the economic performance of their competitors – the European Union and China, interested in energy supplies from Iran. That's why the PRC insists on diplomatic efforts in resolving the dispute around the Iranian nuclear program. Evidently, it is the economic considerations that are behind the indecisiveness of European countries as well.

Russia and Latin America

Latin America is traditionally considered as the fief of the United States, however, in recent years Washington's influence on the countries of the region has begun waning. One of the reasons is the US waging „war on terror” in other regions of the world. The US are used to regarding their positions in Latin America as fairly firm and therefore they have put their main efforts in consolidating their influence on other continents, including in the post-Soviet space. It is particularly true of the Middle East, where the US embarked on forced „democratization” of Iraq getting drawn into a protracted war. *The weakening of the American positions is also related to the internal processes developing in Latin American republics: the leftward shift” of the regional countries is largely conditioned by failure of the radical economic reforms that were carried out according to liberal recipes.* And it is the US that is now blamed for the deterioration of the economic situation and fall in people's living standards in the countries of the region. On top of that, „separate” cooperation among the Latin American states without the US participation keeps getting stronger, with such interaction oftentimes having an explicit anti-American bent.

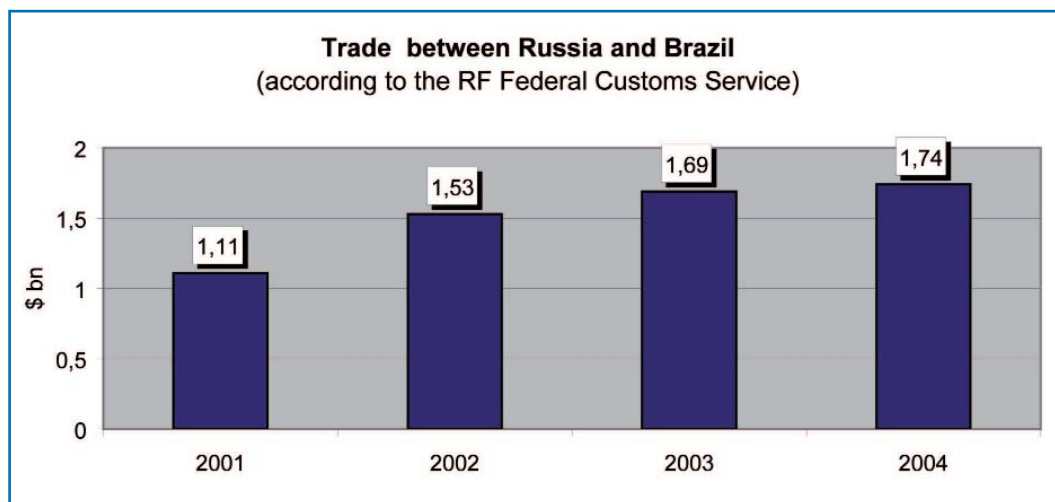
Similar trends were not left unnoticed by the Russian „security elite”, since the strengthening of ties with the Latin American states is a perfect opportunity to assert one's presence in the traditional area of American interests „in counterbalance to” the penetration of the States into the post-Soviet countries.

The leading Russian partner in Latin America is Brazil, cooperation with which is a logical follow up of the development of relations with China and India already within the BRIC concept complementing the Moscow-Delhi-Beijing „strategic triangle”. Researchers of the American investment bank Goldman Sachs, the authors of the concept, claim that by 2050 the total GDP of the four above-named countries will have surpassed the total GDP of the G-6 countries (G-7 without Canada).

Brazil is deemed a strategic partner of Russia in Latin America. Both states are large developing countries with high geopolitical ambitions. Accordingly, both Brazil

and Russia are interested in a multipolar structure of the world. Geographically, the countries are far away from each other, located in different hemispheres, therefore they do not clash as direct competitors in the struggle in these or those territories as, for example, Russia and China or China and India. Therefore it is no surprise that the RF is lobbying Brazil as a candidate for the seat of a permanent member of the UN Security Council. In their turn, the South Americans support Russia's accession to the WTO, though the talks ended on a positive note only in October 2005 (previously, Brazil had made claims to Russia concerning the agricultural industry: increase in meat quotas and reduction in sugar duties). Interestingly, the visit of President of Brazil Luiz Inacio Lula da Silva to Moscow, which was a return visit to Vladimir Putin's trip to Brazil a year earlier, took place immediately after the joint Indian-Russian exercise and Russian-Chinese maneuvers which gave cause to speak of the revival of interest in the idea of Moscow-Delhi-Beijing „strategic triangle". It was hardly a sheer coincidence.

