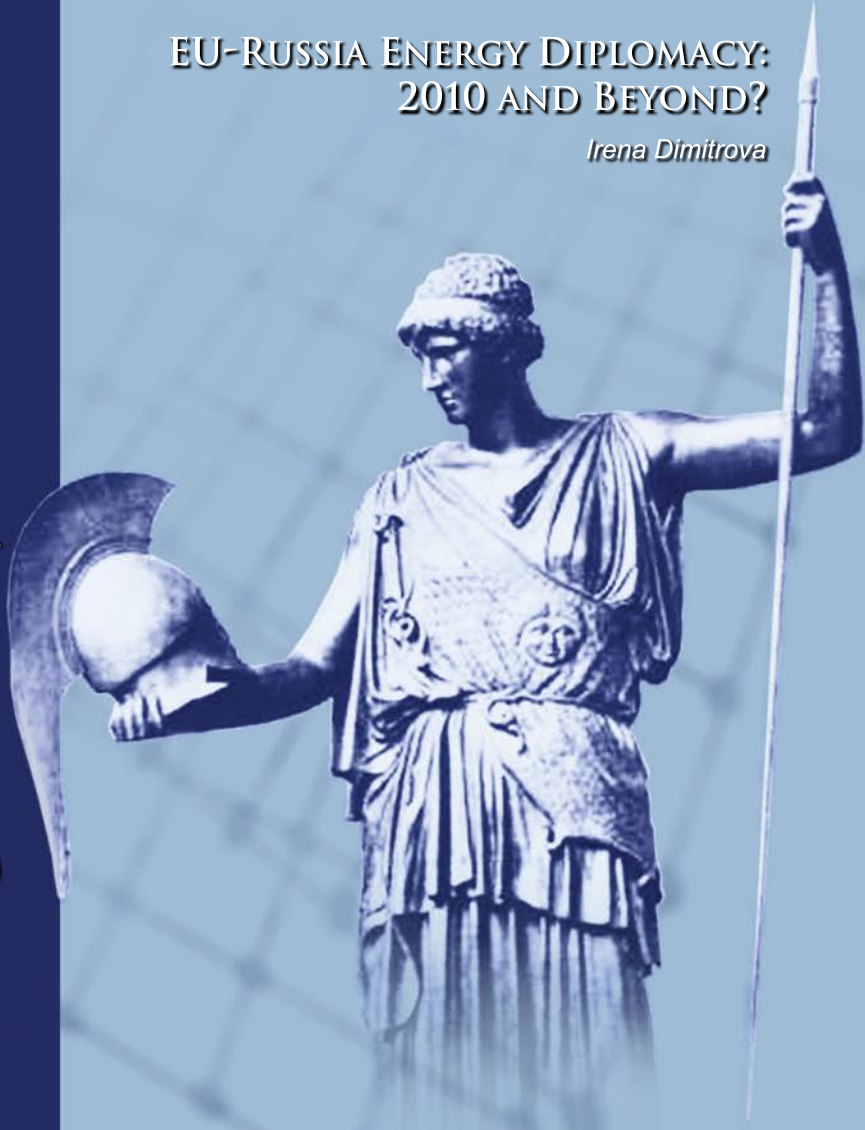


# CONNECTIONS

THE QUARTERLY JOURNAL

## EU-RUSSIA ENERGY DIPLOMACY: 2010 AND BEYOND?

*Irena Dimitrova*



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# EU-Russia Energy Diplomacy: 2010 and Beyond?

*Irena Dimitrova* \*

## Introduction

There are three major players in the arena of European energy security: the European Union, its individual member states, and Russia, which is currently the EU's most important energy supplier.<sup>1</sup> Other concerned parties include candidates for EU membership and those nations that aspire to candidacy. Countries through which Russian gas must travel en route to markets in Western Europe, possible gas suppliers from the Caucasus and Central Asia, and the United States also have significant roles to play. This essay focuses on researching the nature of the European Union's energy relations with Russia in terms of natural gas supply, from the perspective of the member states.

Moscow poses an energy challenge by applying this income-based economic relationship as a tool of soft power towards individual member states as well as toward the European Union as a collective body. The last supply cuts in 2009 intensified questions about the EU's energy dependency on Russia. From being more energy independent in the past, "old" EU members such as Germany and Italy have become increasingly reliant on Russian imports. At the same time, due to their almost complete dependence on Russian gas supply that is provided through existing pipelines, some "new" EU members are striving to diversify their suppliers, routes, or both. Fragmentation of the gas market, competition for preferential deals, and the lack of a coherent energy policy are making the EU more vulnerable to supply reductions. This risk is rising in strategic importance for security practitioners and policy makers in Europe, and requires a long-term strategy beyond one government's limited political mandate.

The focus of this essay is EU-Russia energy diplomacy, viewed through the prism of the two main pipeline projects for gas supply: Nabucco and South Stream. The Nabucco project, backed by the EU and U.S., challenges both Russia's strategic interests in Europe and in its near abroad.<sup>2</sup> In response, Moscow introduced two major pipeline projects aimed at diversifying supply routes to Europe: Nord Stream and South Stream.

The first section of the article explains where we are in 2010, suggests that the two parties are interdependent in their energy relations, explores the approaches they apply,

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<sup>1</sup> European Union, "Europe's Energy Portal – Gas & Electricity," available at [www.energy.eu/#dependency](http://www.energy.eu/#dependency).

<sup>2</sup> In Russian political language, this term refers to the former Soviet republics.

and elaborates on some aspects of the two main pipeline projects. Russia stands for a multipolar world and multilateralism in principle,<sup>3</sup> but in reality it acts bilaterally when dealing with energy matters. Its policy with regard to how it uses its energy resources is strategic, focused, and consistent. Moscow is “economizing” its foreign policy by using soft power (in the form of European dependence on Russian natural resources) to influence EU states on security matters.

The European efforts to reduce dependence on Russian gas are still unconsolidated, even though there is a consensus among the EU member states on the need for a secure energy supply. That is why the EU case is presented here mainly from the perspective of the individual member states, rather than that of the EU as a whole. Despite applying the EU’s Common Foreign and Security Policy (CFSP), member states also often prefer a bilateral approach to securing their energy supplies. They seek to diversify their energy sources in different ways, due to their aspirations for resources and transportation fees. Some are even duplicating their policies regarding Nabucco and the South Stream, insisting that these two projects are not in competition with each other. As a result, the EU gives the impression of being weak, short-term oriented, and rhetorically unfocused. Furthermore, when comparing the two projects, both present uncertainty with regard to possible energy sources and financing.

The second section of the essay identifies some security implications of Russia’s “pipeline diplomacy”: the “divide and conquer” approach towards the European Union members and other nations in Russia’s near abroad and its influence on EU and NATO decisions; the crisis in Georgia; and the Ukraine case. In conclusion, this article will argue that the bilateral approach still prevails over the multilateral approach in EU-Russia energy diplomacy at this stage. As a result, Russia is much closer to its objective of monopolizing control over the European market than the EU is in its efforts to diversify its sources of energy. Russia’s offensive energy strategy has proven successful in achieving Moscow’s political goals and undermining the EU as international player. It is still unclear if the EU’s defensive measures will be of any help in case of a future energy disruption. The “single player” attitude of the member states might challenge the Lisbon Treaty’s solidarity clause, and could even threaten the EU’s unity. In order to prevent further vulnerability and guarantee its future as a global player, the EU has to consider this challenge as an opportunity to develop and implement a common energy policy. The first step in that direction is to begin viewing its energy relations with Russia as interdependent. The research presented here is primarily based on contemporary documents, analyses, and commentaries. Official websites and policy papers are used as sources as well.

## **Where We Are in 2010**

The EU and Russia are interdependent in their energy relations. Europe is the world’s largest gas and oil market, and its imports are expected to increase by 75 percent by

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<sup>3</sup> “National Security Concept of the Russian Federation,” *Rossiiskaya Gazeta* (18 January 2000); available at [www.fas.org/nuke/guide/russia/doctrine/gazeta012400.htm](http://www.fas.org/nuke/guide/russia/doctrine/gazeta012400.htm).

2035.<sup>4</sup> The EU imports 40 percent of its gas from Russia, and is looking for new supplies to meet its growing demand. The EU aims at diversifying its sources and routes with pipeline projects like Nabucco, which aims to connect European markets to supplies of natural gas in Central Asia and the Middle East, and will run from eastern Turkey to Austria.

The EU is Russia's largest hydrocarbons export market. Russia's economy is heavily dependent on oil and natural gas exports, which accounted for 30 percent of all foreign direct investment (FDI) in the country in 2007.<sup>5</sup> Gas resources, secure transit routes, and timely payments from customers are essential for Moscow's energy policy to be successful. Following the EU's decision to designate Nabucco a "priority project"<sup>6</sup> in 2004, Russia announced its own South Stream pipeline project in 2007, which is intended to transport Russian natural gas across the Black Sea to Bulgaria, and then on to Italy and Austria. Moscow fiercely promotes South Stream as a "project aimed at strengthening European energy security," and has denied that it is intended as a competitor to the Nabucco pipeline.<sup>7</sup> There is a growing tendency among European states to take part in both projects, although it is quite clear that the two pipelines are competing to transport gas basically to the same consumers, and likely from some of the same suppliers. The considerations behind both projects are more political than economic, given the fact that Nabucco would go out of its way to avoid going through Russia, and the South Stream would provide gas from Russia to Europe under the Black Sea, bypassing Ukraine.

### *Russia's Approach*

Russian pipeline politics are gaining momentum, using a classic "divide and conquer" strategy. Zbigniew Brzezinski describes the Russian pipeline projects as driven by a grand ambition to "separate Central Europe from Western Europe insofar as dependence on Russian energy is concerned."<sup>8</sup> Russia's leadership maintains mutually beneficial energy relations with major European players like Germany, Italy, and France (Paris was seduced into the South Stream project with a 10 percent share). Moscow's cozy relations with Rome could be easily perceived at the videoconference Russian Prime Minister Vladimir Putin and Italian Prime Minister Silvio Berlusconi held in October 2009 in Moscow with their Turkish counterpart Recep Erdogan to discuss

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<sup>4</sup> European Union, "Report on the Implementation of the European Security Strategy," 11 December 2008, S407/08; available at [www.eu-un.europa.eu/documents/en/081211\\_EU%20Security%20Strategy.pdf](http://www.eu-un.europa.eu/documents/en/081211_EU%20Security%20Strategy.pdf).

<sup>5</sup> According to IMF and World Bank estimates, source: U.S. Energy Information Administration, at [www.eia.doe.gov/cabs/Russia/Background.html](http://www.eia.doe.gov/cabs/Russia/Background.html).

<sup>6</sup> Directorate-General for Energy and Transport, European Commission, *Trans-European Energy Networks: TEN-E Priority Projects* (Luxembourg: Office for Official Publications of the European Union, 2004); available at [http://ec.europa.eu/ten/energy/studies/doc/2004\\_brochure/ten\\_e\\_priority\\_projects\\_2004\\_en.pdf](http://ec.europa.eu/ten/energy/studies/doc/2004_brochure/ten_e_priority_projects_2004_en.pdf).

<sup>7</sup> Gazprom's official website, at <http://old.gazprom.ru/eng/articles/article27150.shtml>.

<sup>8</sup> Andrew E. Kramer, "Russia Gas Pipeline Heightens East Europe's Fears," *New York Times* (12 October 2009); available at [www.nytimes.com/2009/10/13/world/europe/13pipes.html](http://www.nytimes.com/2009/10/13/world/europe/13pipes.html).

joint projects.<sup>9</sup> The development of the South Stream project clearly demonstrates how focused and consistent Russian efforts are in drawing more states into the fold of its energy policy, paying special attention to the ones that partner in the rival Nabucco (see Table 1 below). The Russian state-controlled energy giant Gazprom is continuously adding new counterparts to the pipeline project. Even Austria, the stronghold of Nabucco since 2002, is negotiating on possible participation in the competing South Stream project.<sup>10</sup> The Russian side is rightfully expecting this process to be more difficult, even though “Vienna is unlikely to miss the chance of having two pan-European pipelines on Austrian territory.”<sup>11</sup>

Table 1: South Stream Project Developments.

