



## Energy as a political weapon of foreign policy: The Russian case

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### Abstract

This piece of work examines how Russia uses energy as a political weapon in its foreign policy with its neighbouring countries and its implications for the whole region of Eastern Europe and Central Asia. Russia uses energy as a tool in foreign policy in both terms: to reward its friends and punish its enemies. Further, it will put thorough light on major incidents of the European as well as Caspian states that suffered repercussions of this policy. Undoubtedly, Russia is one of the world's energy superpower, which possesses abundant natural gas reserves, second largest coal reserves and eighth largest crude oil reserves. Therefore, Putin's ambition is to transform Russia into a global energy superpower. Russian oil and gas resources have prominent role in the global energy market, especially in the Europe and Eurasia. Energy is a strategic resource for Russia and it had been quite instrumental to increase its influence in Europe, Central Asia, and the Caspian Sea region.

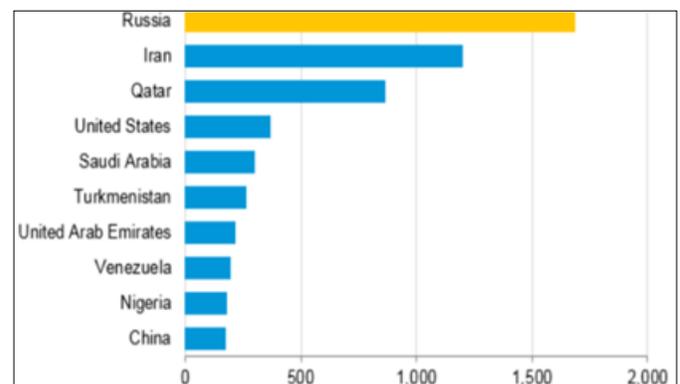
**Keywords:** oil and gas resources, energy weapon, energy supply, Ukraine crisis

### Introduction

Energy is a strategic resource that has been consistently used to increase influence, power and geopolitical interests. Russia is one of the world's energy superpower that possesses the abundant natural gas reserves, second largest coal reserves and eighth largest crude oil reserves. Due to ample natural gas and oil reserves, it is a key player in the global energy market. Gazprom, a Russian state-run company, produces and operates most of the natural gas reserves as well as gas pipelines in Russia. Gazprom controls approximately 90% of Russian natural gas reserves and over 25% of the world's natural gas reserves (Bumpers, 2012) [3]. On the other hand, the Russian companies such as Rosneft and Gazprom have controlled around 30% Russia's oil production. Energy had a pivotal role among other economic factors, which are used a foreign policy tool. During the Soviet era, Kazakhstan, Turkmenistan, and Azerbaijan played an important role in boosting Russian national economy. In the mid-1990, several multinational companies began to compete for acquiring a dominant position in the Caspian Sea region. Nevertheless, Moscow was advantageous, because it had a long historical, cultural and geographical leverage within the region as it had already developed a vast pipelines network. Moreover, Russian policy masterpiece was the arbitrage benefit it had by purchasing natural gas and oil from the former- Soviet republics at a very low price and selling it to European markets on higher prices. (Sonmez & Cobanoglu, 2016: 94) [11]. Therefore, there is no doubt that Moscow has been exercising energy as a global political weapon to compel the newly independent states to adopt pro-Russian approach by shutting off the operational gas pipeline of the region on which it has the monopoly. Turkmenistan is fully dependent on Russian pipeline for its gas export to Europe, which is the main source of revenue for its economy, it can be interpreted by historical evidence, in November 1993, Gazprom interrupted Turkmen gas exports to

Europe. In 1997, Moscow demanded a higher transportation fee and concluded an agreement with Astana to reduce the natural gas price. Additionally, in May-August 1994, Russia blocked almost all Kazakhstan's oil export routes and forced Kazakhstan and Turkmenistan to reduce oil and gas prices. Since 2002, Gazprom is the chief gas transporter from Central Asia, and it has been playing a pivotal role as a mediator among other Central Asian states for gas trade. However, these states have been seeking to establish balance relations between the US, Europe and Russia (Bardakçi, 2003:3, 7) [1].

