RUSSIA: GREAT POWER IMAGE VERSUS ECONOMIC REALITY

Kathleen J. Hancock

Russia’s vision of itself has largely coalesced around that of a unique regional power, with the natural resources, glorious history, and will power to be a major player in a future multipolar world. As seen by most Russians, under the guidance of President Vladimir Putin, Russia has become an economically powerful actor with an important and independent voice on the international stage, including rebuilding historic economic alliances with states described as rogues by the United States and forming a strategic partnership with China. Some have seen the challenges to the West combined with Russia’s close relationship with China as a threat to the United States; but this threat should not be overblown. As China continues to assert itself and eventually challenges Russia’s declared dominance of Central Asian resources, the two states may well clash.

Key words: Russia, BRIC, international political economy

Introduction

Russia’s vision of itself has largely coalesced around that of a unique regional superpower, with the natural resources, glorious history, and political will to play one of the select starring roles on the global stage. President Vladimir Putin, as seen by
the vast majority of Russians among both elites and the masses, has taken the state from a floundering follower of the West to a strong Eurasian-leading state. Putin and his predecessor, President Boris Yeltsin (1991-1999), have designed several regional economic integration accords that give Russia a dominant position among the members, which are a subset of the post-Soviet states. Russian troops are based in several of the states, some of which are also parties to the integration accords. Russia’s economic power has grown under Putin, with the primary hard-currency earners being exports of natural gas and oil, as well as military and nuclear energy equipment.

These economic interests have pushed Putin to partner with a variety of states, including several in Western and Eastern European that rely on fuel imports, as well as several states that the United States strongly opposes, including Libya, Iraq under Saddam Hussein, and Iran. Despite these economic relationships, Russia has remained close to the United States, in part because it wants to continue membership in or join international governmental institutions (IGOs) that are dominated by the United States, most notably the World Trade Organization (WTO) and the G-8.

Since the mid-1990s, Russia’s most important long-term strategic ally has been China. Their common dislike of Western interference in internal affairs, particularly on human rights and democratic institutions, binds them together ideologically. Economically, China needs to import the energy and military equipment that Russia needs to export. The second most important emerging power for Russia is India, with which it has an historic trade relationship that includes military and nuclear-technology sales. Far from the continents that matter to Russia and seemingly uninterested in significant military power, Brazil is not seen by Russian leaders as a contender for major power status. Finally, a partnership between Russia and Japan—Asia’s largest economy—has been stymied by the debate over the islands that Russia has claimed for itself since World War II, along with memories of Japanese aggression.

Yet while Russia has the military might and will to be a great power, its economic foundation is weak. Its future status will in part depend on how far bluster and a close relationship with the true next great powers—China and India—can take it.
The Yeltsin Years:
From Western Hopeful to Independent Power

The Russian Federation’s first two years of independence are critical for understanding Russia’s response to the United States today, its emphasis on controlling the former Soviet region, and the Russian policy of reaching out to the emerging Asian powers, particularly China. In the early 1990s, President Yeltsin closely aligned Russia with the Soviet Union’s erstwhile enemy—the United States specifically and the West more generally. He quickly and unreservedly moved the Russian state toward democratic institutions and market economies, backing the United States even on United Nations resolutions and military action against Russia’s long-time ally and ethnic brother, Serbia. As the Russian economy collapsed and wars broke out in the surrounding region, Russian nationalists gained credibility, threatening Yeltsin’s political position. Appropriating their ideas, he then refocused foreign policy on the former Soviet states and resurrected the image of Russia as a unique great power. Vladimir Putin subsequently further enhanced this image by courting close relations with myriad other players, including both Western European powers and states the United States identified as rogues, notably Iran and Iraq.

As the first leader of the newly independent Russia, Yeltsin fully embraced the West and its institutions. Like Peter the Great, he saw Russia as a European state, albeit one that had fallen behind. According to Yeltsin, Russian policy would be focused beyond the former Soviet borders and would be marked by “gradualism, negotiations, accommodation, and solidarity with the U.S.-led ‘civilized world.’”¹ Foreign Minister Andrei Kozyrev declared that Russia’s aim was “to become a full member of the international community” and to be viewed as a state that is “a threat neither to its own citizens nor to other countries.”² Russia

---

would stand by the arms-control regime that Mikhail Gorbachev had initiated. Going further, it would ban nuclear testing, destroy chemical weapons, ban space weapons, and reduce military forces to levels sufficient for defensive operations only. Russia would continue cooperating with the North Atlantic Treaty Organization (NATO), the Conference on Security and Cooperation in Europe (CSCE), and other European security institutions. Western leaders and citizens were demonstrably enthusiastic about the region’s transformation from enemy to ally. They applauded Russia’s progress in moving toward a democratic, capitalist state while sending clear signals that it would not be militarily aggressive. Russia’s foreign and security policy was met by “a rhetoric of unlimited goodwill in the West.”

Economic Collapse and Western Demands

This honeymoon period ended swiftly. With the dramatic change from protective communism to competitive capitalism, economic growth plunged and people suffered. In its first year of independence, Russia’s gross domestic product (GDP) dropped by 14.5 percent, while prices escalated by 1,735 percent. The following year, GDP again declined, this time by 8.7 percent, while inflation continued to cripple the economy at 879 percent annually. It was not until 1997, after five years of decline, that the Russian economy finally showed improvement. The West was unable or unwilling to save the collapsing economy. There was no Marshall Plan equivalent.