<i>Country (partner)</i> <sup>12</sup>	<i>Date</i>
<i>Russia</i>	
• Gazprom <sup>13</sup>	2006
<i>Italy</i>	
• ENI MoU with Gazprom	23 June 2007
• South Stream AG registered in Switzerland	18 January 2008
• Gazprom and ENI sign 2nd Addendum to MoU on further actions as part of the South Stream project (Gazprom 50%, ENI 40%, EDF 10%)	15 May 2010
<i>France</i>	
• EDF purchases 10 percent share of South Stream AG	27 November 2009
<i>Bulgaria</i>	
• Intergovernmental agreement for participation in the project	18 January 2008
• Gazprom and the Bulgarian Energy Holding (BEH) sign Cooperation Agreement on the framework of South Stream project implementation.	15 May 2009
<i>Serbia</i>	
• Umbrella Intergovernmental Agreement for the South Stream project and the Banatski Dvor UGS gas storage	25 January 2008
• Gazprom and Srbijagas sign an Agreement of Cooperation to implement a gas pipeline construction project for	25 February 2008

<sup>9</sup> Official transcript of videoconference between Vladimir Putin, Silvio Berlusconi, and Recep Erdogan (22 October 2009); available at <http://government.ru/eng/docs/7954/>.

<sup>10</sup> “Austria in talks with Russia over South Stream,” *eubusiness.com* (21 November 2009); available at [www.eubusiness.com/news-eu/austria-russia-gas.1kt](http://www.eubusiness.com/news-eu/austria-russia-gas.1kt).

<sup>11</sup> Oleg Mityayev, “Austria and Slovenia to Join South Stream,” *RIA Novosti* newswire (10 November 2009); available at <http://en.rian.ru/analysis/20091110/156787969.html>.

<sup>12</sup> Highlighted countries are part of Nabucco as well.

<sup>13</sup> Source of data for the agreements: Gazprom’s official website, at <http://old.gazprom.ru/eng/articles/article27150.shtml>.



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natural gas transit across the territory of the Republic of Serbia

- Gazprom and state-owned Srbijagas sign Principal Conditions of the Basic Cooperation Agreement for constructing the South Stream gas pipeline and natural gas transmission across Serbia, as well as a MoU for cooperation in gas storage within the Banatski Dvor project 24 December 2008
  - Gazprom and Srbijagas sign Basic Cooperation Agreement 15 May 2010
- 

### Hungary

- Intergovernmental agreement envisaging Hungary's engagement in the South Stream project
  - Gazprom and Hungarian Development Bank (MFB) sign a Basic Cooperation Agreement on the South Stream project implementation
- 

### Greece

- Intergovernmental agreement to construct a South Stream gas pipeline section in Greece
  - Gazprom and DESFA sign Basic Cooperation Agreement on the South Stream project
- 

### Turkey

- Decision that enables it to start laying a gas pipeline system on the seabed of the Black Sea from Russia to Bulgaria and in the exclusive economic zone of Turkey
- 

### Austria<sup>14</sup>

- Currently negotiating
- 

### Slovenia<sup>15</sup>

- Intergovernmental agreement on building and utilizing the South Stream gas pipeline 14 November 2009
- 

### Croatia<sup>16</sup>

- Currently negotiating Possibly the first quarter of 2010
- 

### Romania<sup>17</sup>

- Declared interest in replacing Bulgaria as the main European transit hub 16 December 2009
- 

<sup>14</sup> "Russia, Austria Urge States to Expedite South Stream Deal," *RIA Novosti* (11 November 2009); available at <http://en.rian.ru/russia/20091111/156797045.html>.

<sup>15</sup> "Russia, Slovenia Premiers among 70,000 WC-2010 Football Fans," *RIA Novosti* (14 November 2009); available at <http://en.rian.ru/russia/20091114/156838019.html>.

<sup>16</sup> "Russia, Croatia to Sign South Stream Deal in 2010," *The Journal of Turkish Weekly* (15 December 2009); available at [www.turkishweekly.net/news/93887/russia-croatia-to-sign-south-stream-deal-in-2010.html](http://www.turkishweekly.net/news/93887/russia-croatia-to-sign-south-stream-deal-in-2010.html).

<sup>17</sup> "Turkey, Romania Interested in South Stream Gas Project – Gazprom," *RIA Novosti* (28 September 2009); available at <http://en.rian.ru/russia/20090928/156276112.html>.

The same is true for Bulgaria, a crucial state for the South Stream project. Its newly elected government's decision to review the country's energy projects raised some tensions with Russia. A possible Bulgarian withdrawal would threaten Russia's pipeline project, but according to the Russian energy minister, there is simply a need to "[intensify] negotiations on a corporative level."<sup>18</sup> As some Russian analysts put it, there are two ways to respond to Bulgaria's requirements: either to accept them and to pay more, or to postpone the project one more year, until Bulgaria's current gas contract expires and Sofia becomes more active in searching for new supplies.<sup>19</sup>

Russia is making concerted efforts at all levels to guarantee that the South Stream project is successful. This includes playing the "neighbor" card to convince countries in doubt, and promising that they will become transit hubs. As Gazprom's export CEO Alexander Medvedev points out,

Negotiations with Austria are at an advanced stage and I expect the contract to be signed very soon. As for Romania, I can only say that no country that is serious about joining the South Stream will be left behind. Romania has a great strategic position on the Black Sea coast and it could have been the starting point for the European part of the pipeline route, like Bulgaria. It can be connected from that country, but we also have to see what will happen with the project in Bulgaria now that the government has changed. Negotiations with Bulgaria are still under way and this is the right time for Romania to make its intentions clear about the project.<sup>20</sup>

Nord Stream, the other Russian pipeline project, is also part of the strategy to diversify Russian natural gas supply routes toward Europe in order to gain more economic and political influence. The project—which will provide Russian gas directly to Germany via the Baltic Sea, bypassing Belarus and Ukraine—is developing successfully. The French company Gaz de France-Suez is currently negotiating with Gazprom the conditions for obtaining a 9 percent share of the project.<sup>21</sup>

Attracting renowned former officials to serve its energy interests is another aspect of Russia's strategic approach.<sup>22</sup> This is the case of the former German chancellor Gerhard Schröder, who was appointed Chairman of the Nord Stream Shareholders Committee. After completing his term in office in February 2010, former Croatian president Stjepan Mesic could become part of the South Stream management team as

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<sup>18</sup> Sergey Kulikov, "Bolgaryi osushayut 'Yujnyi potok'," *Nezavisimaya gazeta* (4 December 2009); available at [www.ng.ru/economics/2009-12-04/4\\_bolgary.html](http://www.ng.ru/economics/2009-12-04/4_bolgary.html).

<sup>19</sup> Aleksey Grivach, "Bolgarya torquetsya po ukrainski," *Vremya novostey* 27 (17 February 2010); available at [www.vremya.ru/2010/27/8/247647.html](http://www.vremya.ru/2010/27/8/247647.html).

<sup>20</sup> Marco Biocina, "Medvedev: 'Gazprom a reliable partner'," *SETimes* (11 January 2010); available at [www.setimes.com/cocoon/setimes/xhtml/en\\_GB/features/setimes/articles/2010/01/11/reportage-01](http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/articles/2010/01/11/reportage-01).

<sup>21</sup> "France's GDF Suez to join Nord Stream pipeline," *EurActive.com* (30 July 2009); available at [www.euractiv.com/en/energy/france-gdf-suez-join-nord-stream-pipeline/article-184525](http://www.euractiv.com/en/energy/france-gdf-suez-join-nord-stream-pipeline/article-184525).

<sup>22</sup> Andrei Piontkovsky, "Who's Who on Putin's Payroll?" *Project Syndicate* (29 May 2009); available at [www.project-syndicate.org/commentary/piontkovsky6](http://www.project-syndicate.org/commentary/piontkovsky6).

well.<sup>23</sup> Former Italian Prime Minister Romano Prodi was also approached by Gazprom but declined its offer to become chairman of South Stream AG.<sup>24</sup>

As this brief review illustrates, in the realm of energy diplomacy Russia has demonstrated clear vision, consistency, and determination to fulfill its projects. This focused approach has given it increased political influence over the EU, and has also generated tremendous inflows of revenue for its heavily export-dependent economy, which has proven particularly crucial during the current global economic and financial crisis.

### *The EU Response*

It is much more complicated for the EU to act as a unified bloc when it comes to efforts to secure consistent supplies of natural gas, and in the entire area of energy security as a whole. The European Security Strategy (ESS) recognizes energy dependence as a “special concern for Europe,”<sup>25</sup> and the ESS Implementation Report recommends that this challenge be addressed by adopting a coherent EU energy policy. Its internal elements should include “a more unified energy market, with greater inter-connection, particular attention to the most isolated countries and crisis mechanisms to deal with temporary disruption of supply.”<sup>26</sup> Greater diversification of fuels, sources of supply, and transit routes” are defined as the key elements of such a policy’s external dimensions.<sup>27</sup>

In theory, the EU member states share a common interest in securing their gas supply, but in reality they apply different approaches. In practice, they are divided over the main gas pipeline projects, and approach them on an individual rather than a collective footing. They prefer to make bilateral gas deals with Moscow, hoping to reap short- to middle-term political and economic benefits. Different national energy policies prevent the EU’s member states from standing together and introducing a common energy policy. That is the reason for some analysts to consider that, in practice, “tragedy and farce have too often been the hallmarks of European efforts to improve energy security.”<sup>28</sup> In fact, the severe disruption of gas supplies in 2009 introduced a new dividing line within the EU, different from the one that distinguished between “old” and “new” members. Now there are members that need more assistance in case of a gas crisis, and others that have achieved a higher degree of security of supply. Those states that are

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<sup>23</sup> “Croatia’s Mesic slated for South Stream?” *UPI* (11 January 2010); available at [www.upi.com/Science\\_News/Resource-Wars/2010/01/11/Croatias-Mesic-slated-for-South-Stream/UPI-30821263232687](http://www.upi.com/Science_News/Resource-Wars/2010/01/11/Croatias-Mesic-slated-for-South-Stream/UPI-30821263232687).

<sup>24</sup> Judy Dempsey, “Gazprom Courts Prodi as Pipeline Chief,” *New York Times* (28 April 2008); available at [www.ihf.com/articles/2008/04/28/business/gazprom.php](http://www.ihf.com/articles/2008/04/28/business/gazprom.php).

<sup>25</sup> European Union, *A Secure Europe in a Better World. European Security Strategy* (Brussels: European Union, 12 December 2003), 3.

<sup>26</sup> “Report on the Implementation of the European Security Strategy,” Report no. S407/08 (Brussels, 11 December 2008), 5.

