From Russian gestures towards Washington right after 9/11, which almost bordered on an alliance formation, to the Russian tanks rolling into Georgia in the summer of 2008, the timeframe between 2001 and 2008 marked the return of Russia as a great power and major international player after decades of relatively reduced influence and decline in status post-Cold War. The new Russia was more economically stable due to burgeoning oil wealth and energy revenue—more authoritarian, but considerably less free and democratic than even a decade ago under Yeltsin, and possibly more revanchist. Russia is also not shy to exercise hard power and its renewed strength and confidence, as evident by the 2008 gas crisis with Ukraine resulting in a subsequent squeeze on Europe, the South Ossetian war of 2008, and its rigid non-negotiating stance to the European Ballistic missile defense shield. But, to understand this re-invigorated Russia one needs to look at the first two terms under Vladimir Putin and his economic policy.

The Russian discourse on international relations in the post-Cold War era was more or less centered on a realist paradigm, partly due to its diminished influence and to its sense of victimhood. Although it saw moments of optimism and co-operation during the Boris Yeltsin era, the traditional idea of Russia as an encircled, endangered and victimized nation remained deep seated in the psyche of the upper echelons of Russian society, enforced and exploited smartly by the Russian political class for domestic political gains. Vladimir Putin initially was also optimistic about doing business with the US administration.

The September 11 attacks brought this relationship between the two largest nuclear powers to a more stable footing. Russia was one of the first countries in the world to support United States during the preparation stage ahead of the invasion of Afghanistan during the beginning of the “War on Terror”. Putin was apparently determined to do something which had eluded his predecessors: to try to reinstate Russia as a Great power. He realized this to be a great opportunity.

Initially regarded as an energetic modernizer, Putin’s pro-Western line was measured and broke down completely in 2007 in the now infamous Munich Conference presentation where he accused the United States of being unilateral and not ready to respect the boundaries of any sovereign state in the world. The study of this timeframe is extremely important, as it shows the reasons Russia stepped back from its rapprochement with United States. The return of Russia as a great power, and the subsequent frosty relation with the United States, which largely coincided with the first two terms of Vladimir Putin at the Kremlin, can be explained in one major narrative, Putin’s Economic Realism. "While it remained weak, Russia saw a special partnership with United States, as the effective route to power and influence in the World. With Russia’s pre 2009 energy fueled revival, Moscow once again found itself in a position to act autonomously on the international stage and less in need of a United States that never seemed to take Russia’s interests seriously anyway", explains Jeffrey Mankoff.

The re-emergence of realism in Russia

The post-Soviet era gave rise to something of a conceptual vacuum, and Russian policy makers were not always ready to address that challenge. In the early days of the post-Cold War, with the seeming victory of liberal democracies, the dominant discourse was led by the liberal enthusiasts in Russia
The Nottingham economic Review Features an unprecedented economic "pragmatic nationalist" viewpoint. Oil and gas of social services, job losses, and massive collapsing government sector, breakdown came the cost of internal stagnation, economy stabilized with loans from the it didn't quite work as planned. The internal people as the Yeltsin economics of "Shock in Russia and the hardship faced by the collapse was the scarcity of investment Another important factor that added to this with massive structural flaws. The Russian time of political and economic transition but order or strong centralized institutions. Anarchic and chaotic without any central was anarchic and chaotic without any central and we must also enter the political and economic unions..." Yeltsin declared, in 1992. Kozyrev, Yegor Gaidar and other liberals under Yeltsin believed that the road to the free market was the ideal way for Russia and that the liberal West would be the ideal partner. However, the domestic environment of Russia immediately after the Cold War was anarchic and chaotic without any central order or strong centralized institutions. Myriad interest groups vied for power at this time of political and economic transition but with massive structural flaws. The Russian dream of being a part of the West slowly started to collapse.

