



ELITES AND OLIGARCHS

■ ANALYSIS

Conservative Counterrevolution: Evidence of Russia's Strength or Weakness? 2
By Jadwiga Rogoża, Warsaw

■ OPINION POLL

"Which Areas of Life Have Changed For the Better Due to Vladimir Putin's Work?" 5

■ ANALYSIS

Domestic Politics and Russia's Foreign Policy 6
By Marcin Kaczmarek, Warsaw

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By Jadwiga Rogoza, Warsaw

Abstract

Following the annexation of Crimea, the Russian authorities seem stronger than ever. Putin's popular support has skyrocketed, his opponents have been dispersed or silenced, and his iron-fist policies meet hardly any resistance. This article assesses what cost Russia will likely pay for the Kremlin's political "stability" and geopolitical successes.

Authoritarian Tipping Point

With its annexation of Crimea and other actions in Ukraine, Russia turned a new page—not only for its foreign policy, but more fundamentally, for its internal development. However, the year 2011 was the tipping point that set the current course of development. Then the narrow decision-making group made a strategic choice concerning the nature of Russia's leadership. By rejecting Medvedev's re-election, the powers that be dismissed the "evolution" scenario, which would have preserved many features of Putin's model, but could have provided a controlled and gradual decentralization of power to a variety of different groups in the elite. Instead, they chose the "conservative" scenario defined by Putin's return to the presidency. This choice led to the formal restoration of a single decision-making center, re-centralization of power (both on the federal and regional levels), and a wave of counter-reformist actions. Putin's return proved to be more than a reshuffle, when the obvious and unchallenged leader resumes his previous position. It was a strategic choice that the ruling group made with regard to Russia's further development.

The rest is history, one may say: the choice determined efforts to preserve power. The Kremlin redefined its objectives and set about implementing them. The most urgent goal was to counteract the menace of unrest that surfaced in the active, urban groups of society and some of the elites (part of the state bureaucracy and selected business circles). For them, Putin's return symbolized economic stagnation, political restrictions, the rising influence of the law enforcement bodies, and shaky ownership guarantees that would leave them vulnerable vis-a-vis the state. Putin answered signs of fatigue with his rule and dissent against it with a series of heavy-handed policies, political and social restrictions (extending to the private sphere and moral norms), an anti-Western and conservative upsurge, and an aggressive expansion in defending what Russia defines as its zone of privileged interest.

Putin 3.0—Specific Features

Putin's current model of governance is not entirely new, and is largely a continuation of the system he developed in the 2000s. However, against the changing political and social background, some new features have emerged. The most important ones are: the growing personalization of the Kremlin's policy; the escalation and extension of repressive measures; and the launch of a conservative ideology project that combines moral restrictions with a vehement anti-Westernism.

Putin's model of governance has always favored personalizing power at the expense of building durable institutions. However, the degree of this personalization is growing visibly. What was once a collective, "Putin and his Politburo" style of management is increasingly often becoming "Putin against the world." Putin's Kremlin now confronts part of his own support base—namely, those who expected that policy would evolve toward a more liberal model and therefore, in Putin's eyes, "betrayed" him. Instead of "buying loyalty," as in the 2000s, Putin set about "forcing loyalty." He has changed the mechanisms of managing the elites from positive inducements (distributing assets and positions, ensuring immunity) to negative sanctions (demonstrating power and selectively punishing to improve control and discipline). He launched a policy labeled the "nationalization of the elites" that led to tightening control over the foreign assets held by officials and their activities abroad so as to make them more dependent on the Kremlin. The campaign also involved corruption scandals targeting influential members of the state administration, and the creation of a "*kompro-mat*" database prepared by the president's aides, which includes records of the officials' possessions in Russia and abroad. Putin also likes to stress his status as the main decision-maker, who chooses to act arbitrarily and often unpredictably. Recent examples of arbitrary decisions include the case of imposing anti-elite regulations, some foreign policy decisions that surprised the Ministry of Foreign Affairs, and Mikhail Khodorkovsky's sudden liberation.