The failure of the West to sufficiently aid Russia has been blamed on the United States, the International Monetary Fund (IMF), the World Bank, and the Russian government itself. President George H. W. Bush had inherited a $2.2 trillion national debt, hampering any large-scale foreign assistance. The $24-billion aid package formulated by the G-7, World Bank, and IMF in the immediate post-Soviet period according to some analysts contained serious design flaws. As for the Russian leaders, they dra-

6. Anders Åslund, How Russia Became a Market Economy (Washington, D.C.:
matically underestimated the enormity of the changes required to turn around their economy, and overestimated the ability of the West and its institutions to finance the change. Faced with what appeared to be policy failures, the newly liberated Russian voters and many of their leaders grew disenchanted with the West, and also with Yeltsin, who had advocated these policies.

Despite the rhetoric, Russians sensed that the Western powers were not truly their allies. Many of the policies pushed specifically by the United States, and often the European Union (EU) as well, ran counter to long-term Russian economic interests and relationships. The challenge came even before the Soviet collapse, when Iraq invaded Kuwait in August 1990. Iraq had been the Soviet Union’s most important customer in the Middle East, purchasing nearly all its military equipment from Moscow. Despite this critical economic alliance, Gorbachev joined the Western powers in imposing economic sanctions against Iraq. This was a serious blow to the weak Soviet Union. Even if the Soviets did not fully enforce the sanctions, the decision surely harmed their economy in the short run.

1992 was a particularly brutal year for the Russians. They had just gained their independence, only to see it circumscribed by the very Western powers they were courting and which reportedly shared their ardor. In April 1992, the UN Security Council sanctioned Libya for not extraditing suspects in the 1988 Pan American Flight 103 airliner hijacking and explosion that resulted in the deaths of 270 people. The resolution banned air traffic to Libya and the sale of civil aircraft and military equipment to Libya. The sanctions were reaffirmed in December 1993. But the Soviet Union had been Libya’s primary supplier, and was now owed $4 billion. Yeltsin originally threatened to veto the measure out of concern for Russia’s payments. After letters from the Western leaders, however, he succumbed to pressure and voted with the West. In May 1992, the United States threat-

---

9. “U.N. Votes to Tighten Sanctions,” Facts on File World News Digest,
ened economic sanctions in protest of a rocket motor deal between Russia and India, which was not yet a nuclear power. While the two states claimed that the motors were for space use, the United States argued that the sale violated international missile proliferation accords, since the rockets could be used for military purposes. Once again under pressure from the West, Moscow backed down, finally agreeing to sell India four motors but not to offer technological assistance.10

That same month, under heavy Western lobbying, particularly from the United States, Russia voted with the other Security Council members for harsh sanctions against Serbia in response to its escalating war with the breakaway republics of Yugoslavia. Yeltsin’s decision went against economic logic, as about 90 percent of Serbia’s military equipment was from the Soviet Union, making the state a critical economic partner for the newly independent Russia.11 In December, the Parliament estimated that sanctions against Serbia and Montenegro, Libya, and Iraq had cost Russia $15.8 billion.12 Meantime, some of the former communist states in Eastern Europe asked to join NATO. Although NATO would not expand until 1998, the fact that former Warsaw Pact members were already clamoring to join the alliance dealt another blow to Moscow.13

---


13. In 1998, the Czech Republic, Hungary, and Poland joined NATO. In 2004, Russian concerns about a creeping alliance were realized when the three Baltic states—and four more Eastern European states—became NATO members, bringing the alliance right to Russia’s door.
Regional Unraveling

During this same critical period, the former Soviet region was unraveling. Civil wars either broke out or deepened in Georgia, Azerbaijan, Moldova, and Tajikistan.\(^{14}\) In Georgia, before the Soviet collapse, a battle had been brewing between forces loyal to the Soviets and the nationalist President, Zviad Gamsakhurdia, who had been elected in May 1991 with strong public support.\(^{15}\) Gamsakhurdia extolled the virtues of the Georgian people and their state, while enacting policies against ethnic minorities, including Russians.\(^{16}\) When the Soviet Union fell, he refused to join Yeltsin’s Commonwealth of Independent States. In January 1992, after months of armed conflict, Gamsakhurdia fled Georgia.\(^{17}\) In March, Eduard Shevardnadze, the former Soviet foreign minister, took control. Throughout 1992, armed conflict continued between the Shevardnadze’s forces and Gamsakhurdia loyalists, as well as secessionists in Abkhazia and South Ossetia, two republics that had declared themselves sovereign in 1990. Russia sent peacekeeping forces to its border with South Ossetia, and flew forces into Abkhazia to protect Russian nationals and military equipment.\(^{18}\)

In Azerbaijan, the simmering conflict between Armenians in Nagorno-Karabakh and the Azerbaijani government led to several massacres. In February 1992, the Nagorno-Karabakh guerrillas took control of an Azeri village and massacred large numbers of civilians.\(^{19}\) Azerbaijan’s president resigned in March. In June, the


\(^{16}\) For example, Gamsakhurdia argued that minorities were not guaranteed the right of residency or equal status with the dominant ethnic group.