### Oil and Gas Resources in Russia



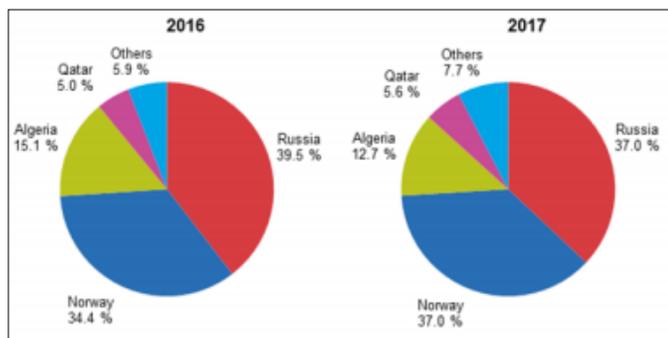
**Fig 1:** Estimated proved natural gas reserves, as of January 1, 2016 (trillion cubic feet) [1]

### Imports from Russia

The European Union is the key energy market for Russian energy export. Russia is a major oil and gas supplier for both the commonwealth of independent states (CIS) and the

<sup>1</sup> EIA: U.S energy information administration (2016), URL: [http://www.iberglobal.com/files/2016-2/rusia\\_eia.pdf](http://www.iberglobal.com/files/2016-2/rusia_eia.pdf)

European Countries. It influences both markets. It also helps Moscow to take political decisions. Most of the eastern and central European countries are anxious of Russian energy policy. However, Georgia, Ukraine and Moldova are non-NATO and non-EU countries; nevertheless, they had pro-western orientation that increases the anxiety for Moscow. The Baltic States are EU and NATO members but Moscow has an important role in their energy sectors. Armenia is a strong ally of Russia, while Belarus is a royal supporter of Russia in Europe (Woehrel, 2009:7) <sup>[12]</sup>. According to European Commission, the EU imports around 69 % its natural gas. It imports 37 % gas from Russia, followed by from Norway (33%) and 11% from Algeria (Kottasová, 2018) <sup>[7]</sup>.



**Fig 2:** Extra-EU imports of natural gas, shares (percentage) of main trading partners, 2016 and 2017 <sup>[2]</sup>

Besides, the Baltic States import approximately 89% gas from Russia, following by other countries, Belarus (99%), Georgia (88%), Austria (72%), Greece (85%) and Ukraine (69%) (Newnham, 2011: 137), which shows that all these countries are fully dependent on Russia for their gas supplies. Undoubtedly, energy plays a vital role in Russian foreign policy towards its strategic allies and enemies.

**Energy as a political weapon: Selected cases**

Energy policy is a key part of global power politics, especially for Russia that’s why Moscow’s actions are aggressive <sup>[3]</sup>. After the Gorbachev and Yeltsin period, Putin era marked as a resurgence of Russian power. To achieve it Russia has been utilizing oil and gas reserves as a foreign policy instrument. Russia uses energy tool in both terms; to reward its friends and punish its enemies. For example, during the 1994-2005, Leonid Danylovych Kuchma was the president of Ukraine, who was pro-Russian. Therefore, Russia sold gas to Ukraine at cheap price \$ 50 per thousand cubic meter (tcm). It had adopted a similar strategy for Belarus in 2006, it exported at a concessional price of \$ 47 per tcm. The whole picture had changed into a major dispute, when Ukraine adopted pro-western attitude (Bilalova & Zeynalli, 2014) <sup>[2]</sup>. Consequently, the relationship between two countries deteriorated. For example, after the ‘Orange Revolution’ in 2004, Kuchma

leadership succeeded by Victor Yushchenko. In 2006, subsequently, Moscow demanded higher price of \$230 per tcm for gas from Ukraine, while at the same time Belarus paid \$47 per tcm, which was five time lesser (Newnhan, 2011).

**Table 1:** Natural gas prices charged to Russian customers (\$/TCM) <sup>[4]</sup>

	2005	2006	2007	2008
Armenia	\$56	\$110	\$110	\$110
Belarus	\$46	\$46	\$110	\$125
Georgia	\$63	\$110	\$235	\$235
Moldova	\$80	\$110	\$170	\$190
Ukraine	\$50	\$95	\$130	\$160

Thus, above mentioned table clearly shows that Russia have been trying to regain its status and influence in Europe as well as in former Soviet republics by using its energy strategy as a political weapon in its foreign policy by subsidizing the price and constructing new energy routes. As it is realised by Bush as well as the Obama administration, who urged the European countries to curb their dependence on Russian energy. Therefore, the US and the European countries wanted to build multiple pipelines from Central Asia to Europe. The European countries, particularly the Central, Eastern Europe and the Baltic states are fully dependant on Russia for natural gas. In such scenario, economically weaker states easily became a soft target for a powerful state that implies in Russian energy policy toward its neighbouring countries.