Another important factor that added to this collapse was the scarcity of investment in Russia and the hardship faced by the people as the Yeltsin economics of "Shock Therapy". Even with all its good intentions, it didn't quite work as planned. The internal economy stabilized with loans from the IMF and World Bank but, along with that came the cost of internal stagnation, collapsing government sector, breakdown of social services, job losses, and massive poverty. Between 1993–95 the anti-American sentiment amongst the general public went up from 26 to 44 percent, and amongst elites from 27 to 53 percent. By April 1993, President Yeltsin moved away from the "liberal Westernizing" idea and the convergence of "establishment" to the "pragmatic nationalist" viewpoint. Oil and gas exports and general trade increased due to proper regulations, structural reforms and institutional changes and policies resulting in an unprecedented economic boom. The social welfare programs improved as a result of a strong economy as did the general living conditions and wages of average Russians after a decade of chaotic post-Soviet experiments. The pride and prestige of being recognized as a great power started to sink in again.

With Vladimir Putin, Russia's economic and subsequently foreign policy underwent radical change. "Putin restored stability to the country by reigning in forces of decentralization and competition, creating the 'power vertical', restoring control over the country by the Kremlin (increasingly staffed by veterans from the intelligence services) and its allied party United Russia, and recapturing state control over the commanding heights of the economy."

Putin's Russia was in essence a completely Tsarist centralized state; however, with burgeoning oil wealth it was dubbed as “According to the World Bank and the IMF, each dollar increase in the price of oil augments Russia’s GDP by about .35 percent.”

Russia Inc. by scholars. Under this government system, political and economic elites became connected and the Kremlin officials who managed the affairs of state also started to manage and largely control the state's major economic assets. The chairman of the boards of most of Russia's strategic industries, including energy companies, were members of the presidential administration or holders of high government office. Foreign policy decisions were influenced by commercial decisions which were in turn increasingly driven by political interests. The centralized hierarchy became similar to the Soviet system except that this time it came with oligarchs and a free market, with a highly interfering state capitalist authority. The domestic 'power vertical' slowly extended to foreign policy which was formed by a narrow circle of people, especially the predominance of former intelligence officials in the Kremlin. That resulted in the increasingly confrontational rhetoric from Putin's second term, and the Slovik's approach to the West closely started to resemble the Soviets'.

The West was viewed as the “glavnyi protivnik” (main enemy) out to weaken Russia and overthrow or destabilize the government. The September 11 attacks in the US (temporarily) changed the strategic framework between US and Russia, simply because Russia needed US to support Russia's entrance to the G8 and a US Loan of $20 billion to dismantle strategic weapons. Russia also took up the Americans' offer to support Russia's accelerated membership of the World Trade Organization.

Oil and energy boom: Return of Great power Russia

Russian economic thinking under Putin can be traced back to the Soviet times. Putin's own economic thinking was hinted at in his Master thesis (Kandidatskaya dissertation). Putin wrote about “Dual Track” planning, underlining that Russia was still in a transitional phase on its way to a proper functioning market democracy, and that there should be a certain amount of rationalizing and stabilizing government control while Russia was in this phase. Putin's work in the KGB gave him a basic idea of the hierarchical model KGB followed leading him to believe that a hierarchical state model was also a proper economic model for Russia. Economic determinism was the pressing model for a realist Russia and this was reflected in the RF Security Council document of May 2002, which states, "Russia has to avoid being cornered by ideological notions of division between friends and foes. Economic benefits for Russia should become the main factor and criteria of foreign policy direction." Russia's goal was to use all opportunities for economic development to prepare Russia to face any potential security challenges, and in order to do that, initial rapprochement with the West was not to be ruled out. The 2000 to 2008 were the most successful years in the Russian economy. Economic growth was around 7 percent, and national income was doubled. The total size of the economy increased six fold from US $ 221 Billion to US $ 1348 Billion. The Russian economy grew even faster than that of China's. Russia benefited from the growth, as real consumption raised by an average of 15 percent annually, more than twice the size of the GDP. The federal budget surplus rose from 1.5 percent of GDP to 5.5 percent. Revenue surged at an amazing rate due to economic growth, tax reforms, and most importantly due to oil exports revenue taxation. Russia which had no central bank reserve during the mid-1990s had the third largest reserve after a decade, only after Japan and China. By 2007, official reserves covered all foreign debt, and the economy not only grew and continued growing, it actually stabilized.