Due to his growing distrust of his political support base, Putin made shifts in his inner circle, promoting people with KGB backgrounds and obedient executors of his repressive policies. These people have always been part of his team, but had been counterbalanced by other groups with a more liberal stance. For the time being, Putin's closest and most trusted circle contains predominantly "hawkish" officials and his long-time business partners, most of whom have a KGB background. Putin's most influential associates include top Presidential Administration officials Sergey Ivanov, Vyacheslav Volodin and Yevgeny Shkolov; Deputy Prime Minister Dmitry Rogozin; Rosneft chief Igor Sechin; Investigative Committee head Alexandr Bastrykin; heads of state corporations and companies—Vladimir Yakunin (Russian Railways) and Sergey Chemezov (Rostekh); and private businessmen who accumulated fortunes thanks to Putin's backing—Yuri Kovalchuk, Gennady Timchenko, Arkady Rotenberg. Even though some of these people do not hold public offices, their leverage on state decisions is immense. One example is an official known to few, Shkolov, who has been entrusted with the sensitive mission of monitoring the elite's assets and deals. The "doves" who once were key leaders within Putin's team are on the defensive: notables like Prime Minister Dmitry Medvedev, former Finance Minister Alexei Kudrin, and Deputy Prime Minister Dmitry Kozak; Sberbank President German Gref and other businessmen; diplomats; and some members of the cabinet.

Conservative Prop for the Political Model

Another novelty during Putin's third term is the upsurge of conservative ideas in Moscow's rhetoric, addressed both to domestic and international audiences. This rhetoric now abounds in references to Russian national traditions, Orthodox faith and a supreme moral designation, which sets the "Russian world" above Western societies, which are claimed to be degenerating due to their "moral decay."¹ The West is seen as an aggressor advancing into Russia's zone of interest, and as a source of alternative political and civic values. Even though notions of morality prevail in this rhetoric, its backbone is in fact opposition to the Western model of government and relations between state and society.

While anti-Western views are deeply rooted in the Russian ruling group's mentality (often lingering from their KGB past), the conservative values they advocate

should not be treated as a reflection of their genuine views or founding ideology. Instead, conservatism became a political project designed to serve the current objectives—i.e. to provide an ideological underpinning for Putin's system of government. In other words, the goal is to preserve ("conserve") a post-Soviet model of governance: top-down, with a clear boundary between the rulers and the ruled, and with a centralized and personalized power that is not accountable to the public. Rather than conservative, the vision promoted by Putin can be called "reactionary" and "retrograde."² The actions taken under the banner of conservatism boil down to curbing public freedoms. The laws passed by the parliament at the direction of the Kremlin penalize different forms of political and social activity, tighten the state's grip over the Internet and freedom of speech, increase control over civic initiatives (NGOS), and penalize "immoral conduct" and "insulting the feelings of believers."

Using ideology for political purposes is nothing new in Russia; the notion of "sovereign democracy" devised by Vladislav Surkov in the mid-2000s serves as a prominent example of such tactics in the past. This time the anti-Western overtone is suffused with recurring references to conservative values. These started popping up in Putin's speeches around 2011, prior to his return to the presidency, and as a reaction to social changes that have shaken Russia. During that period, representatives of the urban middle class (including some employees of the state administration) started questioning the existing authoritarian model of state. The discontent peaked during mass street protests at the turn of 2011 and 2012. A central component of the repressive policies launched in response was the conservative and anti-Western rhetoric used to stigmatize the dissenters. In Putin's public speeches, he tags his opponents as the West's "fifth column," "traitors to the nation" and "foreign agents," all against the background of the West's "slackening morals." Putin thus symbolically separated the "healthy and conservative" majority of Russian society from the alienated "cosmopolitan" minority, which allegedly acted in the interests of the West.

What started around 2011–2012 as a defensive project, targeted against domestic "liberal unrest," evolved into an offensive venture by 2013–2014. Conservative rhetoric became an instrument of Moscow's diplomatic offensive aimed at challenging the West's actions in Syria and in the post-Soviet space, particularly targeting the plans of Ukraine, Moldova and Georgia to sign the EU association agreements. Invaluable assistance in

1 See Putin's public speeches, including his annual address to the federal Assembly on 12 December 2013 <eng.kremlin.ru/transcripts/6402>, the Meeting of the Valdai International Discussion Club, 19 September 2013, <eng.kremlin.ru/news/6007> and his televised conference "Direct Line with Vladimir Putin," 17 April 2014, <eng.kremlin.ru/transcripts/7034> (the final part).