\(^{19}\) Aves, “The Caucasus States.”
Azeris elected a well-known nationalist, Abulfaz Elcibey, who advocated pan-Turkism and challenged Russian regional control, a particularly worrisome policy for Russia given Azerbaijan’s proximity to strategically important Iran, Turkey, and the oil-rich Caspian Sea. Tajikistan also was embroiled in a civil war beginning in May 1992. On the eve of independence, the Tajik people elected a member of the old communist regime, Rahmon Nabiev. After winning the presidency, Nabiev moved back toward authoritarianism. Numerous opposition parties and individuals formed in response. The splintered opposition differed on the wisdom of adopting democracy and market reforms, building an Islamic state, and centering policies around Tajik nationalism. Nabiev was eventually arrested and forced into retirement. By December 1992, with the aid of Russian and Uzbek forces, authoritarian forces had taken over Dushanbe.

The European former Soviet states posed their own problems for Russia. In 1992, the three Baltic states became more aggressive in their demands that Russian troops withdraw from their territory, and passed laws requiring public officials to speak the local language. To qualify as an Estonian or Latvian citizen, one had to have resided in the republic in 1938, or be a descendant of a resident, a policy that disqualified most of the ethnic Russian population, who comprised 30 percent of Estonia’s and 34 percent of Latvia’s population. Meanwhile, Moldova was reeling from its own civil war, with Russian forces supporting the separatists in Transdniestra, a small region in Moldova that had declared independence. By June 1992, over a thousand people had been killed and 20,000 were refugees. In July, the Russian government brokered a peace agreement that included a trilateral peacekeeping force of Russian, Transdniestrian, and Moldovan troops. Finally, Ukraine—one of the region’s most important states due to its advanced development, proximity to Europe and the Black Sea, and interdependence with Russia—proved to be stubbornly independent. Only a few weeks after the Soviet

Union’s demise, its president declared that all former Soviet military personnel in his territory must swear allegiance to Ukraine, including soldiers of the Black Sea fleet, which was now based on Ukrainian territory. Despite years of pressure from Russia, Ukraine refused to surrender the base and fleet.

The economic crisis coupled with the disintegrating Eurasian region and nationalist challenges to Russian authority threatened Yeltsin at home. Had Yeltsin been faced with only an economic crisis, he might have been able to weather the storm, keeping intact his strongly pro-Western policies. The regional threats, however, were overwhelming. Sixteen years after the Soviet collapse, when some have concluded that Russians are naturally inclined toward authoritarian rule, it is critical to recall the severe challenges that Russia faced just as it was attempting substantial democratic and market reforms for the first time.

Political Trouble and a New Foreign Policy

Many Russians saw a causal connection between Western institutions and economic and regional disintegration. Yeltsin’s opposition took advantage of this opening. Leaders in the Supreme Soviet aggressively challenged Yeltsin on domestic and international affairs, declaring the Soviet Union’s disintegration a tragedy. Their argument seemed well supported by the military and political chaos that now surrounded their state. The relative calm of the final Soviet years made the new regime and its focus on the relatively distant West appear to many a serious mistake. In addition, strong economic and political interests were threatened by an unknown future. While Westerners were celebrating what they considered the final death of the Soviet Union—as final as any human death—others within Russia saw a political decision that could be reversed, or at least sent on a different trajectory from the one imagined by Yeltsin.

In December 1992—the final month of the year of turmoil described above—the Congress of People’s Deputies tried to strip Yeltsin of his powers, prompting the president to declare that he would rule by decree. As the fight escalated, the legislators refused to go home. Yeltsin called in military troops and then cut off electricity, gas, and telephone lines. When that failed to bring out the deputies, the military stormed the building.
According to official figures, 145 people died in the conflict and 733 were injured. The president had defeated the parliament, but at a high cost and with a still uncertain future.

With the West off its pedestal, Russia’s neighboring states in turmoil, Russian nationals under attack in the Baltics, the Russia militarily exerting itself in regional conflicts, and Yeltsin under serious challenge from the Supreme Soviet, the administration’s U.S.-focused foreign policy—called the Atlanticist view—gave way to a Eurasianist perspective. Eurasianists emphasized Russia’s position as a great power with its own interests and personality, with a complementary focus on the former Soviet states as Russia’s sphere of influence. As Yeltsin’s political adviser, Sergei Stankevich, said, “Our state emerged and grew strong as a unique historical and cultural amalgam of Slavic and Turkic, Orthodox and Muslim components.” It has a “thousand-year history and legitimate interests” in the former Soviet states. Russia “should not be afraid to use her muscle” in defending these interests. Yeltsin now proclaimed that, “Stopping all armed conflicts on the territory of the former USSR is [in] Russia’s vital interest.”

On the economic side, the Yeltsin administration designed several major economic integration accords. The first accords, starting with the 1991 Commonwealth of Independent States, were largely intergovernmental agreements, allowing each state a vote in decision making. By 1995, following the switch to Eurasianism, the government designed agreements that required member states to delegate decision making to Russia alone. Most notably, the customs union that included Belarus, Kazakhstan,
Kyrgyzstan, and Tajikistan required states to match Russian tariffs, which were set by the Duma (parliament). Going even further, Belarus and Russia signed a Union Treaty that in part called for Belarus to adopt the Russian ruble as its sole currency, thus delegating monetary decision making to Moscow.