Russia used this new found wealth and economic prowess to pursue a more active foreign policy in the geopolitical arena. Russia and Saudi Arabia are the two biggest energy producers in the world, so far. Energy provides over two thirds of Russia's export...
revenue, and about half of its fiscal revenue. Energy has been the center of Russia's political economy since the early years of Putin's reign, when much of the power was taken from the hands of the oligarchs by the state. Much of Russia's energy sector falls under resource nationalism limiting the role of foreign actors and strengthening the direct role of the state. Russian oil reserves are 5.6 percent of the total global oil reserves - the world's seventh largest. Taxes on oil and gas provide 37 percent of the Russian national budget. According to the World Bank and the IMF, each dollar increase in the price of oil augments Russia’s GDP by about .35 percent. Moscow's recent aggressive campaigns to renationalize energy companies at home, leverage foreign debts for extra-territorial control over energy assets, discourage rival energy projects, use strong arm tactics to coerce rival oil companies, buy out stakes of foreign companies like BP by Rosneft, and bypass pipelines seem to underscore the Kremlin's commitment to matching words with deeds for employing energy as a strategic instrument of realism and energy imperialism.16

The most interesting implication of Russia's oil power was the correlation with its assertive foreign policy. An “aggression index” based on 86 events in Russian foreign policy from January 2000 to September 2007 was compiled by American Enterprise Institute in a report, a paragraph of which is quoted below:

“We found that as the price of oil rose, the aggressiveness index increased: that is, the more valuable oil became, the more hostile Russian foreign policy became. The reverse was also true: when oil prices dropped in 2001 and 2002, so did Russia's aggression. The relationship proved strongest at the annual level: a $1.48 increase in oil prices yearly correlated with an additional “point” increase in Russian aggression.”17

The graph below shows that correlation.17 Combined to this is the apparent dependence of the West, especially Europe’s, on Russian gas and oil. Below is a graph from CFR showing European dependence:

Of course, oil prices are not the sole determinant of Russia's foreign policy, but perhaps it is not completely co-incidental that Putin’s Munich conference speech came in 2007, a few months after it had entirely paid off its International Monetary Fund obligations which totaled $16.8 billion in 1999. Russia no longer needed Western cash to keep its economy alive. On the contrary, Europe desperately needed Russian energy. The British House of Lords Report noted that the EU/Russia Energy Dialogue was essential for energy security.16

In fact, the most co-operative time between the Russian Government and Washington was during July 2001 to February 2003, with only one aggressive action. “This pause corresponded with a fluctuation in global oil prices: they dropped from a high of $30.35 a barrel in November 2000 to $17.37 a barrel in December 2001. Oil prices did not hit $30 a barrel again until February 2003.”19 Putin’s idea of a “European Great Power” has been based on playing main actors against each other, namely the trio of France – Germany – Italy against the EU Commission (and the West), and in a minor way, playing Germany against Poland, or any consumer of Russian gas against Ukraine. The main asset of this balancing, was energy.20

In 2003 the Russian energy strategy turned this “petro-confidence” into official foreign policy: “ensuring national security—that is the fundamental task of the energy policy.” After the forced re-nationalization, close ties between the Kremlin and the energy industry have brought these policy goals within reach. The Russian Foreign Minister Sergei Lavrov stated that “it would be right to say that we view our role in global energy supply as a means for ensuring our foreign policy independence.” 21

Russia would repeatedly use this energy power as a persuasive, coercive diplomatic tool against the European Union by stopping the supply of oil and gas to Ukraine. Russia provides approximately a quarter of the natural gas consumed in the European Union and approximately 80% of that supply travels through pipelines across Ukraine prior to arriving in the EU. But one can gather that this was Russia’s response to intimidate the color revolutions, supported by the United States, which was happening in Georgia and Ukraine.