<sup>27</sup> *Ibid.*

<sup>28</sup> “He Who Pays for the Pipelines Calls the Tune,” *Energy in Europe*, *The Economist* (18 July 2009), 47.

most dependent on Russian gas are afraid of being blackmailed by further supply cuts. Some of them have staked their hopes entirely on Nabucco, while others prefer to hedge their bets by participating in both pipeline projects, even though fully recognizing that it is the source that has to be diversified, and not the route. As the Hungarian Prime Minister Gordon Bajnai points out, the best-case scenario is a pipeline that combines both alternative sources and routes, and Nabucco fulfills these requirements. In the meantime, his government is “keeping its options open” by also supporting the South Stream project, fully aware that by doing so “Hungary’s dependence on Russian gas would increase, not decrease.”<sup>29</sup>

Other members, like Germany, France and Italy, have different energy priorities, which makes the case for a coherent EU energy policy a difficult one to make. These disagreements weaken the EU, and leave room for short-term oriented bilateral agreements with non-EU players, who do not have to obey transparency and accountability rules.<sup>30</sup>

This significant EU weakness in confronting energy challenges was demonstrated when its members experienced supply cuts in 2006, 2007, and 2009, due to Russia’s disputes with the transit countries Ukraine and Belarus. The last one, which took place during the very cold winter of 2009, left Eastern Europe “gasping for gas.”<sup>31</sup> In general terms, the EU was unable to deal with the crisis, struggling diplomatically between the two sides. In principle, the pipelines were out of the EU’s control, but its response could have been more effective had better coordination and proper mechanisms been in place. The EU response was based on the Council Directive on security of gas supply, where no substantial responsibility is delegated to the European Commission.<sup>32</sup> The directive does not provide a strong coordination framework, and there are no storage requirements for the member states.

### *Nabucco vs. South Stream*

The most recent Russia-Ukraine gas crisis renewed interest in the Nabucco pipeline, and raised hopes that the EU-supported project would gain new momentum. An inter-governmental agreement was signed in July 2009, after some rather tense negotiations with Turkey. Even though the project is financially backed by the EU to some extent, the main questions for the rest of the financing and for committed supply sources still remain to be addressed.

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<sup>29</sup> Judy Dempsey, “Eastern Europe Unites over Energy,” *International Herald Tribune* (24 February 2010), 15.

<sup>30</sup> Both Nord and South Stream projects are registered in Switzerland, a non-EU country who applies different rules of regulating its banking and corporate sectors.

<sup>31</sup> “Gasping for Gas,” *The Economist* (17 January 2009), 53.

<sup>32</sup> Council Directive 2004/67/EC concerning measures to safeguard security of natural gas supply (26 April 2004), *Official Journal* L 127, 29/04/2004, 0092–0096.

Table 2: Nabucco vs. South Stream – A Comparative Analysis.

	<i>Nabucco</i>	<i>South Stream</i>
<i>Strengths</i>	<ul style="list-style-type: none"> <li>• Diversifies sources of supply by avoiding Russia</li> <li>• Better prices for consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Provides gas directly to the EU</li> <li>• Diversifies routes, avoiding dependence on Ukraine and Belarus (Russian perspective)</li> </ul>
<i>Weaknesses</i>	<ul style="list-style-type: none"> <li>• Not clear gas sources</li> <li>• Partial financing for the project secured (Est. 8 bill. Euro for 31 cub m/year)</li> </ul>	<ul style="list-style-type: none"> <li>• The most expensive project so far (est. EUR 25 billion); financing not clear</li> <li>• Higher consumer prices</li> <li>• Moscow might not be able to provide enough gas from its own sources</li> </ul>
<i>Opportunities</i>	<ul style="list-style-type: none"> <li>• Will guarantee EU more supply security and less dependence on Russia</li> </ul>	<ul style="list-style-type: none"> <li>• More gas supplied directly for Europe</li> </ul>
<i>Threats</i>	<ul style="list-style-type: none"> <li>• Russia buying gas from countries that are potential suppliers for Nabucco (Azerbaijan, Turkmenistan)</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of economic profits from the EU gas market</li> <li>• Diversifies routes, not sources (EU perspective)</li> </ul>

Azerbaijan, considered as a major future supplier to the Nabucco project, finally played its energy card in 2009 in response to Turkey's decision to establish diplomatic relations with Armenia.<sup>33</sup> It decided to completely reorient its gas exports towards Russia, starting as of 2010. There is a fierce competition between the Nabucco project backers and Russia over Turkmenistan and Kazakhstan gas as well. Moscow needs access to these countries' resources in order to transport gas to the European market at a higher price. Iran is another potential supplier that has expressed its interest in the project.<sup>34</sup> Some European officials have voiced approval for the opportunity to take Iran on board, but this is not an option until there is a breakthrough on the issue of Iran's nuclear arsenal, especially in light of the U.S. position.

<sup>33</sup> Brian Whitmore, "Azerbaijan Could Scuttle Nabucco Over Turkey-Armenia Deal," *Radio Free Europe* (19 October 2009); available at [www.rferl.org/articleprintview/1855784.html](http://www.rferl.org/articleprintview/1855784.html).

<sup>34</sup> Bahman Aghai Diba, "Iran and Nabucco," *Payvand Iran News* (9 November 2009); available at [www.payvand.com/news/09/nov/1240.html](http://www.payvand.com/news/09/nov/1240.html).

Recent developments in Central Asia leave little hope for Nabucco's future, with China becoming a rising power both as a consumer and competitor, prompting one observer to remark that "the West officially lost the new 'Great Game.'"<sup>35</sup> At the end of 2009, a new gas pipeline project connecting China with Kazakhstan, Turkmenistan, and Uzbekistan was officially opened by the heads of these states. This is a key development that enables the former Soviet republics to diminish Russia's leverage on them, especially in the case of Kazakhstan, where a pipeline burst on 9 April 2009, due to unclear causes. Some analysts suspected Moscow of intentionally regulating the flow of Turkmen gas to its European customers due to fluctuations in market conditions and its own economic interests.<sup>36</sup>

In terms of sourcing and costs, both gas pipeline projects face serious doubts, and these developments in Central Asia leave their future unclear. Some indications from the Russian upstream sector demonstrate that Gazprom would not probably be in a position to fully meet the capacity requirements of the South Stream project if had to rely solely on its own natural gas resources.<sup>37</sup> In his analysis of the specifications of the South Stream pipeline project, Mikhail Korchemkin estimates that the pipeline will represent an annual loss of USD 4.5 billion for the state budget, and an annual profit of USD 4–5 billion to Gazprom, if the project ever becomes reality.<sup>38</sup> In case Russia does not secure enough supply from its partners in Central Asia and the Caucasus, it might transfer the gas that is currently transiting Ukraine and Belarus to fill the South Stream pipeline. It is possible that the ultimate aim of the project is to bypass these two countries, rather than to deliver new gas to Europe.<sup>39</sup>

According to Jonathan Stern, there is no explicit Gazprom strategy for monopolizing the European gas market; rather, Gazprom's actions are driven by the need to avoid unreliable transit countries. He points out that the differences between the two projects (Nabucco and South Stream) and their price tags do not make them compatible. At the same time, he admits that consumers will not be able to absorb all the gas that is made available if both come into reality.<sup>40</sup> The way that Russia and the EU approach energy matters proves to have implications for security policy, an area that requires further research regarding their current actions on the international stage.

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<sup>35</sup> Andrea Bonzanni, "For the West, 'Game Over' in Central Asia," *European Dialogue* (January 2010); available at <http://eurodialogue.org/eu-central-asia/For-the-West-Game-Over-in-Central-Asia>.

<sup>36</sup> "Turkmenistan, U.S.: The Politics of Natural Gas Deals," *Stratfor* (18 November 2009); available at [www.stratfor.com/analysis/20091118\\_turkmenistan\\_us\\_politics\\_natural\\_gas\\_deals](http://www.stratfor.com/analysis/20091118_turkmenistan_us_politics_natural_gas_deals).

<sup>37</sup> Falling production and lack of investments.

<sup>38</sup> Mikhail Korchemkin, "Specifications of the South Stream Project," *East European Gas Analysis* (20 October 2009); available at [www.eegas.com/southstream2e.htm](http://www.eegas.com/southstream2e.htm).

<sup>39</sup> Roman Kazmin, "EU Heavily Divided on South Stream," Future of Gas section, *European Energy Review* (July/August 2009): 24–27.

<sup>40</sup> "Gazprom to Bolster Weak Domestic Sales with World Expansion," *The National* (Abu Dhabi) (29 September 2009); available at [www.thenational.ae/apps/pbcs.dll/article?AID=20090725/BUSINESS/707259966/1050](http://www.thenational.ae/apps/pbcs.dll/article?AID=20090725/BUSINESS/707259966/1050).

## Security Policy Implications

In terms of policy implications, the Nabucco project “still looks very problematic.”<sup>41</sup> The pipeline would transport Caspian gas either through Iran or the Caucasus, competing directly with Russian spheres of interest. The Russo-Georgian war of 2008 increased concerns about the pipeline’s security, as well as many others. This war was seen by former heads of state and prominent intellectuals from Central and Eastern Europe as a Russian declaration of control over a “sphere of privileged interests” that could include their countries as well. In an open letter to the Obama Administration in Washington, they insisted that “energy security must become an integral part of U.S.-European strategic cooperation.”<sup>42</sup>

The Russian military incursion into Georgia in 2008 and the energy disruptions that resulted had a profound impact on the perception of Russia on the global stage, proved Moscow to be an unpredictable partner, confirmed European dependence on Russian energy in the EU’s own eyes, and left no doubt about the power of Russian “pipeline diplomacy.” This growing sense of unease is not simply a by-product of fear about “Russia’s energy weapon,”<sup>43</sup> given that Russian gas is only 6–7 percent of the EU’s total primary energy supply, and thus Russia does not pose a significant threat to monopolize the EU gas market, according to some analysts. Nevertheless, there are still EU members that are almost completely dependent on Russian gas supplies, and this compromises the fundamental European principle of solidarity.

In her paper dedicated to the security dimensions of the South Stream pipeline, Zeyno Baran explores the amount of damage that the South Stream project could wreak in the EU’s foreign and security policy, especially in the fields of potential conflict of policy interests between Moscow and Brussels.<sup>44</sup> She argues that Russia drew on its closer energy relations with major European powers like France, Germany, and Italy, and managed to derail any NATO consensus on granting Georgia and Ukraine Membership Action Plan (MAP) status in 2008. Furthermore, this raises the question of what would happen if the EU nations that are major shareholders in the South Stream project were to become Russia’s advocates within NATO and the EU.

After using its energy clout to prevent Ukraine from achieving MAP status, in August 2009 Russian President Dmitry Medvedev sent to his Ukrainian counterpart a

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<sup>41</sup> Jason Bush, “The Great Pipeline Race: Russia’s South Stream Project Gets a Boost,” *Spiegel Online* (19 May 2009); available at <http://www.spiegel.de/international/business/0,1518,625697,00.html>.

<sup>42</sup> “An Open Letter to the Obama Administration from Central and Eastern Europe,” *Gazeta Wyborcza* (15 July 2009); available at [http://wyborcza.pl/1,75477,6825987,An\\_Open\\_Letter\\_to\\_the\\_Obama\\_Administration\\_from\\_Central.html](http://wyborcza.pl/1,75477,6825987,An_Open_Letter_to_the_Obama_Administration_from_Central.html).

<sup>43</sup> Uffe Ellemann-Jensen, “Defusing Russia’s Energy Weapon,” *Project Syndicate* (12 July 2009); available at [www.project-syndicate.org/commentary/ellemannjensen18](http://www.project-syndicate.org/commentary/ellemannjensen18).