**Foreign Policy during the Putin Years and Beyond**

The rhetoric and attendant policy that saw Russia as a unique Eurasianist power with the right and authority to control its neighboring states continued throughout Yeltsin’s remaining years as president and into the Putin period. When Vladimir Putin (2000-2004, 2004-2008)\(^28\) assumed control of the state, he added a twist to the Eurasianist view. He retained Russia’s interest in playing the role of a great state, including regional economic and military integration, and added a multivector approach that enabled Russia to ally with any state that would aid its economy and more broadly its world position.\(^29\) Because many of the available economic allies are either mildly or adamantly opposed to (and opposed by) the United States, Putin’s policies have often appeared anti-American and he has endorsed that language when useful. He has courted democrats and autocrats alike, focusing on the European Union, traditional allies from the Soviet era, and emerging powers willing to challenge U.S. dominance, particularly China.\(^30\) It would be a mistake, however, to conclude that Putin

---

\(^28\) Article 81 of the Russian constitution prohibits a person from serving more than two consecutive terms. As a result, Putin must retire from the presidency in 2008. In October 2007, Putin selected Viktor Zubkov, a little-known official, as the new prime minister. This move was widely interpreted as his endorsement of Zubkov for president in the March 2008 elections. Putin later agreed to head his party’s parliamentary list, which would in all likelihood give him the prime minister’s position in a 2008 administration. Many assume that Putin will then run again for president in 2012, which the constitution permits.

\(^29\) For an analysis of how Russia has courted U.S. rivals, see Mark N. Katz, “Exploiting Rivalries: Putin’s Foreign Policy,” *Current History*, vol. 103, No. 10 (2004), pp. 337-41.

has rejected America. Even with the inflammatory rhetoric, he has maintained close ties with the United States.

Recreating Regional Hegemony

Putin has continued Yeltsin’s policy of economically integrating the former Soviet states, with a focus on a handful of states that have demonstrated their willingness to sign these Russia-centered accords.31 In 2000, Putin formed the Eurasian Economic Community, a clear reference to the EU’s predecessor, and in 2004, the Single Economic Space (SES). The Community replaces the earlier customs union and includes a single currency. The SES builds on this foundation and goes further, calling for coordinated trade policy and a single regulatory system. Thus far, Belarus has matched 90 percent of the Russian tariffs, while Kazakhstan has adopted 60 percent.32 Kyrgyzstan is a member of the WTO, which has significantly lower tariffs than Russia, and therefore matches Russia’s rates on a relatively small percentage of tariffs. Tajikistan has similarly low compliance. Uzbekistan, which joined in 2006, has only started to make adjustments. The most important new integration member was Ukraine, which had long resisted pressure to join Russia’s accords. Although the government has since wavered on adopting all aspects of the agreement, the fact that it has signed at all is significant.33

Under Putin’s tenure, economic integration between Russia and the former Soviet states has been uneven. While discussions on a common currency have continued, the date for enactment has been delayed, with prior predictions of 2007 highly unlikely to be realized. In a step away from economic integration with

31. For a thorough discussion of these agreements and the delegation involved, see Kathleen J. Hancock, Choosing the Forgotten Path: Single-State Governance and Economic Integration in Eurasia and Beyond (unpublished ms., 2007), chaps. 5-6.
Russia, Belarus recently announced it would stop pegging its ruble to the Russian ruble, changing to the U.S. dollar instead. In response, a former Russian economy minister, Andrei Nachayev, warned that if Belarus followed through, it could “kiss goodbye” a common currency with Russia. While this may be yet another ploy on the part of Belarus to gain concessions on the price of Russian gas, it demonstrates the uncertainty of the single currency. Of the regional integration efforts, the customs union has made the most progress. While the member states have been uneven in matching tariffs for non-members to those of Russia, they have mostly removed tariffs between them. The lag in adopting a single currency and other integration efforts suggests that these accords also carry symbolic value for Russia. As the leader of a regional integration effort, often on its own terms, Russia meets another criterion of a world-class power.

In the security realm, Putin has maintained the Russian policy of keeping military forces in the former Soviet region. According to the 2007 *Military Balance*, Russia currently reports about 15,000 forces abroad. The bulk of these are in Armenia (3,500), Georgia (3,000), and Tajikistan (7,800), all locations of current or recent conflict, with smaller numbers in Belarus, Kyrgyzstan, and Moldova. While the presence of troops in Tajikistan, which is geographically and culturally far from Europe, has been uncontested by foreign states, the Western powers have opposed Russian troops in Armenia and Georgia, arguing that these two states want the troops removed. Furthermore, when the United States based troops in Uzbekistan as an access point for fighting the Taliban and al-Qaeda in Afghanistan, Russia balked. This was its backyard, after all. With Russian pressure and promises, Uzbekistan defected from the pro-U.S. stance and demanded that the Americans leave, which they did. Uzbekistan simultaneously jumped out of its isolationist stance and into the Russian integration fold, signing its first Russian-designed economic integration accord in twelve years. As in the economic arena, Russia gov-

36. It signed the Eurasian Economic Community accord in 2006, the last
erns a regional military organization, called the Collective Security Treaty Organization which includes the same states as the Eurasian Economic Community with the addition of Armenia.\footnote{The Collective Security Treaty Organization originally came into force in 1994 with nine members. Georgia and Azerbaijan did not sign the 1999 treaty extension.}

The Russian interest in the former Soviet region is unlikely to change anytime soon. Both Yeltsin and Putin expended considerable resources strengthening and maintaining economic and military connections to most of these states. The recent decisions of Uzbekistan and Ukraine to join integration efforts they had rejected for twelve to thirteen years demonstrates that Russia still has the power to woo its neighbors and could bring still more states into the fold.