Brazil holds the first place in Russia's trade with the countries of Latin America. In 2005 it exceeded 2 bn dollars which, however, is not that much. Besides, Russia still has a negative trade balance in the high-tech areas, first of all, in power energy, aeronautic engineering and space industry (the so-called „technological alliance"). However so far there are no specific agreements save the contract for the launch of a Brazilian cosmonaut to the ISS in 2006. Among the projects of potential interaction between the countries they name: Russia's participation in the modernization of Brazilian rocket booster VLS-1B, plans for joint construction of a local HPP. In the area of aeronautic engineering Brazilian company Embrair expresses desire to create in Russia an assembly line for jet aircraft ERJ-145, there are plans to supply to Brazil amphibian Be-103 and helicopter Mi-171A.



Russia's relations are developing also with other Latin American countries. In 2005 there took place meetings of the Russian President with his Mexican and Argentinean counterparts at which, apart from general questions, was discussed bilateral cooperation in the nuclear and aerospace areas. Besides, the need was noted for strengthening interaction in economy, financial area, intensification of cultural and humanitarian ties. Accordingly, contacts with the region intensified also on the part of the Foreign Ministry: last year RF Foreign Minister Sergei Lavrov visited Mexico, he also held meetings with the Foreign Ministers of Brazil, Honduras, Cuba, Panama, Chile and the MERCOSUR member-states. In 2005 parliamentary ties were developing: Moscow hosted delegations from Columbia, Argentina, Mexico, Panama, Uruguay. Interaction goes on between Russia and Latin American countries within regional international organizations – with MERCOSUR and Rio Group. The RF is a permanent observer at the Organization of American States (OAS).

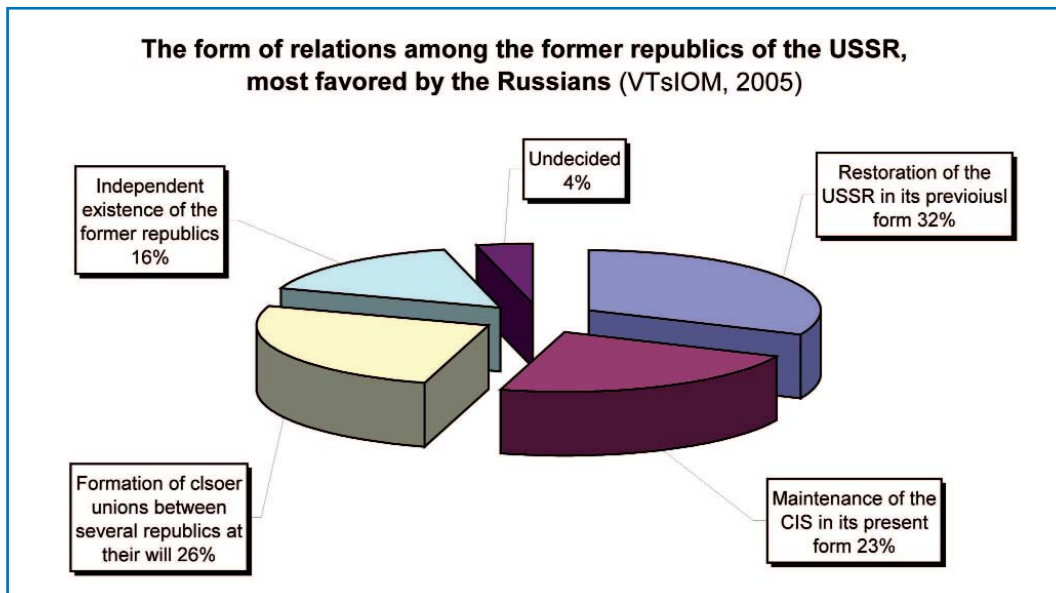
RF trade partnership with the countries of the region is gradually growing. Latin American countries are interested in the production of Russian mechanical engineering. For example, in Argentina about one third of power energy is generated at the power equipment supplied by Russian companies. In Brazil there are over 20 thousand machine tools of Russian make. Over 900 Russian aircraft and helicopters are used in the region's countries. Over recent years alone more than 60 thousand passenger cars and more than 16 thousand trucks have been sold there. In Ecuador, Columbia and Uruguay the assembly of Niva cars is up and running. Russian road-building and agricultural machinery is in fairly good demand among Latin American entrepreneurs. Russian oil companies operate in Latin America: Rosneft, Lukoil, Zarubezhneft. In preparation are projects for expanding the exports of Russian high-tech products, aircraft and aircraft equipment, power and laser equipment. Contracts were signed for the construction in Venezuela of kaolin calcining, storage battery manufacturing plants, development of gold-bearing ore deposits, exploration of lead and zink deposits, cooperation in the motor industry and production of portable generators. In their turn Latin American entrepreneurs are leading suppliers to Russia of a number of agricultural and food products, including raw sugar, pork, bananas, soybean oil, natural flowers, poultry meat. There operate in Moscow Russian-Venezuelan fast food JV Rostics, Russian-Columbian Trading Houses El-Rex, Neusa and Moscow Flower House, while Uruguayan enterprise FRIPUR selling fish products is in operation in the Moscow Region.