2 See: Vladislav Inozemtsev, *Konservatsiya Rossiiskoi Federatsii, Moskovsky Komsomolets*, 7 July 2014, <www.mk.ru/politics/2014/07/07/konservaciya-rossiyskoy-federacii.html>

the external promotion of Putin's conservative project came from RT television and soft power organizations (Rusky Mir, Rossotrudnichestvo and various Orthodox associations, such as St. Andrew's Foundation). Putin presented Russia (and himself) as a sole defender of "healthy, conservative" values, endangered by the West's moral decay and double standards. Somewhat surprisingly, Putin's rhetoric evoked enthusiasm among Western radicals, including American conservatives, such as Pat Buchanan, French far-right leader Marine Le Pen, German right-wing National Democratic Party and even Polish "radical liberals," such as Janusz Korwin-Mikke.³

Crisis as a Booster: The Case of Crimea

The strategic choice to "freeze" the system raised the danger of stagnation, as it left the economy politicized and inefficient, and bound the most active and innovative groups with countless restrictions. Even though Putin himself admitted that the resource-oriented model of the Russian economy had been exhausted, his policies offered nothing to replace it. Therefore, by rejecting a "development scenario," the Kremlin had to resort to "emergency scenarios" to mobilize the nation and consolidate it around the ruler. For Putin, this perspective was not the worst solution. Throughout his entire rule, different sorts of "emergencies" boosted his popularity the most. He rapidly rose to political stardom in 1999, following the bombing of residential buildings in Moscow and Volgograd and the military operation in Chechnya. His social support peaked in 2008 (88%) during the war with Georgia, and almost repeated that record (86%) in 2014, following the annexation of Crimea, according to Levada Center polls.

The annexation of Crimea in March 2014 became one of Russia's most celebrated "success stories" under Putin. Sudden and unexpected as it was, it fit perfectly in the new stage of Russian state-building and aggressive assertion of control over the spheres of Russia's "privileged interest." In the short-term perspective, annexing Crimea provided the Kremlin with a powerful boost: not only has it enhanced Putin's ratings, but it also handed him *carte blanche* for further authoritarian state-building. This "crushing majority"⁴ support is treated as a sufficient justification for tightening the grip further. Opposition activists face additional persecution

(especially Alexey Navalny and his associates), successive laws are passed that target bloggers and corporations that provide internet services, control is tightened over dual citizenship and Internet payments, and laws concerning extremism and profanity are developed with political opponents in mind. This concentrated repression has left Putin's liberal opponents in disarray—they have been scattered and silenced, and many deprived of their income, as their projects and media were closed. Many prominent figures have left Russia—well-known journalists, NGO activists, businessmen and experts. This emigration has been labeled the "emigration of the disillusioned,"⁵ many of whom headed for Ukraine, making Kyiv a new capital of the Russian opposition. The Russian capital Moscow is left to witness Putin's apparent triumph, with almost no one to challenge it.

Feet of Clay?

Annexing Crimea and silencing discontent boosted support for the powers that be and helped them stabilize their rule. However, these measures have provided only temporary camouflage for systemic problems within the economy, which remain unsolved and keep piling up. Fossil fuels are providing a growing share of budget revenues, foreign direct investment dropped to 40 percent of its 2013 level,⁶ and capital flight almost doubled.⁷ An acute loss that is harder to calculate is the emigration of the most innovative individuals, who could have been drivers of modernization, if given sufficient freedom.

More than doubtful are Russia's foreign successes. The initial euphoria in Crimea is giving way to anxiety and the first signs of discontent with the new, harsh reality. Many Crimeans have lost their incomes as the tourist sector grapples with the problems caused by the annexation. In addition, the Russian laws introduced in the peninsula leave society and entrepreneurs much more vulnerable to state predation than under Ukrainian legislation.⁸ Moreover, Russia seems to be gradually losing the propaganda war in eastern Ukraine: moods in Donetsk and Lugansk are starting to turn against

3 Richard Herzinger, "Europe's Extreme Right And Left United In Support Of Putin," *Worldcrunch*, 11 May 2014, <www.worldcrunch.com/opinion-analysis/europe-039-s-extreme-right-and-left-united-in-support-of-putin/russia-extremism-nationalism-ukraine-conflict/c7s15880/#.U8OK4UDU7Fw>