**Standing by and against the West**

The Russian decision to move away from a primarily Western focus in foreign policy did not mean that the state was turning its back on the United States or Europe, nor on the institutions with which they are associated. Most important among these institutions is the WTO. Membership in the WTO has been a top priority. Russia’s application, originally submitted in 1993 to the General Agreement on Tariffs and Trade (GATT), had stalled during the 1990s due to U.S. objections. American concerns focused on Russia’s practice of charging below-market energy prices that subsidize steel, fertilizer, and other energy-demanding production; high tariffs for automobiles and civil aircraft; and poor protection of intellectual property rights. The latter has been a particularly sore spot. In November 2006, the United States and Russia made a major breakthrough, signing an 800-page bilateral accession agreement. The Democratic-controlled Congress, which is pressing Russia on democracy and human-rights issues, has thus far refused to approve the accord.

The 2004 NATO expansion to include the three Baltic states, thus bringing the Western alliance right to Russia’s door, caused considerable tension between Moscow and the West. Partly in response, in 2007, Russia withdrew from the Conventional Forces
in Europe arms control accord. However, as Russian Foreign Min-
ister Sergei Lavrov explained, with most of the Warsaw Pact
states now members of NATO, the cold-war division of equip-
ment made little sense.38

Russia has seemingly intentionally embraced the very states
the United States officially most loathes, the so-called rogues. As
defined by the George W. Bush administration, rogue states are
those that

brutalize their own people and squander their national resources
for the personal gain of the rulers; display no regard for interna-
tional law; threaten their neighbors, and callously violate interna-
tional treaties to which they are party; are determined to acquire
weapons of mass destruction, along with other advanced military
technology, to be used as threats or offensively to achieve their
aggressive designs; sponsor terrorism around the globe; and reject
basic human values and hate the United States and everything for
which it stands.39

In his “axis of evil” speech of January 2002, Bush specifically
mentioned Iran, Iraq, and North Korea as “regimes that pose a
grave and growing danger.”40

Many of the rogue states, including those that made the
“axis of evil” list, are historic allies of Moscow’s. As noted
above, Yeltsin had allied with the United States against these
states as well as others the Americans were openly challenging,
such as Serbia. Later, as Russia focused on its unique world
position and historic ties, it often opposed Washington’s poli-
cies, adding to tensions with the United States. In the Putin era,
Russian economic interests consistently trumped U.S. demands
or ideological issues. In 2000, Russia drafted a UN resolution to
lift arms sanctions against Yugoslavia, in part responding to an
approximately $1-billion deal for arms sales to that state.41 Rus-
sia continued its arms sales to Iran and, for about $1 billion, has
been assisting it in building the Bushehr nuclear plant. In July
2006, the United States sanctioned several Russian defense con-

tractors for violating international laws prohibiting sales to Iran that could enable that state to acquire nuclear weapons. Putin defended his state’s right to sell to Iran, arguing “we don’t want Iran to feel cornered” at a time when it is under pressure from the United States and EU for its nuclear program.

Finally, in 2005 and 2006, Russia signed several arms trade deals with Venezuelan President Hugo Chavez, a prominent critic of the United States. In July 2006, just two months after the United States stopped arms sales to Venezuela, Russia agreed to sell it $1 billion worth of combat aircraft. With this recent deal, Russia concluded over $3 billion of military trade with Venezuela over an eighteen-month period. In June 2007, Chavez traveled to Russia where he decried the U.S. global dictatorship, emphasizing that he shared Putin’s view of Washington.

Russian policy has sometimes aligned more closely with the EU than with the United States, particularly on the economic side, a major factor driving Russian foreign policy. Russia ranks as the EU’s third most important trading partner, after the United States and China. Furthermore, the EU is Russia’s primary buyer and supplier, accounting for 26 percent of Russia’s exports and 39 percent of its imports. The United States does not make Russia’s top-five exporting destinations and accounts for only 5 percent of imports. In contrast to the protracted process with the United States, the EU moved forward with its WTO bilateral accession agreement with Russia ten years ago. On the military side, Russia, France, and Germany were united in opposing the

---

48. European Union, “Bilateral Trade Relations, Russia.”
invasion of Iraq, a point discussed below. On the other hand, Europe has often criticized Putin on his human rights record, his move toward a more powerful presidency, and his cutting of natural gas to Belarus, which in turn cut fuel to Europe.