<sup>44</sup> Zeyno Baran, *Security Aspects of the South Stream Project* (Brussels: European Parliament, October 2008); available at [www.hudson.org/files/publications/Baran-South%20Stream%20for%20EP.pdf](http://www.hudson.org/files/publications/Baran-South%20Stream%20for%20EP.pdf).

strong open letter,<sup>45</sup> thus interfering in Ukraine's political situation before the elections in January 2010.<sup>46</sup> Shortly after that, the chairman of Gazprom warned that Ukraine might not be able to pay its gas bills, which spread fear of a new crisis in already fragile Russia-Ukraine energy relations.<sup>47</sup> Now that Ukraine's new president has renewed Russia's lease on its Black Sea naval base, Moscow is breathing easier, and announced it would cut the price of the natural gas for Kiev by approximately 30 percent.<sup>48</sup> As professor Stephen Blank highlights,

These concerns over Russian energy policy go beyond Ukraine, for the evidence is abundant that Russia's energy policy is part and parcel of a broader strategy to undermine the foundations of European security and European public institutions. Moscow's goal is to use the energy weapon to rebuild Russia economically and militarily while also using it to hollow out European membership in NATO and the EU so that they are a shell and these organizations are in fact incapable of extending security or managing it beyond their present frontiers, while Russia has a free hand in its own self-appointed sphere of influence and can leverage developments throughout Europe and with the U.S.<sup>49</sup>

During the 2009 supply cut, the most severely affected EU states—Bulgaria, Slovakia, and Hungary—looked toward the EU for guidance and help. The European Commission took some practical steps, such as providing some additional financing to build interconnectors and proposing a “Regulation to Safeguard Security of Gas Supplies.” The new measure “creates mechanisms for Member States to work together, in a spirit of solidarity, to deal effectively with any major gas disruptions which might arise.”<sup>50</sup> The regulation includes standards for measuring energy security in the internal gas market and aims at preventing potential supply disruptions by improving interconnections, storage, and reverse flow facilities. The EU also reached an agreement with Russia on an early warning system on gas interruption. “The Regulation aims for

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<sup>45</sup> Dmitry Medvedev, “Address to the President of Ukraine Victor Yuschenko,” President of Russia official web portal, available at <http://eng.kremlin.ru/text/docs/2009/08/220759.shtml>.

<sup>46</sup> James Marson, “Russia's Medvedev Hits Ukraine President's Pro-West Stance,” *Wall Street Journal* (12 August 2009); available at <http://online.wsj.com/article/SB124998360182322207.html>.

<sup>47</sup> Stefan Wagstyl and Roman Olearchyk, “Fear of New Europe Gas Crisis,” *Financial Times* (13 September 2009); available at [www.ft.com/cms/s/0/b9f89982-a06f-11de-b9ef-00144fea bdc0.html?nclink\\_check=1](http://www.ft.com/cms/s/0/b9f89982-a06f-11de-b9ef-00144fea bdc0.html?nclink_check=1).

<sup>48</sup> Clifford J. Levi, “Kiev Quickly Soothes Ties with Moscow,” *International Herald Tribune* (22 April 2010).

<sup>49</sup> Stephen Blank, “Russia's Energy Weapon and European Security,” paper presented at the NATO conference “One Year after Georgia: National Perspectives,” Washington, D.C. (8 October 2009), and at the “NATO at 60” conference, Naples, Italy (13–14 October 2009), 7; available at [www.acus.org/files/StephenBlank-RussiaEnergy.pdf](http://www.acus.org/files/StephenBlank-RussiaEnergy.pdf).

<sup>50</sup> European Commission, “Energy: Second Strategic Review – Securing our Energy Future (follow-up),” July 2009; available at [http://ec.europa.eu/energy/strategies/2009/2009\\_07\\_ser2\\_en.htm](http://ec.europa.eu/energy/strategies/2009/2009_07_ser2_en.htm).



solidarity, but not for a free ride,” as EU official points out.<sup>51</sup> The EU has taken steps to modernize Ukraine’s gas transit infrastructure as well, which is making Russia nervous to a certain extent.

Apart from these practical steps, though, the EU has passively supported all pipeline projects, due to the different national stances among its member states. While the EU was the entity that negotiated successfully with Turkey on Nabucco, the South Stream project is completely based on bilateral agreements. From a European regulator’s perspective, this is not synchronized with the European reality. As one observer has noted,

Intergovernmental agreements are the tools of the past. Some of the new EU members have not realized yet that meaningful agreements with third parties involving complex commercial issues, such as transit, cannot be negotiated any longer on a bilateral basis. ... These issues are superseded by European regulations and law. On the political level, all the agreements signed between the EU member states and Gazprom on the South Stream project involved non-committal language.<sup>52</sup>

More energy-vulnerable countries like Bulgaria insist that a common EU approach towards the South Stream project should be adopted, since there are already six EU members involved.<sup>53</sup> Some analysts go further by arguing that “it is in Russia’s own interest that the EU deals with it as a united entity.”<sup>54</sup>

A report by a French member of European Parliament raised some doubts over the potential supplier states’ commitment to Nabucco, and called on the EU to work with Russia on the project.<sup>55</sup> Another proposal, to connect the Russia-Turkey Blue Stream pipeline to Nabucco, came from the CEO of the project.<sup>56</sup> Both statements call into question the project’s main strategic reason for existence, and demonstrate once again the different priorities and lack of synergy among the EU states on energy security matters. This viewpoint was also expressed by Vladimir Socor in a comment regarding a similar suggestion to invite Gazprom to take part in Nabucco made recently by the U.S. State Department’s Special Envoy for Eurasian Energy Affairs, Richard Morningstar.<sup>57</sup> Furthermore, it would be of substantial interest to know what would have been

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<sup>51</sup> Karel Beckman, “The Great Security of Gas Supply Struggle,” *European Energy Review* (8 March 2010); available at [http://europeanenergyreview.eu/index.php?id\\_mailing=47&toegang=67c6a1e7ce56d3d6fa748ab6d9af3fd7&id=1766](http://europeanenergyreview.eu/index.php?id_mailing=47&toegang=67c6a1e7ce56d3d6fa748ab6d9af3fd7&id=1766).

<sup>52</sup> Roman Kazmin, “EU Heavily Divided on South Stream,” 27.

<sup>53</sup> Roman Kazmin, 25.

<sup>54</sup> Uffe Ellemann-Jensen, “Defusing Russia’s Energy Weapon.”

<sup>55</sup> “EU Debates Inviting Russia to Join Nabucco,” *EuroActiv.com* (2 February 2009); available at [www.euractiv.com/en/energy/eu-debates-inviting-russia-join-nabucco/article-179060#](http://www.euractiv.com/en/energy/eu-debates-inviting-russia-join-nabucco/article-179060#).

<sup>56</sup> Judy Dempsey, “EU-sponsored Pipeline to Open up to Russian Gas,” *New York Times* (6 February 2008); available at [www.nytimes.com/2008/02/06/business/worldbusiness/06iht-pipe.4.9807226.html](http://www.nytimes.com/2008/02/06/business/worldbusiness/06iht-pipe.4.9807226.html).

<sup>57</sup> Vladimir Socor, “Can Nabucco be Married Off to Gazprom?” *Eurasia Daily Monitor* 7:25 (5 February 2010); available at [www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews\[tt\\_news\]=36015](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=36015).

the security policy implications for the EU had Russia succeeded in creating a gas “OPEC” it had proposed to world’s other significant gas suppliers (Algeria, Iran, Qatar, and Venezuela).

Some analysts suggest that NATO should play a greater role in energy security in order to face the challenges in that field. U.S. Senator Richard Lugar argued on the eve of the Riga Summit in 2006 that the issue should be integrated into the Washington Treaty. This idea is opposed by France, however, which considers the European Union to be the proper organization to address the issue.<sup>58</sup> Energy security will probably be among the key issues that NATO’s new strategic concept will address. For its part, the EU could have encouraged its member countries to develop their ability to access other sources of energy supply, build adequate storage facilities, and search for alternative fuels after the first signals of the Russian gas disruption, instead of limiting the damages afterwards – an indication that the European Union has some distance to travel before it has the potential to meaningfully address energy security.

## Conclusion

The research presented here leads to the conclusion that the currently prevailing bilateral approach in EU-Russia energy diplomacy will have an extensive effect over both actors’ long-term policies. The successful deployment of pipeline politics would bring multiple results for Russia: it would guarantee its energy markets, generate economic gains, offer Russia another tool to exert political leverage over the EU and its near abroad, and minimize its dependency on potentially unreliable transit countries.

The nature of the EU-Russia energy relationship is interdependent, and it is up to the EU to build up its defensive measures as a basis for its approach towards Moscow. Currently, national interests prevail over collective ones, preventing the EU from adopting a common energy policy. When member states allow other players to separate them using a “divide and conquer” approach, the very ethos of European unity is at stake. In the long run, the lack of a common approach would create new challenges in case Russia decides to play its energy card once again.<sup>59</sup>

Analysts like Zeyno Baran insist that energy security should become an integral part of the European Common Foreign and Security policy. She concludes that, “if the EU is to survive as a united and global actor, it needs not dissension on energy security, but solidarity.”<sup>60</sup> Europe “needs to speak with one voice when dealing with monopoly suppliers such as Russia – or, in the future, Iran might one day become linked to the planned Caspian pipelines. Such a single voice would not erode individ-

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<sup>58</sup> Gal Luft vs. Christophe Paillard, “Debate: Should NATO play a major role in energy security?” *NATO Review* (Spring 2007); available at [www.nato.int/docu/review/2007/issue1/english/debate.html](http://www.nato.int/docu/review/2007/issue1/english/debate.html).

<sup>59</sup> Interestingly enough, the Energy Charter Treaty provides dispute settlement mechanisms between its parties, and the Russian Federation is no longer applying the Treaty provisionally as of October 2009.

<sup>60</sup> Zeyno Baran, “Security Aspects of the South Stream Project,” 30.

ual countries' sovereign right to determine their energy production mix...; it is simply common sense between countries determined to defend their common security.”<sup>61</sup>

Challenges in the area of energy supply open a window of opportunity for the EU to consolidate its energy security efforts. The EU members could mitigate the Russian challenge by putting into practice their rhetoric about solidarity and commitment. That would allow the EU to develop some genuine strategic thinking about energy security and implement it in order to protect itself and its neighbors from energy dependence and external political influence.

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<sup>61</sup> Jacek Saryusz-Wolski and Charles Tannock, “Energy Disarmament,” *Project Syndicate* (4 February 2009); available at [www.project-syndicate.org/commentary/saryuszwolski2](http://www.project-syndicate.org/commentary/saryuszwolski2).



# China's Strategic Growth Sustainment: Accidental Leader?

Zdzislaw Sliwa \*

One country survived the recent economic turmoil and became stronger economically. China's economy kept growing and her GDP in 2009 reached 8,7% despite the crisis.<sup>1</sup> The role of China in the world economy was clearly visible in 2009 not only because of her economic growth. In April 2009 Chinese importance in the world was underlined during the G-20 Summit in London as the first face-to-face meeting between Presidents Barrack Obama and Hu Jintao was the most important event of the summit. Mr. Obama said that

bilateral relations between the countries have become extremely constructive, ... and strong ties are not only important for citizens in both countries but also help to set the stage for how the world deals with new challenges.<sup>2</sup>

During the Copenhagen Climate Summit of December 2009, China demonstrated its political might further by attempting to steer the Summit without American involvement, which simultaneously suggests just *how* China planned to deal with those new challenges. Although China avoided the charge of trying to usurp America's place as global hegemon, the incident reveals the depth of ambition of the new regional power. This paper will try to gauge its depth of capability.

Natural resources fuel this ambition and this capability. The country is still building its image and is considered to be second economy of the world at the dawn of the second decade of the 21st century. The way China handled the recent crisis was monitored with great care, the courageous precautionary measures connected with investing money in internal market and creating new employment possibilities attracted particular attention. On the other hand, the recent global crisis is still the biggest threat to China's economy as she highly depends on foreign trade and investment, so economic problems of her major trading partners have a strong impact on the country. As the situation is stabilizing, the country is facing future economic challenges such as an inflexible currency policy, state-owned enterprises, a centrally controlled banking system, public unrest, governance problems and growing pollution.<sup>3</sup> The next issue facing Chinese economy is energy hunger. Before 1993 China was self-sufficient regarding

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<sup>1</sup> "China GDP grows by 8.7 percent in 2009," *CNN China* (Beijing, 20 January 2010); available at [www.cnn.com/2010/BUSINESS/01/20/china.GDP.annual/index.html](http://www.cnn.com/2010/BUSINESS/01/20/china.GDP.annual/index.html).