However, on the whole *Russia's trade with the Latin American countries could be developing more intensively. For instance, in 2004 total trade between the RF and the regional countries was just 6 bn dollars. In 2005 its growth was not*

particularly substantial. Thus, the results of the Russian activity on the Latin American continent are so far relatively modest.

Russia in the post-Soviet space

For any state laying claim to the role of a world power, Russia being one of them, it is vital to have satellite state. Strong positions in the world encourage the strengthening of domestic stability of the ruling elites as well as increase their importance in the international arena. *The traditional sphere of the RF influence has been the post-Soviet space which it tried to „tie up” to itself both by using the political and economic interdependence inherited from the coexistence as parts of the USSR and also by creating international associations in this territory. However it did not help prevent the penetration into the zone of exclusive Russian influence of other players which have substantial economic and political resources and pose a significant challenge to Russia’s leadership.* In 2005 the US and China continued their actions for on strengthening their positions in the post-Soviet space, somewhat edging aside the Russian party.



For the RF the year started with the loss of Ukraine. After the victory of the „orange” candidate, Victor Yuschenko, at the presidential elections, while Moscow had unambiguously staked on Victor Yanukovich and publicly supported him,

constructive relations with Kiev were a very unlikely prospect. Even the former leadership could only be called pro-Russian by stretching a point, since almost immediately after the break-up of the USSR Ukraine set entry into European structures as its strategic goal. Moreover, in the 1990s it joined the anti-Russian union GUAM (Georgia, Ukraine, Azerbaijan, Moldova, for some time Uzbekistan was also a member of this organization). As far as the Yuschenko administration is concerned, not only did it declare its ambition for accelerated integration into the Western community but also took the path of forming an alternative center of influence in the post-Soviet space, trying on the role of the regional leader in counterbalance to Russia. However in the second half of 2005 Ukraine began to show drift toward Moscow which is related to the coming parliamentary elections in the country in March this year and the aspiration to win over the pro-Russian electorate. Notably, cooperation with the RF was employed as a tool by practically all political forces of Ukraine, even the bloc of Yulia Tymoshenko. Furthermore, President of the Republic Victor Yuschenko called Russia a strategic partner of Ukraine and supported the idea of creating supranational bodies of the Eurasian Economic Space (EES), though before the maximum Kiev would go for was the creation of a free trade zone.

