

REVIEW ESSAYS

RE-EXAMINING RUSSIAN ENERGY POWER

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Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation
Jeronim Perović, Robert W. Orttung, Andreas Wenger
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The conventional wisdom concerning Russian energy policy is overwhelmingly alarmist: Russia's role as a major oil and gas producer has strengthened the Russian state vis-à-vis domestic civil society, undermined democratization and market reforms, and emboldened Russia to pursue a more aggressive foreign policy. *Russian Energy Power and Foreign Relations*, a compilation of essays edited by Jerome Perovic, Robert W. Orttung, and Andreas Wenger, confronts this conventional wisdom by presenting a nuanced account of recent developments in Russian energy policy and their implications for global energy security and Russian foreign relations.

As Perovic notes in his introductory chapter, Russia has emerged as an increasingly important player in global energy markets due to its position as a major supplier of oil and natural gas, particularly to Europe. Furthermore, Philip Hanson notes that energy exports played a central role in fueling Russia's rapid recovery from the 1998 financial crisis. Hanson and several other contributors, however, caution against imputing excessive importance to the energy sector as a source of state power. Perovic notes that while Russia is a major supplier of energy, it is also a major consumer of fossil fuels. Orttung, in his chapter on Russian energy policy and domestic politics, then points out that it will be politically difficult to reduce domestic energy consumption by further cutting energy subsidies to household consumers. Moreover, Hanson argues that Russia's economy still remains highly dependent on energy exports even though recent efforts to diversify the Russian economy away from energy have met some success. Russia's economic growth during the first decade of the 21st century was almost solely attributable to high

energy prices rather than increased production capacity.

This sensitivity to high energy prices—coupled with the highly inefficient and corrupt management of state-controlled enterprises such as Gazprom and Rosneft, and *etatist* policies limiting foreign investment in the energy sector—does not bode well for the long-term sustainability of Russian energy power. Indeed, the Russian economy was hit hard by the precipitous decline in world oil prices beginning in July 2008. While it is difficult to disentangle the effects of the drop in energy prices from those of the broader global financial crisis, the massive contraction of the Russian economy in 2008 and 2009 suggests that long-term prospects for energy-driven economic development, in the absence of significant foreign investment in energy infrastructure, are rather dim. Further, given the extreme technical difficulty and high costs of developing extractive capacity in the hitherto unexploited Eastern Siberian region, as discussed by Nina Poussenkova in her chapter on Russian energy relations with East Asia, it appears unlikely that Russian energy power can be sustained through a turn to the East.

In this context, a considerably more complex picture of Russian energy power emerges than pessimistic conventional wisdom suggests, particularly with respect to European relations with Russia. Although parts of Europe rely heavily on Russian energy imports, as Stacy Closson points out in her chapter, energy relations between Russia and Europe are better conceptualized as reciprocally interdependent. In fact, a central concern of Russian foreign policy is securing long-term demand for energy exports. On these grounds, there appears to be considerable scope for cooperation between Europe and Russia on energy issues. This also implies that Russia's energy power is more limited than commonly supposed, at least with respect to Europe, or that fears of a Russia using energy as a coercive instrument of foreign policy are overstated.

This volume challenges the orthodox view of Russian energy power. While the conventional wisdom links Russia's increasingly assertive foreign policy to energy, it also generally holds that Russia operates from a position of strength as a major energy supplier in its relations with Europe and Central Asia. Instead, as Julia Nanay implies Russia is operating from a tenuous or uncertain position as it seeks to secure demand for its energy exports in Europe and enhance its influence over the energy-rich Caspian region.

Nonetheless, many of the concerns about the implications of Russia's energy capacity and policy, particularly in Europe, remain salient. The contributors' ominous warnings of declining Russian energy reserves and Russia's increasing reliance on Central Asia to supply energy to meet domestic demand suggest that European states depend on Russia for energy may face an acute energy crisis if Russia is eventually unable to meet their growing demand for oil and gas. This sug-

gests room for a mutually beneficial bargain between Russia and Europe on energy issues whereby European firms invest in Russia's extractive and energy transportation capacity in order to ensure the long-term availability of Russian energy.

There are, however, a number of obstacles to such a bargain. First, as Closson notes, the degree of dependence on Russian energy varies considerably across European states, with most Eastern European countries significantly more reliant on energy imports from Russia than Western Europe. This raises a potential coordination problem for European policy makers. Second, the EU's focus on market principles may undermine its approach to Russia, in which the Putin and Medvedev administrations have insisted on retaining state control over energy resources on strategic grounds. Lastly, Peter Rutland notes that the United States' opposition to more intensive European cooperation with Russia on energy issues is based on an outdated Cold War-era paradigm that still views Russia as a major threat to American security. Collectively, these issues point to the difficulties of sustaining cooperation between Europe and Russia on energy issues, even as the authors note the mutual benefits of such cooperation.

This discussion of the obstacles to cooperation is the publication's one deficiency. Although it provides a comprehensive overview of Russian energy policy, this work generally shies away from broader security or strategic issues that bear on Russia's energy power and foreign policy. For example, this volume touches only briefly on the 2008 conflict in Georgia, and it only tangentially discusses the major security concerns of Russia's European and Central Asian neighbors. This omission is minor, however, given the extensive literature already published on Russian security policy and this volume's nuanced contribution to the debate on Russian energy power. 