Russian oil and gas blackmail was repeatedly mentioned and protested by Western powers, both European and American. “It is necessary to say politely and with a friendly smile that we are free and we will do what we want, We will not be manipulated or blackmailed, and if you threaten that you will not deliver gas to us, well then, keep it.” said Vaclav Havel, former Czech President from 1993 until 2003 and who also led the anti-Soviet revolution in 1989.22 Just after the color revolutions in both Georgia and Ukraine, President Yushchenko of Ukraine and President Saakashvili of Georgia gave joint statements calling the world to boycott Russia.

“Ukraine’s President Viktor Yushchenko said Eastern Europe’s energy supply routes must diversify away from Russia and not succumb to “energy blackmail.” 23 Mikheil Saakashvili said Russia had turned into an “export monopolist of all energy supplies - both its own and those of Central Asia”, and accused Moscow of undermining the ideal of a common European energy market.24 The strongest words came from the United States Vice President, Dick Cheney, when he accused Russia of using blackmail and intimidation in its energy policy towards Europe. In one of Washington’s sharpest rebukes to Moscow, Mr. Cheney said it was not acceptable for Russia to use its vast gas and energy supplies to bully its neighbors. “Russia has a choice to make,” Mr. Cheney told Baltic leaders during a summit in Vilnius. “No legitimate interest is served when oil and gas become tools of intimidation or blackmail, either by supply manipulation or attempts to monopolize transportation.” 25

EU leaders such as Schröder, Silvio Berlusconi and Jaques Chirac happily discarded pre-agreed EU positions in their attempts to forge a special relationship
As a whole, with the majority of the Chechen war winding down, a new-found slow surging economy based on the consolidation of oil and gas resources and the stabilization of the internal economy gave Russia a new found confidence, especially during the Iraq invasion of 2003. Russia also successfully lobbied for membership in the World Trade Organization, dealt with the Chechen rebel problem hijacking the global war on terror agenda, suppressed internal dissent without a single proverbial finger pointed, and got the economy on a strong footing as an oil and gas superpower. Russia’s limited goals of opposing the Iraq war were for limited economic bandwagoning with European powers and for taking advantage of internal dissent and inter NATO rivalry without jeopardizing relations with United States.Putin mentioned the BRIC countries of Brazil, Russia, India and China as an upcoming bloc, with the potential of economically balancing the West. Russia’s post 9/11 honeymoon with USA seemed officially over with the Georgian war. The Georgian war was under the Presidency of Dmitri Medvedev, the protégé of Vladimir Putin, who positioned himself as a Prime Minister and continued to take decisions. The new government under Barack Obama a year after the war started a “reset” with President Medvedev and later with Vladimir Putin, which inevitably failed. When Putin came to power in 2012 again, Fyodor Lukyanov, editor of Global Affairs, compared his Realism with Medvedev’s, “Where President-2010 sees opportunities and prospects; President-2012 discerns threats and reasons for concern…Medvedev proceeds from Russia’s domestic developments and looks for how events on the world arena could promote Russia’s growth. Putin, by contrast, starts with the global picture and draws conclusions on how external events can influence domestic processes.”  

I therefore humbly submit the following conclusion. Russian foreign policy runs on the following principles:

- Strengthening Russia’s position as a Great power.
- Taking care of internal dissent and Caucasus problems by exploiting the “War on Terror” template for its purposes.
- Using new found oil and gas wealth to its advantage to be a dominant power player in the energy market.
- When all else is achieved, to portray itself as a regional heavyweight still capable of blocking US unipolarity.
- Whether it continues in the future is not under the scope of this discussion although it is safe to speculate that Russia is not going to give up on its economic weapons as a part of its aggressive foreign policy anytime soon.

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