However no such declarations were of any help to forestall the adoption of a painful decision for Kiev on increasing Russian gas prices. Beginning the year with the loss of Ukraine, ***Russia completed it by an attempt to bring it back into its sphere of influence by means of the gas lever. It led to a still tougher confrontation between the countries,*** since Kiev refused point blank to accept Russia's new terms concerning the transition to market gas prices, as a result of which the price of Russian gas for Ukraine would grow three times – up to 160 dollars for one thousand cubic meters. Russia directly stated to Ukraine it was ready for a compromise on the issue of gas prices if Kiev consented to the RF's participation in the Ukrainian gas transportation system. Gazprom hoped to implement the 2004 agreement for the creation of an international consortium. The consortium would act as an operator of Russian and Central Asian gas supplies to Europe through Ukraine, in which the Russian and Ukrainian party would get equal shares. In such a case Russia could control the transit of its gas through the Ukrainian territory. However, the „orange” leaders withdrew from the implementation of the consortium project which would deprive Ukraine of the levers of pressure on Russia and call into question the rapid integration of the country into the Western structures. Kiev did not succumb to Gazprom's pressure and dismissed the compromise proposal of the Russian Federation, which was followed up by a hardening of the Russian position and even higher growth in the gas price (up to 230 dollars).

Kiev did not simply refuse to accept the Russian terms but took retaliatory measures in relation to the RF. Ukraine's Cabinet of Ministers passed a resolution on taking inventory of the facilities taken on lease by the RF Black Fleet in Ukraine. It was also declared that the tariffs for the stationing of the Black Sea Fleet would be reconsidered in view of a transition to world lease payment standards. But the main trump up Ukraine's sleeve was the use of its position of a transit country for Russian gas to Europe which enabled it to blackmail Moscow with „technical intake of gas” resulting in a reduction of supplies to the EU countries. As long as 80% of Russian gas exports to Europe go through the Ukrainian territory, the RF cannot close off the pipe.

Russia and Ukraine never managed to sign a new agreement prior to 2006, and from January 1 Gazprom made good on its promise of cutting off gas supplies to Ukraine. Then the Ukrainian party began an „unauthorized intake” of gas going for Europe. Yet on January 4 Gazprom and Naftogas entered into an agreement regulating the relations in this sphere. According to this document, the Russian party would sell gas for 230 dollars for one thousand cubic meters. This allows it to „save face” and demonstrate the line towards taking tough measures for the implementation of the goals set. But at the same time Ukraine was allowed to purchase also the Turkmenian gas contracted by Russia for preferential tariffs. In the final analysis, the average price came out at 95 dollars which is the maximum for Ukraine which simply will be unable to pay a higher price. It proved possible to take into account the demands and wishes of both parties only with the help of including Swiss company RosUkrEnergo (RUE) in the gas sales scheme.

It may be that this gas conflict was provoked by the „siloviki” who in the recent months have been actively lobbying the development of the Eastern vector of the Russian foreign policy, particularly the construction of the Eastern pipeline. Tellingly, on the part of Gazprom, the issues of the gas dispute with Ukraine were handled by „silovik” Alexander Medvedev. No support on the part of Europe during the gas showdown with Ukraine actually serves for the „security” NPG as an argument in favor of the diversification of the RF energy policy. Another purpose of fueling the conflict, supposedly, was the formation of a new scheme of dividing the financial resources related to gas transportation through the territory of Ukraine with the participation of RUE, behind which are „non-transparent” share holders.

At the same time, ***Ukraine's transition to market prices for Russian gas marked the ultimate „escape” of the Republic from under the Russian influence.*** The unambiguous orientation of the Ukrainian leadership towards the West threatens the RF with the emergence of one more participant of the border with NATO. Belarus, allied with Russia, also happens to be surrounded by pro-Western states, so now it feels pressure not only from the North and West but also from the South.

The most active anti-Russian stance of all the post-Soviet republics is taken by Georgia, whose Parliament on the eve of the celebration of the two-year anniversary of the „revolution of roses” passed a resolution on looking into the issue of the country’s withdrawal from the CIS. This step is quite logical, given other initiatives of Georgia’s leadership: pushing the Russian peacekeepers out of the conflict zone in Georgia’s territory and statements about the formation of a „black list” of Russian politicians caught in anti-Georgian activities and comments. A constant irritant in the Russian-Georgian relations is the unrecognized Georgian Republics of Abkhazia and Southern Osetia which are used by Russia as levers of pressure on Georgia.