<sup>2</sup> Hu Jintao, "Obama agrees to build positive Sino-US ties," *CCTV* (Beijing, 2 April 2009); available at [www.china.org.cn/video/2009-04/02/content\\_17540900\\_2.htm](http://www.china.org.cn/video/2009-04/02/content_17540900_2.htm).

<sup>3</sup> Wayne M. Morrison, "China's Economic Conditions," CRS Report for Congress (Washington, DC: Congressional Research Service, 20 November 2009), 15–17; available at <http://openers.com/document/RL33534/2008-11-20>.

oil and in just ten years she became the second consumer of oil in the world and the third importer. “From 2000 to 2005, China’s energy consumption rose by 60 percent, accounting for almost half of the growth in world energy consumption.”<sup>4</sup>

Energy demands have caused Chinese foreign policy to become synonymous with energy security issues, and emerged as a critical aspect of the country’s development influencing spheres of economy and policy. Such an attitude is especially visible in the case of Africa, as long term approach, based on the fact that some 33% of total oil imports come from that continent. China is investing huge sums of money to support selected countries and their infrastructure, medical facilities and schools but also selling weapons. In its own way, China could achieve in the Third World what the First World never could – lasting stability and development. As a consequence, China could become most-favored importer of African goods, denying an important source of cheap labour and resources to the North.

China is treating diversification of sources as important factor, and is considering very seriously how to handle any possible disruption of oil supplies in the future. In the past, China needed to be merely *assured* of the adequacy of energy supplies. Now however, concerns have arisen about the *vulnerability* of trade routes which link it to the Middle East and exposed sea lines of communications (SLOCs). The situation caused China to try finding new suppliers and to tighten relations with old ones. Quite naturally she started to look closer at neighboring countries as they have common interests, similar security concerns, leadership type and common borders. The paper will focus on Chinese energy related relations with Russia and Central Asia. It will mainly discuss economic ties and their possible development. Next, common (military) efforts to preserve safe and secure environment will be considered as critical aspect to ensure uninterrupted flow of oil and gas. The Shanghai Cooperation Organization (SCO)<sup>5</sup> internal cooperation will be examined as facilitator of such a mutual approach to asymmetrical threats to energy security for the whole region. Finally, vulnerability of sea lines of communications will be presented and ways to minimize the influence of their disruption by extending existing and building new land pipelines reaching China. Underlying this analysis is the hypothesis that these developments are the product of a double strategy of containment, and not only in response to asymmetrical threats. The political pressures levelled by the West against Russia due to high-handedness in the Caucasus are one level of containment. The other is applied by the West to China as it conditions further cooperation with improvements of human rights and environmental sustainability. These pressures have the consequence of driving these two giants into each other’s arms. At a certain level, this paper cautions policy-makers from the West not to make too harsh demands on each government, lest they become allies more formally than the SCO will allow.

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<sup>4</sup> Surya N. Yadav, *India, China and Africa. New Partnership in Energy Security* (New Delhi: Jnanada Prakashan (P&D), 2008), 21.

<sup>5</sup> The SCO members are: China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Moreover, the treaty observers are: Mongolia, Pakistan, India and Iran. Belarus has also applied for an observer status.

## Old and New Friends

Undisturbed access to energy has become essential part of every modern economy and a source of competition among the most powerful countries. So possible “political instability of several energy producing countries, the manipulation of energy supplies, the competition over energy sources, attacks on supply infrastructure, as well as accidents or natural disasters”<sup>6</sup> are a real challenge to China. This is critical as only continuous access to energy can sustain the growth of the Chinese economy, which is directly helping to lift citizens out of poverty, especially in less developed parts of the country. At the same time the unbroken pace of development is important for government to keep control of the population as expectations rise higher than ever; people want to benefit from a better economical situation, so energy security is a critical political topic. In 2005 China consumed about 6.9 million barrels per day (mbd) of oil and in 2025 is projected to use 13.2 mbd. As only 4.0 mbd will be produced in China itself, the rest will be imported, which is very significant number reaching about 9.2 mbd.<sup>7</sup> To cover such demands China is considering different sources of energy resources including Russia, Central Asia, Canada, South Africa, Middle East and some African nations. This diversification of sources is driven by the means of transportation. It is important for China to diversify the ways in which she is receiving energy. At the same time the country is trying to create supportive climate and security conditions in those areas to assure the uninterrupted flow of supplies over a long period.

The long term cooperation with Russia is important for China because Russia has the largest natural gas fields in the world and ranks eighth in oil reserves. Further, Russia controls important pipelines in the region and in Central Asia. At the same time Russia is influencing Europe’s energy security by controlling the pipelines to the European Union. Next, investing money in Russia’s outdated oil infrastructure increases economic and political influence. Nevertheless, Russia remains an important player ranking 9th in the economies of the world. However, at present there are significant restrictions regarding funds to invest; even if China has big surplus, it will invest only when bilateral profits will be felt. The Sino-Russian partnership emerged in 2001 when Presidents Jiang Zemin and Vladimir Putin signed a Treaty of Alliance, which settled the main border disputes to improve bilateral relations, so the preconditions to work closer have been established.<sup>8</sup> The resource issue was also part of the discussions between the Chinese and Russian governments in September 2004. During the meeting “the Chinese Prime Minister Wen Jiabao offered Russia 12 billion US\$ as financial loans and grants to expedite development of the enormous petroleum reserves in east-

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<sup>6</sup> Yadav, *India, China and Africa*, 3.

<sup>7</sup> *Ibid.*, 22.

<sup>8</sup> C. Fred Bergsten, Bates Gill, Nicholas R. Lardy, and Derek Mitchell, *China: The Balance Sheet: What the World Needs to Know About the Emerging Superpower*, Center for Strategic and International Studies and Institute for International Economics (New York: Public Affairs, 2007), 121.

ern Siberia.”<sup>9</sup> Both countries are involved in trade cooperation in Central Asia, which is mainly focused on raw materials but

if a system of gas and oil pipelines to provide energy to China from Central Asia is constructed, bringing to an end Russia’s monopoly over the transit of Central Asia energy, the balance in Central Asia trade will shift sharply in China’s favour.<sup>10</sup>

That can cause some disturbances between Russia and China over influence in the region. Such a possibility cannot be excluded in the long term and could influence the bilateral relations and the cohesion of the SCO. So far in our analysis, however, the objective conditions of the global strategic environment and the nature of the SCO point to greater cohesion in the future.

The next Asian region that is strategically important for China is Central Asia. As they are sharing borders, the direct land link is again a significant advantage. Moreover, this is an opportunity to provide the shortest land link to Iran, Iraq and the whole Middle East, so that could be long-term incentive to continue good relations based on economic cooperation. For example, in 2004 the Chinese National Petroleum Company (CNPC) started a project to connect China with the Middle East by building a new pipeline. Next to economy, China is also cooperating with Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan in the frame of the Shanghai Cooperation Organization. The economic ties are developing as one side can offer huge reserves of oil and gas, and the other is ready to buy almost unrestricted quantities of them. Kazakhstan is more and more an important oil and gas producer in the world as it plans to produce 3.5 mbd of oil and 60-80 billion cubic meters (bcm) of associated gas by 2015.<sup>11</sup> The country is also looking for diversification of clients and routes of transport to avoid any country pressuring her economically. Sino-Kazakh cooperation began in 1997 and is developing very quickly and the Kazakhstan-China Crude Oil Pipeline was a significant step ahead, as their 2008 bilateral trade reached 17.55 billions USD. As CNPC bought PetroKazakhstan in August 2005—making its largest acquisition abroad—the situation changed for the better. Such steps will serve further the partnership between all Central Asian countries, as well as between Russia and China, whose closeness will go beyond energy interests “through well-elaborated projects like Aktobemunaigas, PetroKazakhstan, and the Kazakhstan-China pipeline.”<sup>12</sup> Chinese cooperation with

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<sup>9</sup> Major M.J. Barry, “China Will Not Be a Superpower,” Course New Horizons Paper (Toronto: Canadian Forces Command and Staff College, 19 April 2006), 6.

<sup>10</sup> Vladimir Paramanov and Alexey Stokov, “Economic Involvement of Russia and China in Central Asia” (Swindon: Conflict Studies Research Centre, Defense Academy of UK, May 2007), 9–10.

<sup>11</sup> Mehmet Ögütçü, “Kazakhstan’s Expanding Cross-Border Gas Links. Implications for Europe, Russia, China and Other CIS Countries,” Volume 17 (Dundee, UK: The Centre for Energy, Petroleum and Mineral Law and Policy at the University of Dundee, 2008), 1; available at [www.dundee.ac.uk/cepmlp/journal/html/Vol17/Vol17\\_8.pdf](http://www.dundee.ac.uk/cepmlp/journal/html/Vol17/Vol17_8.pdf).

<sup>12</sup> Zhanibek Saurbek, “Kazakh-Chinese Energy Relations: Economic Pragmatism or Political Cooperation?” *The China and Eurasia Forum Quarterly* 6:1 (Washington, DC: Central Asia-Caucasus Institute and Silk Road Studies Program, February 2008), 93.



Uzbekistan has also been developing, especially after the 2005 tragedy in Andijan, Uzbekistan which she treated as a terrorist attack.<sup>13</sup> From 2006, CNPC has been involved in an international consortium which comprises state-run Uzbekneftgaz, LUKoil, Petronas, and Korea National Oil Corporation aiming to exploit oil and gas fields located in the bed of the Aral Sea. China is still very involved in supporting the country and the whole region to preserve safe and secure environment, which is critical to continue economic teamwork, as it is essential for development continuity. What we are seeing here are SCO members defining their cooperation through energy resource exploitation. In some ways, this mirrors the development of the European Union fifty years ago. The EU has been purposefully created to avoid violent conflict in Europe by placing strategic resources (coal and steel, and then nuclear energy) into a common market. China, Russia and Central Asia are leveraging the SCO to achieve the same ends with oil and gas. This has the hopeful prospect of peaceful integration on the one hand which could lead to ever-deepening political ties, but it could also turn into a super-conglomerate which acts as a counterweight to a political European and Euro-Atlantic partnership.

Although Turkmenistan is not a SCO member, the country is observing the cooperation quite closely, and is continuing trade relations with all countries of the Organization. From the Chinese point of view, this country is a good partner in the energy sector because of resources and land connections. Turkmenistan has the fourth largest reserves of gas in the world, with gas being the most important sector of the national economy. It is mainly transferred to clients via Russian Gazprom, and as the struggle over gas prices in 2006 proved, Turkmenistan is not necessarily happy with the current cooperation. So the project of a Turkmenistan–China gas pipeline is rather interesting. Moreover, China is the partner who is focusing the most on economic cooperation and, compared to the West (the US in particular), it does not condition investment to democratic and economic reform. Diversification of supplies and routes is really beneficial for both countries and is meeting their expectations especially as current issues are also forcing to look for new partners as Russia’s Gazprom stopped supplies from Turkmenistan in April 2009, when a pipeline explosion created losses in Turkmenistan economy which reached about \$1 billion a month in revenues, and the countries “were blaming each other as to the causes of the accident.”<sup>14</sup>

The occasional conflict over gas and oil deliveries puts a dent in the theory that the political containment of Russia on the one hand and the economic containment of China on the other are creating a new trading block. Yet, the concept of an “SCO Energy Club” was raised during the SCO summit on 15 June 2006 by the President of the

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<sup>13</sup> The Andijan massacre took place on 13 May 2005 when security forces shot into a crowd of protesters. The West condemned Uzbekistan but the Shanghai Cooperation Organization characterized the uprising as a terrorist plot. See “How the Andijan Killings Unfolded,” *BBC News* (17 May 2005); available at <http://news.bbc.co.uk/2/hi/4550845.stm>.

