

# **IEEJ NEWSLETTER**

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## **The First IEEJ Joint Energy Seminar with Foreign Embassies**

The First IEEJ Joint Energy Seminar with foreign embassies in Japan was held on August 24th. The purpose of this seminar is to cooperate with embassies of countries that have close relations with Japan in terms of energy sector, to encourage active exchange of opinions with participants from various countries, and to discuss energy issues from the global point of view. Thanks to the efforts of the American Embassy, a lecture titled “How Russian Domestic Politics and Foreign Policy May Influence Northeast Asian Energy Security” by Dr. Stuart D. Goldman from the Congressional Research Service of the Library of Congress, who is a specialist in Russian and Eurasian affairs, was included in this seminar. The major contents of the lecture are as follows. Please remember that the lecture reflects the personal opinions of Dr. Goldman and does not in any way represent the official opinion of the U.S. government or the Congressional Research Service.

How Russian Domestic Politics and Foreign Policy  
May Influence Northeast Asian Energy Security

Dr. Stuart D. Goldman  
Specialist in Russian and Eurasian Affairs  
Foreign Affairs, Defense, and Trade Division  
Congressional Research Service, Library of Congress  
(August 24, 2005)

[Goldman began by noting that he is a Russian political and military affairs specialist, not an economist, and certainly not an expert on energy economics. His presentation

at IEEJ represents his own personal opinions, not those of the U.S. Government or the Congressional Research Service.]

Russia often acts as a “conductor” or “conveyor belt,” transmitting political dynamics from west to east and east to west across Eurasia, although cause and effect are not always recognized in both Europe and Asia. There have been numerous historical examples of this phenomenon. Today, many people in Asia might be surprised to learn that the consequences of the recent Ukrainian presidential election (the “Orange Revolution”) could have a serious impact on Northeast Asian energy security.

President Putin initially followed the foreign policy of Yevgeny Primakov. Primakov saw the United States as an enemy and, because of Russia’s (temporary) weakness, favored cooperation with China, India, Iran, and others to counterbalance U.S. “hyperpower.” In 2001, before the September 11 attacks, Putin rejected this policy, choosing closer alignment with the advanced industrial democracies. Why?

1. Putin a realist: Russia lacked means to confront the U.S. Confrontation too costly, too risky.
2. Putin’s top priority: revive the economy. Required economic cooperation with advanced industrial democracies. Impossible to accomplish if in confrontation with the U.S.
3. Putin saw Primakov’s idea of alliance with China against the U.S. as a “recipe for disaster” in the long-term, because of: a) Russia’s demographic crisis (population falling to 100 million in 2050?); b) China likely to be a huge superpower as Russia’s power declines; c) China desires resources of thinly populated Russian Far East. Therefore, China could be a serious long-term threat to Russia.

2001-2002, Putin cooperates with U.S.: NATO enlargement (Baltics); U.S. military in Central Asia; military cooperation in Afghanistan; closes military intelligence base in Cuba (Lourdes). But aside from overthrow of Taliban, Putin gets little from Bush: No PNTR, little FDI. Dislikes Bush Admin. policies re. ABM Treaty, national missile defense; strategic arms reduction treaty, new generation of nuclear weapons; U.S. troops in Georgia; IRAQ. Frustration, mutual suspicions grow.

Outcome of Ukrainian (UK) presidential election could profoundly effect Russian policy. Many Russians do not accept permanent independence of UK, believe UK will

be reunited with Russia. UK seen as possible “solution” to Russia’s demographic crisis. Putin’s policy in UK election crude. Big gamble. Big defeat. President Yushchenko’s priorities: bring UK into Europe. His election might make UK independence from Russia permanent. In long-term, this good for UK, for Europe, even for Russia. But in short-term, this could cause “political earthquake” in Moscow.

Political and economic factors in Europe prevent EU from considering UK membership. BUT NATO is prepared to consider possible UK membership within a few years. IF UK moves rapidly toward NATO membership, this could lead to crisis between Russia and UK, W. Europe, and U.S

Puti is already tilting back toward China, away from U.S. and the West. E.g.: SCO summit (Astana, July 5); Russia-China joint military exercises. But Putin has not gone all the way back to Primakov’s policy. He probably prefers to balance between U.S. & China , play each off against the other without really allying with either.

Russian Siberian oil pipeline policy influenced by many factors:

1. Economic rationality: manipulate China and Japan, extract maximum economic concessions from each in “bidding war.”
2. Domestic Russian politics: a) YUKOS vs. Transneft; b) Kremlin vs. Khodorkovski; c) Siloviki vs. Yeltsin-era oligarchs (Siloviki now dominant); d) increasing state control of oil, gas, & pipelines.
3. Strategic considerations: a) don’t allow China to totally control East Siberian oil market; b) keep a strategic line open to “the West.”

China’s oil needs are not only economic but also strategic. China’s new strategic vulnerability: Mid East & Persian Gulf oil passes through “choke points.” China MUST HAVE the Siberian pipeline to Daqing (“Taiquay”). Chinese officials I met (MOFA, SCO, Harbin, Daqing) ALL sounded optimistic about pipeline to Daqing... and only to Daqing. “Not enough E Siberian oil for 2 pipelines.”

Russia sees pipelines as levers with which to influence China and Japan. Russia would prefer to, and almost certainly will, build 2 pipelines, supplying both China AND Japan (and Korea, & maybe U.S.) with W and E Siberian oil. BUT... sequence of pipeline construction and oil delivery could be critical for Japan and China. This could be influenced by Ukranian events. IF UK moves rapidly toward NATO, Russia could

feel need to move much closer to China strategically, influencing Russian decisions on pipelines and oil flow. A common criticism of Russian foreign policy these days (by many U.S. and Russian observers) is that it seems increasingly driven by tactical, short-term gains, lacking long-term strategic vision.

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