The „orange” group is joined also by Moldova, though power in the Republic is in the hands of the local communist party, which won the parliamentary elections in the spring and supports President of the Republic of Moldova (RM) Vladimir Voronin, who is also among those opposing the expansion of Russian influence in the CIS. At these elections it was Russia’s turn to attempt a „revolution” in order to bring to power loyal forces, however to no avail. Voronin with his anti-Russian foreign policy and course towards closer ties with „orange” Ukraine and Georgia well suited the West. The Moldavian President is seeking to liquidate the RF military presence in the Trans-Dniester Region and to replace the Russian peacekeeping forces by NATO militaries. Notwithstanding the pressure, Moscow has no intention of withdrawing its military contingent from the Transdniestrian Moldovan Region (TMR). Yet, after the „orange” revolution in Ukraine Russia was left actually all alone in the issue of settlement of the Transdniester Conflict, for Kiev is inclined to support its ally – Kishinev.

Baku, too, participates in most anti-Russian initiatives. Despite the foiled attempt to pull off a „color revolution” in Azerbaijan during the parliamentary elections, the affairs in the Republic are mostly determined by the United States, which themselves thwarted the implementation of the „revolutionary” scenario, having decided that the existing leaders were quite O. K. for them. The RF, from the very beginning, supported the existing authorities in the Republic, assumptions were even made that the Russian special agencies were involved in uncovering the „anti-state conspiracy” in Azerbaijan. However the Russian party has an understanding that Baku’s Western orientation will still play a priority role, and has come to terms with the minimization of Russian influence in the Republic. It is believed that oil-rich Azerbaijan, in contrast to most of the post-Soviet republics, is not strongly dependent on Russia. Baku reacted with calm even to the increase in gas prices declared by the Russian party, expecting in about a year to become gas self-sufficient, if the Shah-Deniz project and the Baku-Tbilisi-Erzurum gas pipeline were to be launched as scheduled.

Thus given the composition of the „orange camp” it can be maintained that in no way are they united by „democratic ideals” but by the pro-Western orientation and anti-Russian sentiments.

The triumph of the „orange revolution” was immediately followed by rapprochement between Ukraine and Georgia, which a year earlier had seen the „revolution of roses”. The Presidents of the two Republics, Victor Yushenko and Mikhail Saakashvili, became the ideologists and organizers of the revival of GUAM which had been actually idle until then. On the eve of the parliamentary elections in Moldova in March this year Yushenko and Saakashvili were joined by Moldovan President Vladimir Voronin, hoping to forestall a possible „pro-Russian” revolution in his country. Despite being formally a communist, Voronin does not find it a problem to be a member of the union setting as its objective the promotion of „liberal-democratic ideals” in the post-Soviet space. At the OSCE meeting in early December 2005 the GUAM member countries not only acted as a single front but also declared their decision to set up the head-quarters of the organization in Kiev.

One more anti-Russian initiative in the post-Soviet space is the Community of Democratic Choice committed almost to the same objectives as GUAM. The Community aims to unite the countries of the Baltic-Black Sea-Caspian region. The creation of this organization was initiated by Mikhail Saakashvili and Victor Yushenko who declared such intention during their summit in Borjomi in August 2005. The community is reminiscent of the idea of formation of the Baltic-Black Sea belt of states which arose yet in the mid 1990s, in order to create a sort of buffer on Russia’s way to Europe. Yet Belarus is missing in its current configuration, despite the presence of additional participants apart from the Baltic States and Ukraine. The fact that the Community will be joined not only by the former republics of the USSR attests to the desire of the „orange” to get united with the European „young democracies” in the struggle for „democratization” of the region, and also to the demonstration of Georgia, Ukraine and Moldova being part of the United Europe.

