“Energy diplomacy and the making of Russia”, Smita Purushottam, Business Standard, October 02, 2011; <http://www.business-standard.com/india/news/smita-purushottam-energy-diplomacythe-makingrussia/451100/>

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**Smita Purushottam: Energy diplomacy and the making of Russia**

**Smita Purushottam /  October 02, 2011, 0:52 IST**

Recent advances in Russian energy diplomacy in Europe, Asia and the Arctic region could make Russia’s economic and strategic fortunes and significantly advance Russian comprehensive national power.

To Russia’s west, ‘Nord Stream’ will soon carry 55 billion cubic metres of natural gas to Germany, consolidating relations between two major European powers. Nord Stream also reduces the importance of transit countries like the Ukraine, with which Russia has had several spats, culminating in temporary cessations of supplies in 2006 and 2009. Ukraine and Russia do not see eye to eye on Ukraine’s desire for integration into Western security and economic structures.

The Russian press has expressed unease at Ukraine’s recently concluded strategic partnership with China, speculating that even more military-technological secrets could be leaked to China to the detriment of both countries. Chinese experts in turn have spoken of Ukraine as China’s gateway to Europe. Nord Stream thus not only strengthens Russia’s hand in its negotiations with Ukraine over the terms of transit for gas supplies, it reduces Ukraine’s strategic value for China.

The deal also subtly undercuts the European Union’s attempts to leverage a unified energy market to extract concessions from Russia, for example by breaking up Gazprom monopolies in Europe. Meanwhile, uncertainty regarding the future of nuclear energy and construction of eastern pipelines to the Chinese and Asia-Pacific markets has strengthened Russia’s leverage in Europe. ‘South Stream’ will further strengthen Russian control over the European energy space.

To Russia’s East, Russia and North Korea recently sprang a surprise by agreeing to consider a gas pipeline transiting over North Korean territory to South Korea and other Asia Pacific markets.This would strengthen Russia’s hand vis-à-vis China. Russia had taken a massive Chinese loan to build an oil spur to China from the East Siberian Pacific Ocean (ESPO) Pipeline supplying Japan and the Asia Pacific region. However, Russia also diversified its export markets and took care not to build pipelines exclusively dedicated to China.

Meanwhile, a major Exxon-Rosneft agreement for the exploitation of Arctic reserves could constitute the real game-changer. Russia’s 2001 Maritime Doctrine had presciently anticipated the growing importance of the Northern Zone, estimated to hold a quarter of the world’s untapped energy reserves, and of its Northern Fleet in protecting Russia’s interests in the Arctic, including Russia's EEZ and Continental Shelf. It recently settled a boundary dispute with Norway in the Barents Sea, which opened up prospects for joint exploitation of maritime and energy resources. Russia is also anticipating that a navigable sea route will be opened along its northern perimeter due to climate change, significantly shortening the journey from Europe to Asia — a development of enormous geopolitical significance. Exxon too will consolidate its energy partnership, as it already operates Sakhalin-I and partners Rosneft in US fields.

The agreement could moreover positively impact the faltering Russia-US Reset as well as US attitudes to Prime Minister Putin, who has consistently pursued development of the Arctic region. Is it a pure coincidence that a favourable article on the prospects of the Reset after weeks of doom-saying has just appeared in the New York Times? A report that Nato could consider legal guarantees for Russia on missile defences also appeared immediately after the deal. Nato had hitherto failed to respond to Russia’s demand for legal reassurance that European ballistic missile defenses not be targeted against it, in itself a dilution of Russia’s earlier stance demanding equal partnership in a joint missile defence system.

While Russia will reap the benefits of its deft energy diplomacy, it is important for it to simultaneously undertake systemic reforms to address its “Dutch Disease”. Russia has a unique chance to increase its comprehensive national power if it tackles the systemic problems impeding its rise, given the improving energy scenarios it is itself creating. Such a development could be a game-changer in world politics and could pose a significant counter to China’s rise. Moreover, the rapprochement in the energy sector could help heal the rift between Russia and the US and increase pressure on China to stand down on its quest to challenge US military power. This would be in India’s interest.

In view of India’s pressing energy requirements, India too should leverage its strategic partnership with Russia to explore fresh options for cooperation in Russia’s energy sector. India has a foothold in Sakhalin I and the last Summit yielded an agreement on cooperation in hydrocarbons, of which little has been heard since. Meanwhile, a Chinese “businessman” recently bought a large tract of land in Iceland, leading to speculation regarding China’s polar ambitions. China has staked a claim as an interested party in the Arctic Council and is negotiating participation in Russian projects in the North.

Russia clearly prefers partners with high-tech capabilities to tackle the huge challenge of Arctic exploration, which India does not have. India needs to pursue a policy for technological upgradation independently, while exploring innovative partnerships with Russia — including trade-offs in defence — in order to participate in Russia’s energy sector including the sustainable development of the Arctic region, thus guaranteeing its energy security.

*The author is a Senior Fellow at the IDSA, New Delhi. The views are personal*

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