<sup>14</sup> Jayesh Vasava, “China Frees Turkmenistan from the Diktats of Gazprom,” *The Article Alley* (13 February 2010); available at [www.articlealley.com/article\\_1395438\\_19.html](http://www.articlealley.com/article_1395438_19.html).

Russian Federation to coordinate generation, trade, and consumption strategies of SCO member states

for the long-run through attainment of a broad consensus among representatives from government authorities, business communities, and scholars in the states engaged in generation, consumption and transit of hydrocarbon resources.<sup>15</sup>

Supported by other nations, the Draft Energy Club provisions were presented in Moscow on 19 June 2007 during a meeting attended by experts from the fuel and power sector of SCO member states. However, only five states supported the resolution about the establishment of an Energy Club: China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. Uzbekistan had a separate point of view, but probably will join later. The issue was under discussion during the SCO summit held in Bishkek in August 2007, when Kazakhstan saw the Energy Club as part of a pan-Asian energy strategy initiative.

The Energy Club issue was again raised by Russian Prime Minister Vladimir Putin during the SCO forum in Beijing on 14 October 2009. He underlined that

Energy traditionally holds a key position on the global agenda, which prompts me to remind you of Russia's proposal to set up a permanent mechanism for dialogue on the issue, a SCO energy club or forum.<sup>16</sup>

The proposition is still under consideration to enhance economic cooperation of member states by bilateral and multilateral talks. Formal activation of such a forum would be good for China as in the long-term it would serve her energy security needs and would make closer cooperation with SCO members easier to face different threats. SCO observer countries are also important in the equation. India, Iran, Mongolia and Pakistan were present during the meeting. Iran is especially important as a possible partner of the Energy Club because of her vast quantities of raw materials to fill up the pipelines of the project, and her stake in a nuclear future which is contentious in the region.

Looking for enhancing cooperation with the Middle East, China looks closely to Central Asia, as the prospect of boosting oil and gas flow from Iran, Iraq and Saudi Arabia are rather promising. Additional direct lines of supplies are attractive. Iraq is in a peculiar situation now because of Executive Order 12959 "*Prohibiting Certain Transactions with Respect to Iran*" which was renewed by Notice of 11 March 2009 which is prolonging by one year the national emergency with respect to Iran.<sup>17</sup> Such a document is putting an embargo on US companies and is giving, to an extent, more options for China. As Iran has about 125.8 bln barrels of petroleum, with capacity to

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<sup>15</sup> Energy Club of Shanghai Cooperation Organization (SCO), Russian Prime Minister Website, 29 October 2008, [www.premier.gov.ru/eng/visits/world/6079/info/2281](http://www.premier.gov.ru/eng/visits/world/6079/info/2281).

<sup>16</sup> "Putin Pushes SCO Countries to Form Energy Forum," *RIA Novosti* (14 October 2010); available at <http://en.rian.ru/russia/20091014/156460382.html>.

<sup>17</sup> *Continuation of the National Emergency with Respect to Iran*, Presidential Documents, Notice of 11 March 2009; available at <http://regulations.justia.com/view/137983>.

raise output from 4 mbd to 7 mbd, China can use them to start lucrative pipeline projects by connecting with the Central Asian and Chinese systems.<sup>18</sup> The recent project of SINOPEC to buy 250 million tons of liquefied natural gas over 30 years is another promising signal.<sup>19</sup> Similarly China's trade cooperation with Saudi Arabia, which is largest crude oil provider, in a few years will bring the bilateral trade volume up to 40 billion USD. If Iraq's Rumaila Oil Field is added, which is about 15% of Iraq's oil reserves and contains 17 billion barrels, the land concerns are really important for China, particularly as British Petroleum and CNPC signed an agreement worth 50 billion USD on 2 November 2009 to develop that field.<sup>20</sup>

### Shaping the Environment

China's internal security is dependent upon its continued economic growth. That growth depends on oil and gas imports. As was said earlier, it is no longer sufficient that this flow of resources be adequate. The vulnerability of trade routes in what remains a rather difficult region must be addressed, and that means deploying political and military means of securing the undisturbed flow of resources. The SCO, created in 2001 with Russia and China as leading powers and the Central Asia countries as members, has emerged as the preferred coordination forum for such a task, and represents a quantum leap in regional political and perhaps military integration. The main goals of the organization are supporting common cooperation to improve mutual trust and good-neighbourly relations, to promote the consolidation of peace and stability in the region, but also to jointly act against the so-called "three evils" of terrorism, separatism, and extremism, while working together to foster regional cooperation in the economic, political and defense spheres.<sup>21</sup>

Such goals have been implemented by different means, especially through bilateral and multilateral exercises which are supporting member states, and sending a kind of a proclamation to the international community that "there is no 'vacuum' in Central Asia's strategic space" to be occupied by security organizations from outside the region.<sup>22</sup> Evidently, the coercive nature of that statement is best represented by a credible military posture.

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<sup>18</sup> Cindy Hurst, *China's Global Quest for Energy* (Washington: The Institute for the Analysis of Global Security, January 2007), 7; available at [www.iags.org/chinasquest0107.pdf](http://www.iags.org/chinasquest0107.pdf).

<sup>19</sup> Yadav, *India, China and Africa*. op. cit., 26.

<sup>20</sup> "Iraq Seals Oil Deal with BP, CNPC," *China Daily* (4 November 2009); available at <http://english.peopledaily.com.cn/90001/90777/90854/6802735.html>.

<sup>21</sup> Charter of the Shanghai Cooperation Organization, Article 1 "Goals and Tasks," *SCO Website*, [www.sectso.org/EN/show.asp?id=69](http://www.sectso.org/EN/show.asp?id=69). See also "Three Evils: Terrorism, Separatism and Extremism," SCO Joint Statement (Shanghai Convention on Combating Terrorism, Separatism and Extremism, October 2001); SCO Website: [www.sectso.org](http://www.sectso.org).

<sup>22</sup> M.K. Bhadrakumar, "Shanghai Cooperation Organization Primed and Ready to Fire: Toward a Regional and Global Realignment?" *Japan Focus* (10 August 2007), revised from an article in *Asia Times* on 04 August 2007; available at <http://japanfocus.org/products/details/2494>.

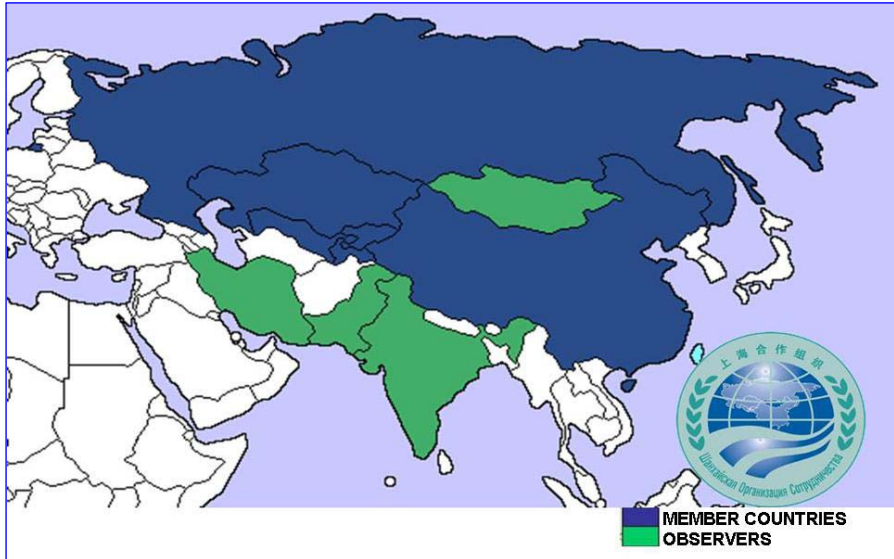


Figure 1: Shanghai Cooperation Organization.

(Source: <http://encyclopedia.thefreedictionary.com>)

The first military exercise took place in 2002 when China and Kyrgyzstan conducted a bilateral antiterrorist exercise “Exercise-01” from 11 to 12 October in their border areas targeting terrorism as a regional threat.<sup>23</sup> Military cooperation was continued in 2003 during the anti-terror military exercise “Coalition-2003” (6–12 August 2003) in eastern Kazakhstan and in the Ili area of the Xinjiang Uygur Autonomous Region. It was the first multilateral joint anti-terror drill with the participation of armed forces from China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan<sup>24</sup> with some 1300 troops. Following the scenario, SCO joint forces encircled and annihilated the terrorists using special anti-terrorism equipment, information technology, helicopters, tanks, infantry combat vehicles and self-propelled artillery. After the exercise, Major General Cheng Bing, commanding the Chinese troops during exercise, stated that the “Joint Anti-terrorism exercise of the SCO Member Countries,..., was a great success and achieved anticipated results.”<sup>25</sup> A similar bilateral exercise between the Chinese and Tajik troops, “Cooperation-2006” (22–23 September 2006) also focused on interna-

<sup>23</sup> “Major PLA-Related Joint Anti-Terror Military Trainings,” *News Agency Xinhua, PLA Daily* (22 December 2007); available at [http://news.xinhuanet.com/english/2007-12/21/content\\_7290327.htm](http://news.xinhuanet.com/english/2007-12/21/content_7290327.htm).

<sup>24</sup> Liang Yongli and Du Xianzhou, “Coalition-2003: A Successful Joint Anti-terrorism Maneuver,” *PLA Daily* (14 August 2003); available at <http://english.pladaily.com.cn/special/5army/txt/61.htm>.

<sup>25</sup> *Ibid.*

tional terrorism, dealing with crises, and strengthening each country's capacity to handle new challenges and threats.

The most important exercises were codenamed "Peace Mission" and they have been conducted so far every second year. A Chinese-Russian joint military exercise "Peace Mission 2005," held from 18–26 August 2005 in Vladivostok (18–19 August), in China's Shandong Province in Qingdao (20–22 August) and the third phase from 23–26 August using the Yellow Sea area included long-range bomber flights and cruise-missile drills.<sup>26</sup> The military maneuvers involved some 10,000 military personnel from all services.

The main purpose of the drill was the improvement of cooperation between the two armies and establishing proper coordination in combating "international terrorism, extremism and separatism" and "to handle crises and meet new challenges and threats."<sup>27</sup> To show regional and security focus then chiefs of the General Staff of the People's Liberation Army General Liang Guanglie and of Russian Federation General Yuri Baluyevsky underlined that "This exercise does not target, concern the interests of, or pose a threat to any third country" and "has no intent to build a military bloc by the two giants."<sup>28</sup> But the amphibious vehicles, missile destroyers, submarines, Tu–22M3 and Tu–95 strategic bombers and A-50 early warning aircraft suggested that it was a kind of test for multinational cooperation and coordination of modern military maneuvers to face larger scale, conventional military operations.<sup>29</sup> Next in the sequence, the exercise "Peace Mission 2007" was held in Urumqi, the capital of China's Xinjiang Uyghur Autonomous Region and in Chelyabinsk in Russia's Volga-Ural military district from 9–17 August "to demonstrate the determination of the SCO member states in the fight against the three evils, as well as the common desire to ensure security and stability in the region and stimulate common development and prosperity."<sup>30</sup> The goals were supported by the Heads of state from all the member countries of the SCO, who observed the final phase just after they had closed the SCO Summit in Bishkek on 16 August 2007,<sup>31</sup> demonstrating a dedication to combat the three evils of terrorism, separatism

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<sup>26</sup> Sun Shangwu and Wu Zhiyi, "First Joint Drill with Russia Launched," *China Daily* (19 August 2005); available at [www.chinadaily.com.cn/english/doc/2005-08/19/content\\_470355\\_2.htm](http://www.chinadaily.com.cn/english/doc/2005-08/19/content_470355_2.htm).