As the above discussion demonstrates, Russian foreign policy is principally driven by economic calculations. With few products to sell in the international arena and not yet a WTO member, the Eurasian state has focused on military sales to bring in hard currency. Since pro-American states generally use U.S. military equipment, Russia’s most active clients have tended to be those opposed to, and opposed by, the United States. Despite these differences, Russia has not abandoned the West. While Russia’s tensions with the United States are often greater than with the EU, this is primarily because the United States dominates the international system, and has recently acted with hubris, creating an opportunity for Russia to form alliances with similarly offended states, such as France and Venezuela, and with true rivals, such as Iraq and Iran. Putin’s multivector policy extends to the United States. When Chavez strongly criticized the United States, seeing himself in accord with Russia on the matter, Putin did not embrace the stronger words, keeping his response muted. Even in remarks that some labeled “unusually hostile,” Putin made a point of calling Bush “my friend” and noted that Bush is “criticized for everything he does, but he is a decent man.”

Russia as an Emerging Power?

Although Russia can no longer claim one of the two top world positions, under Putin it sees itself as on a par with the second-tier great states. Through sheer will power, Russia often forces itself into a prominence not supported by its economic position. Russia is today the smallest economy among the four BRICs countries (Brazil, Russia, India, and China). Its GDP, $764 billion in 2005, is in fact slightly smaller than that of the Republic of Korea, which was $788 billion in the same year. Through

49. Ricks and Whitlock, “Putin Hits U.S. Over Unilateral Approach.”
50. GDP figures from The Little Data Book 2007 (Washington, D.C.: The World
persistent demands, Russia managed to persuade the Group of 7, which includes the leading industrialized states (the United States, United Kingdom, France, Germany, Italy, Canada, and Japan) to expand to the G-8 in 1997 to include Russia. Another Russian tactic to keep itself in the center of the great powers has been to ally with the two rising Asian powers, China and India.

**Russia and China**

Of the four emerging world powers identified by Goldman Sachs, China has primacy in Russian foreign policy. It is the state with which Russia has formed the most comprehensive relationships—economically and militarily—and with which it shares a willingness to challenge the United States on a variety of issues. The new relationship began under Gorbachev, when Beijing and Moscow discussed resolving their border dispute and Russia committed to withdrawing forces from Mongolia. Yeltsin completed Gorbachev’s promised troop withdrawals and also reduced forces along the shared borders. In 1996, Russia joined with China in forming a “strategic partnership,” and in creating the Shanghai Five, an informal group that also included Kazakhstan, Kyrgyzstan, and Tajikistan. The five have focused on demilitarizing their common borders, defeating resident Muslim fundamentalists, and stopping the drug trade. Although Putin is most closely associated with the strategic partnership relationship, in his final official days, Yeltsin once angrily countered Western criticism of his policy toward Chechnya by declaring that Russia and China, not the United States, would dictate to the world. Nearly 45 percent of

---

54. Dmitrii Gornostaev, “Eltsin Napomni Klintonu i Miru: Rossiya Ostaetsya...
Russians favor China’s governmental system, stating in a recent opinion poll that they viewed China’s centrally-controlled system as a better model for themselves than the liberal democracies of the United States, France, and Germany.55

In 2001, the Shanghai Five formalized their relationship, renamed themselves the Shanghai Cooperation Organization (SCO), and added Uzbekistan. At the new organization’s founding meeting, the six members signed a separate agreement called the “Shanghai Convention on Combating Terrorism, Separatism, and Extremism.” The three “isms” have become a commonplace trio in regional declarations. Reinforcing the relationship, China and Russia signed the Treaty for Good Neighborliness, Friendship, and Cooperation, a far-reaching accord that focused on five areas for cooperation: joint actions to offset U.S. hegemony, demarcation of the common border, arms sales and technology transfers, energy and raw materials trade, and the rise of militant Islam in Central Asia. Since 2005, China and Russia have led the SCO states in several military exercises, with the two presidents overseeing the exercises amid wild applause.56 With Putin at his side, in their fifth meeting in a twelve-month period, President Hu Jintao declared 2006 “The Year of Russia.” Putin reciprocated by naming 2007 “The Year of China.”57

As China needs more natural resources for economic growth, and Russia requires energy exports to bolster its economy, the two states will only increase their economic interdependence, and thus their foundation for continued positive relations. A similar interaction, based on military sales instead of energy sales, has sustained strong ties between Russia and many of the rogue states the United States has targeted for economic sanctions in the last fifteen years. If Russia is willing to stand by Iran, Iraq, and

Yadernoi Dershavoi” (Yeltsin Reminds Clinton and the World: Russia Remains a Nuclear Power), Nezavisimaya gazeta, December 10, 1999.
55. Levada-Tsentr (The Levada Center), found at www.levada.ru.
Libya for the sake of economic gains, then why not also China? Russia and China have been clear in their desire for a multipolar international system in which U.S. dominance would be challenged. Furthermore, the Chinese and Russian elite share a view that the Western model, with its focus on democracy and free markets as defined and measured by the United States and Europe, has limited application to their states. Both states have thrown off the communist mantle and have shown no interest in a new ideology that would constrain them. This mutual view, grounded in realism with strong nationalist tendencies, has helped forge a tight relationship.

Despite their current commonalities, however, a pragmatic Russia will remain an ally of China only so long as that state remains restrained in its regional ambitions. As China continues to assert itself on the world stage, perhaps eventually challenging Russia’s declared domination of Central Asian resources, the two states will move back to a tense stance. Furthermore, one of the bases for their mutual cooperation could eventually turn the relationship from cooperation to conflict. China’s purchases currently account for about 30 percent of Russia’s military sales. Analysts believe that China may soon increase this proportion to 70 percent. At the same time, Beijing wants to move from purchasing completed equipment to a direct investment focus, in which China would acquire licenses and jointly develop equipment, which would be manufactured within China. This switch would enable China eventually to break its dependence on Russia.