Clearly anti-Russian is the project of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, in which the United States take avid interest. This pipeline was calculated, first and foremost, for Azerbaijan oil, however, there is doubt that it will be enough. In view of this, Kazakhstan was offered to participate in the project and gave its consent. On May 25, at the ceremonial opening of the Sangachal terminal on the Caspian coast, the starting point of the 443 km-long Azerbaijan section of the BTC, the President of Kazakhstan stated that the Baku-Tbilisi-Ceyhan project could already be called Aktau-Baku-Tbilisi-Ceyhan. At the first stage Astana will be annually exporting through the Baku pipe 7.5 mln tonnes of oil. However in this decade already these volumes will

be raised to reach 20 mln tonnes per year. At first oil will be delivered by tankers to the Sangachal terminal from Aktau, but by the time of the first oil production from the Kazakh field of Kashagan, the Eastern and Western Caspian Coasts are expected to have been connected by a pipeline laid across the bottom. Apart from the agreement for Astana's accession to the BTC, Kazakhstan signed the Baku declaration on support of the West-East transport corridor providing for the introduction of an American contingent to protect the BTC. That this project is geopolitically colored is evidenced also by the presence of the Ukrainian president at the opening of the terminal, whereas Ukraine is not an immediate participant of the pipeline.

The anti-Russian initiatives undermine the Russian positions in the post-Soviet space: the „orange” associations threaten its political domination in the CIS territory, alternative pipelines deprive it of the possibilities for economic pressure. Moreover, such actions are supported by the United States and are leading directly to the strengthening of the American positions in the post-Soviet arena.

In 2005 the „color revolutionaries” were joined also by Kirghizia with its „yellow” or „tulip” revolution. However it did not go for an abrupt rift with Russia. ***Kirghizia is still a participant of the integration associations in the post-Soviet space under the auspices of the Russian Federation,*** including the Collective Security Treaty Organization (CSTO) which has acquired a clearly manifest „anti-orange” bent. Thus, within the CSTO it was decided to form a peacekeeping contingent which would provide assistance in conflict resolution in the territory of the member states (Russia, Belarus, Armenia, Kazakhstan, Tajikistan and Kirghizia), which in practice will make it possible to suppress potential revolutionary actions. Thus the RF has got a fairly effective tool to prevent these countries from entering the zone of exclusive Western influence.

Having said that, participation in the pro-Russian associations does not keep Bishkek from maintaining on its territory the American military base in Manas. Such politics of the Kirghiz leadership is hardly indicative of its willingness to stick to the multi-vector orientation, for the allegiance to the United States was, in essence, „bought” in the process of power change as a result of the „color revolution”. Apparently, Bishkek tries to demonstrate to Washington that it has room for maneuver in order to avoid serious pressure on its part, as well as to receive monetary stimulation in consideration of pro-American sympathies.

Kazakhstan acts in line with the traditional policy of Central Asian countries aimed at balancing among the interests of the major geopolitical players in the region, which, on top of Russia and the US, include also China. Friendship with the RF is no obstacle to Kazakhstan's cooperation with the states that saw the victory of

the „color revolution”. Apart from the participation in the BTC project, President of Kazakhstan Nursultan Nazarbaev entered into an agreement with Georgian President Mikhail Saakashvili for Kazakh gas supplies to Georgia. Western business has a broad representation in the strategically important oil-and-gas industry of the Kazakh Republic. Nazarbaev's win at the presidential elections was in no small part determined by the American support.

Russia's relations with Turkmenistan remain unstable. The cooperation between the two countries is based on supplies of cheap Turkmenian gas under a strategic agreement calculated for 25 years. Pursuant to this agreement, concluded for 2004-2028, Gazprom has the right to purchase 7 bn cubic meters of Turkmenian gas in 2006 at a price of 44 dollars per one thousand cubic meters. However on the eve of a new year it has already become a tradition for Turkmenistan to make statements about an increase in gas selling prices. Thus Turkmenbashi proposed to Russia, Ukraine and Iran prior to December 10 to complete talks on this issue and consent to the new price of the Turkmenian „blue fuel” of 60 dollars per thousand cubic meters in 2006, which was made public in a statement of the Republic's Foreign Ministry, notably, almost in the form of an ultimatum. There had been no consultations or negotiations with the partners, they were simply notified on a unilateral basis, in other words, presented with a fait accompli. Moreover, it was declared that the agreement of Russia and Turkmenia in the gas industry was not final but it only laid down the basic principles. While as for specific gas prices they should be fixed in separate agreements. In the event of payment for the gas at the new price the Russian company will have to pay additionally 118 mln dollars. In itself this amount is not that big, however, this step of the Turkmenian President has proved that stability is not part of the equation when it comes to relations with Turkmenia. It is a serious obstacle to Gazprom's work which hopes to purchase considerable amounts of gas in this Republic, which is more profitable than developing its own fields. However purchasing energy sources from a different state automatically makes the importer dependent on the exporting party, but in the case of Turkmenistan the situation is even more unstable. *Gazprom has no guarantees that over time they won't be another price increase or the Turkmenian party won't decide to terminate the agreement and relinquish gas supplies. What makes the situation worse is that Moscow has no levers to exert influence on the „unpredictable” Turkmenbashi,* and the signed agreements in this case play no role whatsoever.