<sup>27</sup> "China, Russia to Launch Military Drill," *China Daily* (2 August 2005); available at [www.chinadaily.com.cn/english/doc/2005-08/02/content\\_465587.htm](http://www.chinadaily.com.cn/english/doc/2005-08/02/content_465587.htm).

<sup>28</sup> Shangwu and Zhiyi, "First Joint Drill with Russia Launched."

<sup>29</sup> Erica Marat, "Fissures in the Force – Multilateral Co-operation Can Only Go So Far," *Jane's Intelligence Review* (01 June 2007), 4; available at [www.silkroadstudies.org/new/docs/publications/2007/Marat0507.pdf](http://www.silkroadstudies.org/new/docs/publications/2007/Marat0507.pdf).

<sup>30</sup> Marcel de Haas, "The "Peace Mission 2007" Exercises: The Shanghai Cooperation Organization Advances," *Central Asian Series* 07/28 (Shrivenham: Advanced Research and Assessment Group, UK Defence Academy, September 2007), 2; available at [www.clingendael.nl/publications/2007/20070900\\_cscp\\_paper\\_haas.pdf](http://www.clingendael.nl/publications/2007/20070900_cscp_paper_haas.pdf).

<sup>31</sup> The text of the Bishkek Declaration is available on SCO Website [www.sectsco.org](http://www.sectsco.org) and on the summit site [www.scosummit2007.org](http://www.scosummit2007.org).

and extremism, recognized as the real threat to peace and stability in the region.<sup>32</sup> What is important is that all the SCO members, for the first time, participated in such an exercise sending a total of 6,500 troops including: 4,700 from Russia (2,000 exercising units and 2,700 exercise support units), 1,600 from China, two paratrooper companies (of about 100 men each) from Tajikistan and Kazakhstan, a platoon from Kyrgyzstan and 15 staff officers from Uzbekistan.<sup>33</sup> “Peace Mission 2007” was less ambitious (no tanks and strategic bombers) and less offensive than “Peace Mission 2005,” but internal security personnel was involved in the framework of 46 episodes (e.g. Border Guard Troops, the Interior Ministry’s Internal Troops and special police – OMON). The change of posture from heavy to light was expressed by the Deputy Commander of the Russian Airborne Forces general Vladimir Moltenskoï, who stated that it was a typical antiterrorist exercise, where tanks, submarines and bombers did not have a place.<sup>34</sup> Such an event showcased

the improved security cooperation among the SCO member states, the reinforced anti-terror capability of SCO members, the improved Sino-Russian relationship and the modernization of the member countries’ armed forces.<sup>35</sup>

The bilateral exercise “Peace Mission 2009” demonstrated continuity and was held from 22 to 26 July 2009 in Russia (Khabarovsk) and in China’s Jilin province. For the exercise both China and Russia involved 1300 troops from land and air forces, supported by about 300 pieces of land equipment and over 60 fixed-wing and rotary aircraft. The degree of ambition was still lower than two years before, and it is not impossible that the economic downturn may have been a cause of this lower ambition level in 2009.

“Peace Mission 2009” was based on antiterrorist scenarios to show both countries’ capabilities to deal with such threats and to show other SCO members again that they are ready to support them actively when it would be necessary to face “the three devils.” According to General Chen Bingde “it had more political than military importance” and the concept will be continued “with Russia and in the frame of the SCO.”<sup>36</sup>

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<sup>32</sup> “Hu’s Visit to C. Asia, Russia Fruitful,” *China Daily* (29 August 2007); available at [www.chinadaily.com.cn/china/2007-08/19/content\\_6033061.htm](http://www.chinadaily.com.cn/china/2007-08/19/content_6033061.htm).

<sup>33</sup> Le Tian, “Joint Drill Enters the Final Phase,” *China Daily* (17 August 2007), 2; available at [http://www2.chinadaily.com.cn/china/2007-08/17/content\\_6030570.htm](http://www2.chinadaily.com.cn/china/2007-08/17/content_6030570.htm).

<sup>34</sup> Viktor Litovkin, “Chinese Army Trains on Russian Territory,” *Nezavisimoe Voennoe Obozrenie* 25 (03 August 2007), 3; available at [www.arba.ru/news/2588](http://www.arba.ru/news/2588).

<sup>35</sup> Bhadrakumar, “Shanghai Cooperation Organization Primed and Ready to Fire.”

<sup>36</sup> “Joint exercise Peace Mission 2009 between the RF and the PRC is more of a political than military importance – Chief of the General Staff,” *Land Force News* (24 July 2009); available at [www.mil.ru/info/1069/details/index.shtml?id=65211](http://www.mil.ru/info/1069/details/index.shtml?id=65211).

Table 1: Forces Participating in Military Exercises “Peace Mission.”<sup>37</sup>

<i>Codename</i>	<i>Date</i>	<i>Location</i>	<i>Participants</i>	<i>Troops</i>
Peace Mission 2005	18–26 August 2005	Vladivostok, Russia; Shandong province, China; Yellow Sea	China, Russia	10 000 soldiers
Peace Mission 2007	9–17 August 2007	Urumqi, Autonomous Region Xinjiang, China; Chelyabinsk Oblast, Military District Volga–Ural, Russia	China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan	6 500 soldiers
Peace Mission 2009	22–26 July 2009	Taonan, Jilin province, China; Khabarovsk, Khabarovsk Krai, Russia	China, Russia	2 600 soldiers

It was a demonstration of political and military will to continue cooperation to create good conditions for the development of both countries and all the SCO member states. This may also explain the less ambitious nature of the 2009 exercises.

The exercises program is a message demonstrating to the SCO members from Central Asia that Russia and China are reliable partners.<sup>38</sup> It was visible especially as Russian and Chinese troops and personnel carried the main combat tasks during “Peace Mission” exercises. So, it was presented that they are capable to be involved in direct combat as main players, supported by troops from each other’s contingents. As an effect of joint exercises and close cooperation the SCO is strengthening its antiterrorist capabilities and readiness to deal effectively with the new challenges facing the Central Asia with Russia and China as leading nations.<sup>39</sup> Finally, traditional SCO cooperation over security issues has now gone beyond “the original issues of regional disarmament and border security and delimitation to include practical cooperation in dealing with non-traditional threats.”<sup>40</sup> Military cooperation is supporting economical goals connected with Chinese interests related to Central Asia, as containing asymmetrical

<sup>37</sup> Source: Ministry of Defence, Russia, [www.mil.ru/eng/](http://www.mil.ru/eng/), SOW Website [www.sectesco.org](http://www.sectesco.org); Yan Wei, “Partnership in Security,” *Beijing Review* (2 August 2007), [www.bjreview.com.cn/world/txt/2007-08/02/content\\_71251\\_2.htm](http://www.bjreview.com.cn/world/txt/2007-08/02/content_71251_2.htm); de Haas, “The “Peace Mission 2007” Exercises,” 12.

<sup>38</sup> Roger N. McDermott, *The Rising Dragon: SCO Peace Mission 2007*, Occasional Paper (Washington, DC: Jamestown Foundation, October 2007), 3; available at [www.jamestown.org/uploads/media/Jamestown-McDermottRisingDragon.pdf](http://www.jamestown.org/uploads/media/Jamestown-McDermottRisingDragon.pdf).

<sup>39</sup> *Ibid.*, 3.

<sup>40</sup> *Ibid.*, 12.

threats and supporting local governments is securing the flow of resources via those countries in the long term. So, it is rather obvious that China's economic growth requires stable environment which is secure and peaceful in relation to the Central Asia and in the global dimension. By providing safe and secure environment China is also securing current leadership in the region which is working with the country very closely and is providing preconditions to build a bridge with the Middle East.

It is significant that this process is triggering a sort of "muscular" economic integration centered on the activities of the SCO. The parallels with the EU are also clear, as China and Russia are adopting the roles of senior partners within the Organization, the way France and Germany perform the same function in the EU. Although similarities should not be overblown into general trends, the tendencies are worth watching.

### **Parallel Land Lines of Supplies**

In addition to shaping regional security China is also tightening economic relations and is improving constantly the pipeline networks from Central Asia as next to diversification she is looking for security of supplies. As China has limited natural resources, in the nearest future it will still rely on imported oil, for example "China's import of Middle East oil now constitutes 58 per cent of [total imports] and is expected to increase to 70 per cent by 2015."<sup>41</sup> This is why sea lines of communications are so important, especially the Straits of Malacca as "security and access to sea lines of communication (SLOCs) is of increasing importance, as these sea lines are the maritime highways for vast trade flows critical to the rapidly growing prosperity not only of the Northeast Asia region, but also for the entire Asia-Pacific."<sup>42</sup>

Such an importance at the same time reveals an important weakness, which can be exploited by any third party, influencing the Chinese economy by stopping or restricting flow of raw materials. Moreover, the Chinese PLA Navy is still rather littoral water-oriented, and long-term projects are on the way to create "blue water" capabilities, including force projection. Nevertheless, ongoing aircraft carrier projects and research in the field are time and resource consuming developments so in the nearest future SLOCs will remain fragile. This is why land suppliers and land pipelines are as important to China, as any actor that has the capability to control maritime chokepoints can create potential troubles influencing not only the economy but also the political and social situation in China.

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<sup>41</sup> Mokhzani Zubir and Mohd Nizam Basiron, "The Straits of Malacca: The Rise of China, America's Intentions and the Dilemma of the Littoral States," Maritime Institute of Malaysia online articles (April 2005), 3; available at [www.southchinasea.org/docs/Zubir%20and%20Basiron,%20Malacca,%20America,%20and%20China-MIMA%20Online.pdf](http://www.southchinasea.org/docs/Zubir%20and%20Basiron,%20Malacca,%20America,%20and%20China-MIMA%20Online.pdf).

<sup>42</sup> Stanley B. Weeks, "Sea Lines of Communication (SLOC) Security and Access," IGCC Policy Paper (Institute on Global Conflict and Cooperation, University of California, February 1998); available at <https://www.ciaonet.org/wps/stm02/pp33-5.html>.



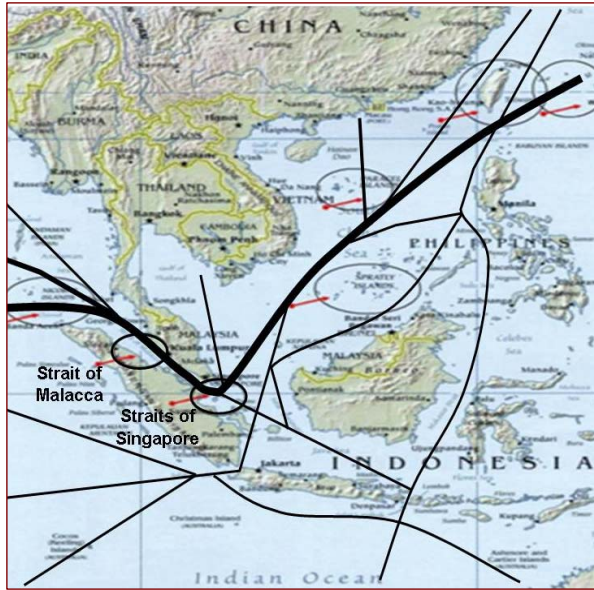


Figure 2: Sea Lines of Communication in the South-East Asia.<sup>43</sup>

No doubts the Straits of Malacca and Singapore are the real chokepoints of SLOCs connecting the Indian and Pacific Oceans.<sup>44</sup> The Strait of Malacca regarding the flow of oil is smaller only when compared to the Strait of Ormuz, having 50 000 big trade ships yearly crossing the waters, including 40-50 tankers per day<sup>45</sup> providing total 80% of oil to China, Japan and South Korea. At present the threat is connected only with piracy there and in the South China Sea. However, as a result of The Association of Southeast Asian Nations (ASEAN) actions in the area the threat is no longer significant one. In 2004 ASEAN started operation “MALSINDO” with 17 warships from Indonesia, Malaysia and Singapore; next in 2008 Thailand also joined it. The operation turned into the Malacca Strait Patrols (MSP)<sup>46</sup> which included three essential elements: the Malacca Strait Sea Patrols (MSSP), the “Eyes-in-the-Sky” Air Element (September 2005) and an Intelligence Exchange Group (2006). Such multidimensional and international approach along with regulations provided a quick reduction of piracy. Moreover, it was supported by other countries out of the area, including the US-lead

<sup>43</sup> Based on: Weeks, “Sea Lines of Communication (SLOC) Security and Access,” Figure 1.