Russia is not blind to the long-term implications. From an economic perspective, it has already begun seeking new customers for its weapons exports. Its biggest military exporter, Rosoboronexport, recently announced plans to open new offices in Belgium, Italy, Myanmar, and Venezuela. Furthermore, China has been actively pursuing alternative partners from which to buy fuel. Its quest has included financing pipelines to deliver the natural gas and crude oil on which China’s growth will depend. In 2006, a pipeline opened that connects Kazakhstan with China; a second deal was signed with Turkmenistan.

---

Russia and India

India is the second most important emerging power for Russia. It completes the Asian Triangle—Russia, China, and India—that some analysts argue is uniting to challenge U.S. global authority.\(^59\) When Yeltsin corrected his foreign policy course after the Western honeymoon abruptly ended, he reached out to India, backing it on several key issues. Russia supported India’s claim that Kashmir should be an integral part of its state, continued space cooperation efforts between the two states, sold cryogenic engines to India despite Western opposition, and remained silent on India’s nuclear program. On the Kashmir issue, Yeltsin compared Russia’s policy on Chechnya with India’s on Kashmir, making clear that Russia empathized with India’s position and thus would not challenge it.\(^60\) As in so many areas, Putin has been unwilling to sever ties with any potential ally, including Pakistan. He thus softened his support of India. Most notably, while continuing to draw parallels between Chechnya and Kashmir, he dropped Yeltsin’s stronger position supporting India’s view of the conflict in Kashmir. In addition, in 2005, in a bow to the Muslim states in general, Russia joined the Organization of Islamic Conference as one of only five observer states.\(^61\)

Pragmatic as always, Putin has not ignored Russia’s important economic ties with India. As with China and the rogue states, the primary driver of the bilateral relationship is military and energy trade. The Soviet Union was long a supplier of arms to India. In his first presidential visit to India, in October 2000, Putin solidified arms deals with India worth billions of dollars. The sales included hundreds of tanks, fighter aircraft, and an aircraft carrier, along with leasing deals for strategic bombers and a technology transfer accord.\(^62\) In January 2007, Putin visit-
ed India as the honored guest at the annual Republic Day ceremony, a celebration and demonstration of India’s military. His visit was preceded by a military delegation led by the defense minister, Sergei Ivanov. Ivanov emphasized the close relationship between the two states, with a focus on the military and space technology that Russia can offer. Russia remains India’s primary supplier of military equipment, and the two have even jointly produced a short-range missile.

As with military technology, the two states have long been connected via energy programs, with the Soviet Union and then Russia as supplier. India’s largest foreign investment, worth $1 billion, is in Russia’s Sakhalin-1 oil and natural gas joint venture. In December 2006, the first tanker with oil from this investment reached India. The two states are discussing additional energy cooperation efforts, such as an Indian company investing in a Russian refinery and a joint venture to explore for oil in Siberia. Putin’s January 2007 visit ended in a deal potentially worth $10.35 billion, under which the Russians would build four nuclear reactors for India. There is no region over which Russia might vie with India for power, as with China and the Central Asian states. While India is thus an important current and future partner, its relationship with Russia remains predominantly an economic one.

Other Potential Russian Partners

From the Russian perspective, the other member of the BRICs—Brazil—is not a relevant world-class player, partly

---

66. This deal will only become a reality if the international community removes restrictions on nuclear cooperation with India. Anatoly Medet-sky, “Putin Clinches Reactor Deal,” The Moscow Times, January 26, 2007.
because it is geographically distant, far from the stage where the other three states might well contend for power, and partly because it lacks a threatening military and the will to build one. Without the full set of major-power attributes, it is simply not a contender. Although China’s military is not yet as sophisticated and lacks the reach of that of Russia, Beijing has known ambitions to change that fact. Brazil does not. Furthermore, although the Brazilian leadership has condemned unilateral actions by the United States—one reason given for Russia’s decision to support UN Security Council membership for Brazil—it has not identified itself with strong challenges to American power, a feature that links China and Russia. Rather than seeing Brazil as either a power contender or an avid ally in anti-American rhetoric, Russia has focused primarily on the two states’ common interest in the energy, space, and other high-technology areas, and in military trade.

One other significant Asian power clearly on Russia’s strategic radar deserves attention: Japan. Japan is included here not as an emerging power but rather as a second-tier major power, a group that generally also includes the Asian Triangle and the three major European states (France, Britain, and Germany). The most important backdrop to Russian-Japanese relations dates to the final days of World War II. It was then that the Soviets captured the four islands north of Japan’s Hokkaido, collectively known in Japan as the Northern Territories and in Russia as the Southern Kurils. The Soviet Union agreed in 1956 to return two of the islets only after the two sides signed a peace treaty officially ending the war. The states have never signed such a treaty. To the dismay of Japanese leaders, Putin has made clear that there will be no concessions on this issue.