4 Irina Chechel, *Vremya, vpered!* Preambula k diskussii o "podavlyayushchem bolshinstve", 17 July 2013, <<http://gefter.ru/archiv/9447>>

5 Leonid Bershidsky, "No Illusions Left, I'm Leaving Russia," *Moscow Times*, 18 June 2014, <www.themoscowtimes.com/opinion/article/illusions-gone-im-leaving-russia/502173.html>

6 <slon.ru/fast/economics/tsb-otchitalsya-o-dvukratnom-padenii-pryamykh-inostrannykh-investitsiy-1125196.xhtml>

7 Capital flight in 2014 is estimated at is estimated at 100 billion USD (it already reached 80 billion USD in the first half of the year). In 2013, it totaled 59.7 billion USD, and in 2012 53.9 billion USD. <slon.ru/fast/economics/ottok-kapitala-iz-rossii-za-god-prevysit-100-mlrd-1118363.xhtml>

8 One example of this is the expropriation of private property that may affect businessmen and Crimean Tatars who own land by the sea shore, <<http://top.rbc.ru/economics/10/07/2014/935550.shtml>>

Putin, who is said to have forsaken and betrayed them. In Dnepropetrovsk and Odessa, cities that previously never boasted a strong Ukrainian identity, Russian military aggression has stimulated an upsurge in pro-Ukrainian patriotism and anti-Russian sentiments. Further developments in Ukraine are likely to bring Russia successive challenges that may counterbalance its Crimean victory.

Development versus Stability

Putin's model of governance may be not conducive to the country's development, but it does foster the durability of his rule. It can even be said that rapid economic development played a bad trick on Putin. It gave rise to social groups within Russia who, having satisfied their basic economic needs, developed higher, non-economic aspirations inconsistent with Putin's state model. These groups became the real troublemakers for the Kremlin, not the poorer majority which is used to difficulties and patiently waits until the hard times are over. Despite

declarations that people are ready to protest if things get worse, there were no mass demonstrations fuelled by economic difficulties, even during the 2008–2009 crisis. It seems that hard economic times are often overestimated as a destabilizing factor. Such protests could appear if oil prices drop, but that has not happened in years, despite numerous forecasts that energy markets would be glutted.

Political and economic stagnation help Putin preserve power as long as possible. Backward as it may be, the system does have a margin of safety—society's inertia, scattered opponents, and stable hydrocarbon prices. Obviously, Putin's system is prone to challenges and problems, but its growing secrecy and unpredictability make it hard to diagnose the decisive factor that might ultimately bring about change. One thing is sure: when their power is challenged, top Russian decision-makers will use any means possible to defend it. Another "Crimea" may be needed in a few years. What will that be?

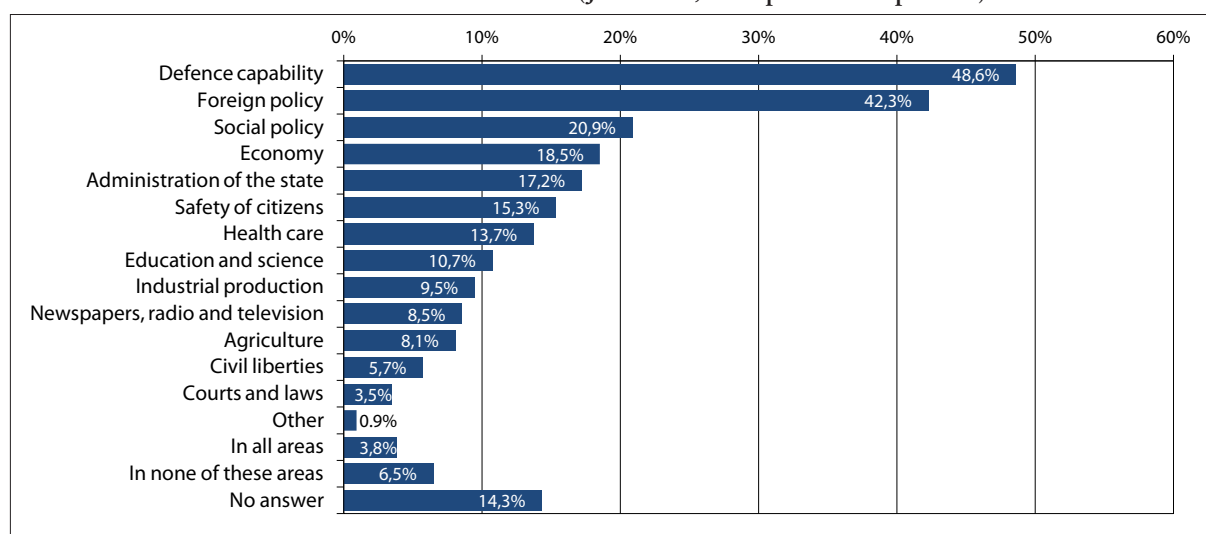
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OPINION POLL