Thus, *Russia's positions in the Central Asian region cannot be called firm. It can count as an ally only on Uzbekistan, which irreparably spoilt its relations with the West after the Andizhan events and therefore has staked solely on Moscow.*

Currently the RF acts as practically the only guarantor for maintaining the stability of Islam Karimov's regime. After signature of the Treaty on Allied Relations between Russia and Uzbekistan, the assumptions grew stronger about a possible deployment in the near future of Russian troops in the territory of the Republic. The Treaty implies that Moscow can even use its military forces to provide assistance to Karimov in the case of another revolution, for example, under the pretext of fighting extremists.

Apart from the US another Russia's rival in the region is China which, though not deploying military bases, prefers the course of economic expansion, being extremely interested in energy resources. As China's achievement it is worth noting the oil pipeline Western Kazakhstan-Western China (Atasu-Alashankou) with a capacity of 10 mln tonnes per year. Such cooperation between Kazakhstan and China, of course, is most unlikely to sit well with Russia in spite of these two countries being its important partners. Another initiative of the PRC within the Shanghai Cooperation Organization (SCO) was the granting of a soft loan to the Central Asian republics. However the RF immediately spoke against this proposal, advocating equal participation of all the organization members, though other countries were anything but opposed to such „inequality”. The Chinese proposal – is specific economic aid in contrast to ringing declarations on the strengthening of security and geopolitical alliance which are not translated into palpable cash flows capable of helping with their economic development. Unlike the US and China, so far the RF cannot use significant monetary injections as a lever for exerting influence on the post-Soviet republics, which seriously weakens its positions in competitive struggle, and in prospect may lead to complete departure of Russia from Central Asia.

On the Western borders Belarus is the only real ally of the Russian Federation, being one of the few post-Soviet states for which the Russian vector is the priority one. However, the Russian-Belarusian relations are not developing without controversy which is accounted for by the personality of President of Belarus Alexander Lukashenko.

On the one hand, Lukashenko's relations with the West are irreparably damaged, the Belarusian President is considered the „last dictator” in Europe, and the Western countries openly proclaimed the course for power change in Belarus. In this situation the RF is virtually its only protector. Russia provides not only political but also economic support to its „brotherly neighbor”: Belarus continues to receive Russian gas at a preferential price, as distinct from the other CIS neighbors. And though Lukashenko said that as compared to the 50-billion budget of Belarus the 180 million saved by it thanks to the preferential price, – is „a drop”, during his press-conference he was quick to point out to the Russian mass media that it was „not brotherly way”

to raise gas prices during a 25 degree frost. He also made claims to Russia to the effect that, unlike the Americans, for example, Belarus was not allowed to be involved in the production of Russian gas. Lukashenko makes no concessions to the Russian party also on the issue of building the Union State. He has maintained more than once that he believes that the only acceptable condition for the union is the absolute equality of the parties in the new state formation, and that Belarus will never become yet another subject of the Russian Federation. Lukashenko also keeps adamantly insisting that the Constitutional Act of the Union State should be adopted first, and only afterwards should there be a transition to the single currency, whereas Russia's stance is quite the opposite. For the process of adopting the Constitutional Act has been dragging on way too long already. Upon coordination of the text, this document must be put to a referendum in both countries, which may entail temporary expenses.

On the other hand, Russia does not have a suitable alternative candidate to Lukashenko, and the opposition supported by the West in the event of the successful outcome of the elections will have to work off the Western pre-election „advance”. That's why Lukashenko can afford to pursue a policy regularly running counter to Russian interests, and the RF has to put up with it.