68. “Russia, Brazil Set to Develop Military, Technical Cooperation,” ITAR-TASS, October 18, 2005; “Russia’s Putin Welcomes Independence of Brazilian Foreign Policy,” RIA News Agency, October 18, 2005.
70. Vladimir Radyuhin, “Putin Hardens Stand on Disputed Islands,” The
Russian people support this position, believing it is time to stop discussing the islands and that there is no need to conclude a peace treaty with Japan.\(^71\)

Despite this historical difference, which remains a potent one in Japan, the two sides have moved ahead with increased trade and cooperation in oil, natural gas, and uranium enrichment. This relationship is strongly driven by Japanese leaders’ desire to reduce their heavy reliance on the Middle East, from which the state imports 89 percent of its oil.\(^72\) While this economic connection may well be an important one for Russia, several factors will constrain the relationship, including the ongoing and politically sensitive island dispute, historic Japanese aggression, the shame and distrust associated with losing the Russo-Japanese War, Japan’s already significant economy combined with rising nationalism, and Japan’s long-term alliance with the United States.

**Conclusions**

Russia’s self-image is that of a great power. In the military arena, Russia’s status falls only slightly below that of the United States. It has nearly 5,000 strategic nuclear warheads, 3,500 tactical warheads, and more than 11,000 stockpiled warheads. By comparison, China has only about 100 nuclear warheads and India an estimated forty-five to ninety-five.\(^73\) While China is threatening to catch up in military capability, Russian leaders have shown no sign that they will concede the ground. Furthermore, China has little experience developing its own weapons, an area in which Russia excels. The September 2007 explosion of what is probably the world’s most destructive non-nuclear weapon serves as a powerful reminder of Russia’s military prowess.\(^74\)

---

\(^{71}\) Ouimet, “The Stalemate North of Hokkaido,” p. 96.


Economically, however, there is plenty of room for skepticism about whether Russia is really on a continual, certain rise, or whether its foundation is so shaky as to threaten its emerging-power status.\(^{75}\) As noted, of the four BRICs, Russia has both the smallest economy and the third-slowest growth rate. It is the dramatic climb in GDP that has led both economic and political analysts to link China and India as the great future powers. More importantly, one must consider Russia’s foundation for growth. Its primary-hard currency earner is fuel, a commodity with a notoriously uncertain price. Putin’s time in power has coincided with high energy prices. Lower fuel prices, dropping from a high of $69 in 2006 to perhaps $20 a barrel, the average during Yeltsin’s tenure, would seriously harm Russia’s economic growth.\(^{76}\) Russia’s challenges in collecting payments from many of its customers, and European condemnation when it cuts gas and oil supplies to force delinquent states to pay up, may restrict Russia’s abilities to bring in enough cash to maintain economic growth. This would surely hamper its ability to play in the big leagues. Furthermore, at some point, Russia will find itself economically aiding the next world powers, China and India, by exporting energy that will fuel their growth, allowing them to dwarf Russia. In addition, China and Russia may end up competing for dominance over a common backyard in Central Asia.

Russia’s second source of income, military and nuclear equipment, carries its own political price and uncertainty. If Russia really wants entry into the WTO, which it has long claimed to be a top priority, its close relationship with rogue states, including threatening Islamic states such as Iran, may come back to haunt it. Already, Russia is being harshly criticized by the West for its human rights and democracy record. While parts of Europe were ready to align with Russia in opposing the U.S.


\(^{76}\) Author’s calculations based on Figure 17, Energy Information Administration, U.S. Department of Energy, “International Energy Outlook 2007,” online at www.eia.doe.gov/oiaf/ieo/index.html.
invasion of Iraq and supporting sales to Iran, they have now supported sanctioning Iran. It is unclear whether Russia can really continue to be friends to all. At some point, it may have to choose between the West and its military clients.

Finally, Russia’s population is both aging and dying young from disease, depression, and alcoholism. From where will new economic energy come? There is no clear answer. Even if the next Russian president wanted to alter course, the political leadership is hampered by massive industrial giants that emerged from the post-Soviet shock-therapy transition. In contrast, both China and India are “competing with the west for ‘intellectual capital’ by seeking to build top-notch universities, investing in high, value-added and technologically intensive industries, and utilizing successful diasporas to generate entrepreneurial activity in the mother country.”

For their country to remain—or to become, depending on one’s perspective—a major second-tier power, Russia’s leaders will either have to overcome the negative incentives of their natural resource endowments and military clients from the Soviet days and invest in the long-term growth of their economy, or hope that bluster and exploiting rivalries can overcome economic disadvantages. Thus far, they appear intent on the latter. For this reason alone, Western leaders would be foolish to ignore Russia, given its leaders’ deeply held view of the state as a great and unique power, with the will and military might to back up the claim. In some respects, nothing has changed. Like the Soviet Union before it, Russia is militarily strong, economically weak, and determined to command a major role on the world stage.

77. John Lloyd and Alex Turkeltaub, “India and China Are the Only Real Brics in the Wall,” Financial Times, December 4, 2006. It should be noted that Goldman Sachs itself sees only India and China as being among the top three economies by 2040. The claim for Russia and Brazil is more modest; they have “the potential to be bigger than any European economy.” See Jim O’Neil, “Russia and Brazil Are Rather More Than ‘Marginal Economies,’” Financial Times, December 6, 2006.
Principal References


Mahapatra, Debidatta Aurobinda. India-Russia Partnership: Kash-