“Which Areas of Life Have Changed For the Better Due to Vladimir Putin’s Work?”

Figure 1: Vladimir Putin was elected President for the first time in 2000. Which areas of life have changed for the better due to Vladimir Putin’s work? (June 2014, multiple answers possible)



Source: representative opinion poll by the Foundation for Popular Opinion (FOM), 14–15 June 2014, N = 1500. Published on 25 June 2014 on: <<http://fom.ru/Politika/11568>>

Domestic Politics and Russia's Foreign Policy

By Marcin Kaczmarek, Warsaw

Abstract

Domestic power relations—shifting coalitions, changes in Putin's entourage, and struggles for political influence and economic assets—are a form of pluralism in Russian domestic politics. Examining the case of Russia's energy policy in Asia, this article argues that domestic power relations influence Russia's international behavior, particularly the implementation of its foreign policy.

Dual Nature of Russian Politics

The Russian Federation's political system since the mid-1990s has been of a dualistic nature. Two arenas with two different sets of rules coexist: a public one, governed by formal institutions and constitutional laws, and a factional one, controlled by informal rules and the "administrative regime." Upon taking office, Vladimir Putin attempted to transcend this duality by establishing his personal authority and control in the form of a power vertical (*vertikal vlasti*). This phrase encapsulated the top-down nature of the political process, the "rebuilding" of the Russian state, and the concentration of power in the Kremlin.

Putin's political construction turned out to be relatively stable, surviving generally intact for more than a decade, throughout the presidential succession, the period of the Putin-Medvedev tandem, and the subsequent "job-swap" that returned Putin to the Kremlin. The regime proved to be resilient to the opposition during a few rounds of competitive (though neither free nor fair) elections and two instances of mass-scale political protests (in 2005–2006 and 2011–2012).

On the other hand, the so-called strengthening of the Russian state was accompanied by its simultaneous weakening. The state disaggregated into numerous "verticals," turning into a conglomerate of actors directly or indirectly using state power to advance their parochial goals. Domestic power became divided among particular actors, who competed for political influence and economic assets. Russian domestic politics metamorphosed into a pluralist arrangement. Importantly, however, this pluralism remains limited to actors with concentrated political and economic resources, and thus can be termed the "pluralism of the powerful."

To explain the workings of Russian politics under Putin, experts have come up with a number of interpretations—the administrative regime, Politburo 2.0, the clan system, the network state, *sistema*, the neo-feudal state. This article reconstructs Russian politics through the lens of domestic power relations so as to embrace the complexity of domestic politics and trace its role in Russia's international behavior.

The Framework of Domestic Power Relations

The first task is to distinguish relevant domestic actors participating in domestic power struggles. These actors—hereafter termed "power-holders"—are individuals and corporate entities endowed with material resources, which give them some level of control over the political, administrative, and economic spheres. Individuals include both those controlling resources due to their position within Putin's regime (e.g. Igor Sechin, Sergei Ivanov), and those owning resources in the private sector (Oleg Deripaska, Gennady Timchenko). The category of corporate entities covers political parties (United Russia), state institutions (Investigative Committee, FSB, armed forces), state-owned enterprises (Gazprom, Rosatom), and private big business (RusAl, LUKoil). Power-holders are assumed to be, on average, rational in the pursuit of political influence and control over economic assets. Consequently, their specific interests and preferences are defined first and foremost by the material resources at their disposal rather than by their particular identities.

The second challenge concerns the arrangements among power-holders. The most important criterion is their relationship to the leader. From this perspective power-holders are divided into four groups: the inner circle, the winning coalition, veto players, and the opposition.