Moreover, oil and gas products cannot be replace by another alternative. Besides, Russia had a monopoly over most of the pipelines that were built in Soviet era. Therefore, the Central Asian states are relied on the Russian pipelines for exporting their energy products. Such a scenario gave an enormous control to Russia for Oil and Gas pricing and it provided a huge market dominance to Russia over its buyers (Newnhan, 2011: 134, 135). In 2006, Russia suspended Moldova’s gas supply for 16 days, and constantly threatened Belarus to cut-off the natural gas or oil supplies in 2002, 2003, 2010 and 2011. In 2002 and 2010, it reduced Belarus’s natural gas supply and in 2004; which was eventually suspended. Similar actions were taken against Ukraine as it was threatened to cut –off natural gas supply in 2005, 2008-2010, 2013 and 2014 and with the cut-off of oil in 2008. In 2014, Gazprom increased the price of natural gas for Ukraine (Lopez, 2014) <sup>[9]</sup>. The supply of oil to Ukraine in 1999-2000 and the natural gas supply cut off in 2006, 2009, 2014 and 2015 (Česnakas, 2016: 20) <sup>[4]</sup>, due to price disputes. Recently, in June 2014, Russian state-run giant Gazprom accused Ukraine of not paying debts, estimated at \$5.3bn (£3.3bn; 4.2bn euros), therefore it moved to turn off the taps which badly affected eighteen European countries because Gazprom supplies around 90% of its gas to Europe through Ukraine which is also highly dependent on Russia for half its gas supplies (Kirby, 2014). The problem of payments is still unresolved and Gazprom threatens to build pipelines bypassing Ukraine.

Most importantly, after the Ukraine crisis, the EU declared to reduce its dependency on Russia. In contrast, recently Europe has increased imports from Russia, for example, Austria,

<sup>2</sup> EU imports of energy products –recent developments: statistics Explained, (Online web), accessed on 12 August 2018, URL: <http://ec.europa.eu/eurostat/statistics-explained/pdfscache/46126.pdf>

<sup>3</sup> Centre for European Policy analysts: Russian energy is a political weapon, URL: <http://cepa.org/index/?id=de936e36f25bb91acaae7593959af3c1>

<sup>4</sup> Newnhan, 2011 Op cit.

Germany and France have increased their energy deliveries (rose up 6% compared to 2016). In this context, the head of Gazprom Alexei Miller said “it had completed record deliveries towards Europe and the southern Mediterranean in 2017 at a total of 193.9 billion cubic metres - 8 per cent higher than its previous record, set in 2016” (Kudryavstev, 2018) [8].



**Fig 3:** Key European countries' dependence on Russian gas [5]

Thus, Russian energy influence has become a major headache for EU and the US. Some analysts claim that energy card has been effectively used by Russia under the Putin's government. During the first year of Putin's administration, Moscow adopted a very shrewd policy to gain advantage of higher global energy prices, whenever the energy prices increased at a global level, Moscow also increased its energy exports. Because Putin government strives to regain Russia's status in the world politics. Another aim of Putin was to increase Russia's influence in the Caucasus and Central Asia, Central and Eastern Europe. However, this claim had denied by Andrey Ilarionov, the economic advisor of the Kremlin said that, "Russia doesn't use energy resources as a weapon in its foreign policy". Nevertheless, the energy resources are as the most important tool in Russian foreign policy. A series of principles planned by the current Russian government regarding its energy policies that it will pursue up until 2020. The objectives of energy policies are; to ensure energy security, to form an effective budget, to use energy effectively and to ensure the ecological security of energy (Sonmez & Cobanoglu, 2016: 92) [11].

### Conclusion

Russian state company, Gazprom has the monopoly on the Russian gas reserves and pipelines. Undoubtedly, Russia is using energy as a political weapon against its enemies. Using the energy as a tool of foreign policy, Russia has been trying to regain its imperial status in the former Soviet territories and Europe. Many of the eastern and central European countries are profoundly relied on Russian natural gas. Moscow is threatening the European countries by shutting off the energy supply and thus controlling them as per its global political

objectives. In such a scenario, the Central and Caspian states begun to move towards the western and eastern countries to get rid of Russian monopoly over pipelines. However, centuries-old political, commercial, geographical connection and cultural legacies between Russia and newly independent states of Central Asia and the Caspian states, are synergistic, hence Russia is still an important trading partner and does not want any rival's entry in the Caspian region which it considers its sphere of influence.

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<sup>5</sup> Collins, G. (2017), “Russia’s use of the ‘energy weapon’ in Europe”, Baker institute for public policy, accessed on 18 May 2018, URL: [https://www.bakerinstitute.org/media/files/files/ac785a2b/BI-Brief-071817-CES\\_Russia1.pdf](https://www.bakerinstitute.org/media/files/files/ac785a2b/BI-Brief-071817-CES_Russia1.pdf)