The *inner circle* is a specific group, as it is composed only of individuals whose access to resources depends exclusively on the leader. These power-holders directly shape state policies. Their spheres of influence ("turfs") are determined not by official positions, but by specific privileges, such as: control over personnel, nominations, and financial flows, access to economic rents, control over institutions, and access to the leader. The turfs constitute the object of constant in-fighting and bargaining among the members of this group.

The three remaining groups are composed of power-holders whose resources do not depend directly on the leader and who, as a consequence, retain greater autonomy in their behavior on the domestic scene. The winning coalition gathers the supporters of Putin and the ruling regime. These power-holders remain subordinated to the regime and their interests are promoted in return.

Veto players are neutral towards the regime. They have, however, enough power to block policies which would directly affect their narrowly defined interests. As a consequence these interests are respected by the regime. The opposition is composed of those power-holders who strive to overthrow the regime. Thus, the regime either neglects their interests or acts against them.

Thirdly, the circle of power-holders is prone to changes. New actors can be empowered, while the existing power-holders can be deprived of resources. Power-holders may change their attitude toward the leader, moving from one group to another. The relative balance among power-holders forming a particular group evolves along the lines of competition for political and economic resources.

The Evolution of Domestic Power Relations in Putin's Russia

In the beginning of his rule, Putin faced a highly disadvantageous domestic distribution of power. The winning coalition was small and deeply divided, veto players dominated and the opposition stood a real chance of gaining power. At that time Putin had no inner circle, since virtually no power-holders were dependent on him.

During his first term, President Putin effectively reshaped domestic power relations. He reduced the number of power-holders, depriving them of the resources they had once controlled. Putin established the United Russia party to serve as the main tool of control over key political institutions. His winning coalition comprised the state bureaucracy, security services and law-enforcement agencies, and the military and the military-industrial complex. Power-holders with economic resources were left beyond the winning coalition, Gazprom and Rosoboronexport being the exceptions. Putin laid the foundation for his inner circle, empowering selected individuals with the supervision of particular state policies; the most prominent of these individuals were: Igor Sechin, Dmitri Medvedev, Sergei Ivanov, and Vladislav Surkov. The oligarchs were warned not to engage in politics, which in practice relegated them to the position of veto players. The outright opposition was represented by the right-wing political parties Yabloko and the Union of Right Forces (SPS), and by Mikhail Khodorkovsky, the owner of Yukos. The attack against Khodorkovsky, launched towards the end of Putin's first term, marked a new phase in the evolution of domestic power relations.

The most important developments after 2003 encompassed the increase in the number of new power-holders, the broad inclusion of economic power-holders into the winning coalition and the strengthening of the inner circle. Coalitional power-holders were strengthened to the detriment of the veto players or the opposition. New corporate entities were created and empowered with eco-

nomic resources under the aegis of the need to strengthen the Russian state. Another way was the *de facto* privatization of state assets by handing them over to non-state power-holders, usually people closely associated with Putin. Simultaneously, Putin's inner circle gained strength with the empowerment of old members, such as Finance Minister Alexei Kudrin, and new individuals, such as Defense Minister Anatolii Serdyukov. These power-holders obtained control of state policies as well as the state's economic assets. Some of the inner circle members—as Dmitri Medvedev or Igor Sechin—had broad but imprecisely defined spheres of influence which led to competition among them. Others were given “sectoral” responsibilities, e.g. Anatolii Serdyukov, responsible for the military reform.

Towards the end of Putin's second term, power struggles within the winning coalition and the inner circle became the center of gravity for Russian domestic politics. Power-holders with political, administrative and security-related resources were balanced by those with economic resources. The role of the inner circle grew as its members increased their political influence and control over particular sectors of the Russian economy. Veto players, meanwhile, ceased to exert any meaningful influence, having been either disempowered or coerced into the winning coalition. The opposition lacked power-holders and remained in disarray.

The subsequent period of the “tandem”—which started in 2008 with Dmitri Medvedev's presidency and Putin's prime-ministership—was characterized by contradictory trends in the evolution of domestic politics. On the one hand, the apparent liberalization of the political system, coupled with the modernization and privatization agenda, were intended to reduce the number of power-holders. This would limit the “pluralism of the powerful” and broaden the leadership's room for maneuver. On the other hand, the struggles over economic assets within the winning coalition and the inner circle intensified. Certain members of the winning coalition (e.g. oligarchs Gennady Timchenko, the Rotenberg brothers and the Kovalchuk brothers), were significantly strengthened at the expense of other coalition members, such as Gazprom, or by transferring state property to them. The inner circle became even more internally divided. Sechin, who aspired to control the energy sector, was among the most aggressive in expanding their turfs. Neither veto players nor the opposition managed to capitalize on Medvedev's agenda in any durable way.

Putin's third term has so far led to two key developments: the serious weakening of the inner circle and the strengthening of selected members of the winning coalition. Putin re-arranged his entourage, disempowering over the course of two years several key power-

holders: Kudrin, Serdyukov and Surkov. Despite being nominated prime minister, Medvedev was also seriously weakened. These moves broadened Putin's autonomy and diminished the overall importance of the inner circle. At the same time, Sechin gradually increased his control over the energy sector and rose to the position of key power-holder within this group. The dismissal of Serdyukov allowed the military to regain part of its influence and autonomy. The general weakening of Putin's popular legitimacy and some discontent among the elites following his return to the presidency did not lead to any meaningful reshuffling among the winning coalition, veto players and the opposition. Particular power-holders preferred to secure their positions within the winning coalition rather than to risk openly challenging Putin. The protest movement which emerged in the wake of the Duma 2011 elections did not transform into a political power-holder. The annexation of Crimea and the Ukrainian crisis weakened the protest mood and significantly, even if temporarily, strengthened Putin.

Russia's Energy Policy towards Asia

The case of Russia's energy policy in Asia illustrates how evolving domestic power relations have been influencing Russia's foreign policy. Sechin, the strongest participant of Putin's inner circle, has consistently promoted cooperation with Beijing, which offered him numerous opportunities to broaden his scope of influence. He turned out to have a decisive voice when it came to implementing Russia's energy strategy in Asia.

Russia's long-term goal was to diversify energy exports to Asia. In the mid-2000s, Moscow struggled to incite Sino-Japanese rivalry over access to Russian resources and oil transportation routes but the economic crisis of 2008–2009 forced it to give up this idea. Russia agreed on the East Siberia–Pacific Ocean (ESPO) pipeline's branch to China. Rosneft and Transneft signed

a contract with the China National Petroleum Corporation (CNPC). Russian companies committed to deliver 300 million tons of oil over a period of twenty years. In return, the Chinese side credited Russian companies with loans of US\$15 and US\$10 billion.

Russian–Chinese energy cooperation intensified. Occasional disputes over oil prices and volumes did not discourage either Sechin or Rosneft. In 2013, the second breakthrough in Russian–Chinese oil trade was achieved. Rosneft signed a series of new multi-billion dollar contracts with CNPC and Sinopec. Taken together, the contracts have tripled the amount of oil to be sent to China. By 2020, Russia may be expected to supply 56 million tons of oil per annum. It means that about 75 percent of Russian oil exported to Asia will reach no other state but China.

This contradicted Russia's strategy of export diversification and led to the dependence on one customer—China. The oil sector is controlled by Sechin and he was the one who decided to “put all of Russia's eggs into the Chinese basket.” Rosneft needed additional capital to finalize the takeover of TNK-BP, the cost of which was estimated at US\$45 billion, and the Chinese companies offered prepayments. Sechin's ambitions reach even farther than just oil exports. He demanded that Rosneft, which is also a gas producer, receive access to a new gas pipeline, which is to be built by Gazprom from Russia to China, following the contract signed in Shanghai in May 2014.

This case illustrates that domestic power relations are an important element of Russia's foreign policy-making. The evolving distribution of political and economic power under the surface of Putin's leadership influences Russia's international behavior to a significant extent. Domestic actors are capable of altering existing strategies in the process of policy implementation so that they reflect their own parochial interests.

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Recommended Reading

For an extended analysis of the role of domestic politics in Russia's foreign policy, see: Marcin Kaczmarek (2014) “Domestic Power Relations and Russia's Foreign Policy,” *Demokratizatsiya*, Vol. 22, No. 3, pp. 383–410.

ABOUT THE RUSSIAN ANALYTICAL DIGEST

Editors: Stephen Aris, Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

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