<sup>44</sup> Piotr Kwiatkiewicz, “Cieśniny – Naftowe wąskie gardła,” *Gigawat Energia 1* (Krakow, 2007); available at <http://gigawat.info/archiwum/article/articleview/922/1/72>.

<sup>45</sup> Robert Czulda, “Nowe wyzwania i zagrożenia na obszarach morskich,” *Przegląd Morski* (Warsaw, January 2009), 41.

<sup>46</sup> Joshua Ho, “Cooperative Mechanisms in the Malacca Straits,” paper presented at the International Maritime Security Conference (Singapore, 14 May 2009).



Figure 3: Eastern Siberia – Pacific Ocean Oil Pipeline (ESPO oil pipeline).<sup>47</sup>

Regional Maritime Security Initiative (RMSI) and Five Powers Defense Arrangement (FPDA) with Malaysia, Singapore, Australia, New Zealand and United Kingdom.<sup>48</sup> ASEAN’s legitimacy in the eyes of the US and the Five Powers represents a factor of containment of piracy, but also demonstrates Western economic interests in the region. To a certain extent, these interests are mutual with those of China, but when the issue of Taiwan and the Spratley Islands is added to the mix, there are also factors of significant competition.

Having in mind the fragility of SLOCs and the force-in-being from ASEAN and other powers, it is easier to understand the importance China is putting on continuity of cooperation with Central Asia and on creating new and capable pipelines. Cooperation with Russia resulted, among many other initiatives, also with a concept to build the spur of the Eastern Siberia-Pacific Ocean oil pipeline (ESPO oil pipeline),<sup>49</sup> which will consist of a 64 kilometer-long section from Skovorodino to the Amur River on the Russia-China border, followed by a 992 kilometer-long section from the border to Chinese refinery in Daqing. A contract is totaling some 30 billion USD. The pipeline will be built and operated by Russian Transneft in cooperation with the CNPC, as China will support the project with money. It is expected that Chinese spur of the ESPO will be finished by October 2010. When opening the first part of the pipeline on 28 De-

<sup>47</sup> Source: [www.erina.or.jp/en/Asia/map/index5.htm](http://www.erina.or.jp/en/Asia/map/index5.htm).

<sup>48</sup> Yun Yun Teo, “Target Malacca Straits: Maritime Terrorism in Southeast Asia,” *Studies in Conflict & Terrorism* 30:6 (June 2007): 541–562.

<sup>49</sup> “ESPO Pipeline, Siberia, Russia,” *Hydrocarbons Technology*, <http://www.hydrocarbons-technology.com/projects/espipeline/>.

ember 2009 Prime Minister Vladimir Putin said that “it is an important event for Russia. It is a strategic project, which enables us to enter new markets in the Asia-Pacific region” as Russia’s presence in the region’s markets was “insufficient.”<sup>50</sup> Again, this leaning towards the East corresponds to the political containment that Russia is enduring in the West.

The Kazakhstan-China Crude Oil Pipeline joint project of CNPC and KazMunai-Gaz became operational in 2005; as a result Kazakhstan is providing oil to Xinjiang province with a capacity of 120000 bpd. Full capacity will be reached in 2011. Another joint pipeline is the Kenkiyak-Atyrau Pipeline being the first oil pipeline built in Kazakhstan since independence. CNPC has been cooperating with Kazakhstan companies from 1997, and “operates five oilfield development projects (CNPC AktobeMunaiGas, North Buzachi, PK, KAM and ADM), two exploration projects, the Kazakhstan-China Crude Oil Pipeline and the Northwest Crude Pipeline.”<sup>51</sup> It is important to notice that CNPC owns two thirds of the PetroKazakhstan. Hence, this cooperation is also important for Kazakhstan as it is decreasing reliance on Russia, and there is a direct link between provider and a reliable long-term customer.



Figure 4: Oil Transportation Routes in Kazakhstan.<sup>52</sup>

<sup>50</sup> “Putin says Pacific oil pipeline ‘strategic project,’” *RIA Novosti* (28 December 2009); available at <http://en.rian.ru/russia/20091228/157396560.html>.

<sup>51</sup> Compare: China National Petroleum Corporation Website, <http://www.cnpc.com.cn/eng/cnpcworldwide/euro-asia/Kazakhstan>.

<sup>52</sup> Source: Saurbek, “Kazakh-Chinese Energy Relations,” 83.

Gas supplies are also improving, especially with the new project called Turkmenistan–China gas pipeline which will link four nations directly. On 14 December 2009 it was officially opened by Chinese President Hu Jintao along with counterparts from Turkmenistan, Kazakhstan and Uzbekistan, but the whole project will be completed in 2011.<sup>53</sup> The 1,833 kilometers-long project will enable the transit of 40 billion cubic meters of natural gas per year (30 billion from Turkmenistan and 10 from Kazakhstan). Running from Turkmenistan, it is crossing central Uzbekistan and southern Kazakhstan and finishing in the northwest region of Xinjiang. Inside China it is distributing energy to major cities including Shanghai, Guangzhou and Hong Kong.

In general, the land connections are still improving in length and capacities, especially as a result of China's proactive approach and close relations between her foreign policy and energy security. Although land pipelines will not fully replace reliance on SLOCs, they are bringing more flexibility. At the same time Chinese influence on global energy policy will increase as she will influence not only producers of oil and gas but will partially control distribution as well which, as the Russian example proved, can be an important tool to affect the economies of many countries.

## Conclusions

China has a long-term vision on how to secure uninterrupted energy supplies into the country. The policy underlines several such factors. First, next to securing provisions from “old” providers the country is looking extensively for new credible sources. Second, she is trying to shape the security environment in areas of interest to get local support and preconditions to continue cooperation. Finally, China is fully aware of the fragility of sea lines of communications, so it tries in parallel to secure land pipelines via friendly countries as an alternative in case of disturbances. In this case a very important role is played by nationally controlled oil and gas oriented companies like CNPC, which are investing money and are also co-owners. Such a situation is really important to influence the flow of goods in the long term. CNPC is following the priorities of foreign policy focusing on energy security for the country as is present in many countries. Such good effectiveness of Chinese companies could create in the future a land-based “Pan-Asian Global Energy Bridge” connecting providers of oil and gas (The Middle East, the Central Asia, and Russia) with Asian customers (China, Japan, South Korea). China could acquire a strategic position regarding distribution of such energy supplies.<sup>54</sup> Moreover, it could influence the building of pipelines to the West by signing contracts with strategic providers.

At the same time, it is necessary to point out that China's energy reliance on only one country – Russia, could be used as a tool of political pressure by the latter. Such a situation is making relations between countries rather special as next to economic concerns they have the same multilateral vision of the world order. Relations among en-

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<sup>53</sup> “Chinese, Turkmen, Kazakh, Uzbek Presidents Unveil Gas Pipeline,” *SCO Website* (14 December 2009); available at [www.sectsc.org/EN/show.asp?id=168](http://www.sectsc.org/EN/show.asp?id=168).

<sup>54</sup> Ögütçü, “Kazakhstan's Expanding Cross-Border Gas Links,” 15.

ergy reserves, influences, control of pipelines and funds to invest make the situation more complicated but with perspectives to continue cooperation in all dimensions. One more issue is rather important for China, and it is direct land connection with Siberian reserves, which is again decreasing the dependence on SLOCs. The energy cooperation with new partners is beneficial for all the participants in the exchange. For the Central Asian countries it is an important chance to reduce reliance on Russian distribution system and to get a long-standing partner and is creating the background to enhance regional economic cooperation into other areas. In other words, and much like the EU, the principle of interdependence is shaping the East's economic and security environment. Such cooperation is also connected with military sector, as during exercises countries are exchanging experiences and they are building mutual trust. Here again, the EU's example seems to be mirrored. At the same time, it can be followed by weapon sales by China to partners in the region, which would be again an important factor of such partnership. However, inside the SCO there are two important and capable weapon and equipment exporters who are trying to win the competition in this lucrative business. But even here, the situation is not unlike the EU, where NATO members are also producers of military equipment.

China is also putting the accent on the better use of energy resources inside the country by implementing new technologies aiming to reduce oil consumption. However, some of them are expensive to implement. Another possibility is to make better use of own resources by their more efficient exploitation, e.g. in the Tarim Basin, but again technological capabilities are slowing extraction. Moreover, continuous extension of pipelines would be necessary. At the same time cost-effect calculations reveal that some of the oil fields are inefficiently exploited. Additionally, the importance of Xinjiang province for China is very visible when considering energy security, because of the Tarim Basin and also as a direct land link to Central Asia and in the future to the Middle East. This is why the country is cooperating closely with the region to contain the three devils of "terrorism, extremism and separatism," as they are common cross-border threats for all actors.

China will never be fully independent regarding energy resources but current foreign policy is improving the present situation. This is why any disruption in oil supply will have a significant impact on China's economic growth and will be a threat to China. According to the CIA Factbook, the pipelines net is developing rather quickly in China linking the country with Central Asia and providing an opportunity to extend such line to Iran and the whole Middle East. The total length of pipelines as of 2009 is as follow: gas pipelines 32,545 km; oil pipelines 20,097 km and refined products pipelines 10,915 km (2009).<sup>55</sup> It is quite possible that in the nearest future SCO will create its Energy Club which will be beneficial for China by securing flow of raw materials with the potential to extending economic links to the Middle East. Recently, Chinese President Hu Jintao suggested member states to "enhance cooperation... to oppose the

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<sup>55</sup> *CIA The World Factbook, China*, <https://www.cia.gov/library/publications/the-world-factbook/index.html>.

crisis and consolidate the organization.”<sup>56</sup> To support his words, he decided that China granted a \$10 billion loan to members of the SCO to help them through the economic crisis and by providing more possibilities to run joint economic projects.

In this way, China takes the responsibility of regional leadership seriously. This development is more than a response to Russia’s resurgence, however. When we consider the degree of Sino-Russian political, military and economic cooperation, their mutual interests in the energy trade, their security concerns in the “three evils,” the commonality of approaches between the political leadership are such that an SCO-led integration seems almost natural.

The worrisome part is that the region is still so insecure. Because of this, a sound strategy must include the protection of avenues of supply both on land and at sea. This triggers the development of regional military capabilities and cooperation that may be seen adversely as a challenge from outside that region. As China’s position suggests, a credible military presence to preserve the flow of natural resources to continue growing (and thereby to avoid internal troubles) is also natural. The fact that this posture has been increased in cooperation with Russia is a telling sign that maybe a new block is forming.

Sino-Russian cooperation could leverage the SCO to produce a powerful response to two types of containment. The first type finds its source in the Cold War and concerns Russia. It is connected with the enlargement of NATO which Russia sees as affecting its interest, but which it is powerless (unless her actions in Georgia are counted) to stop. One of Russia’s options to alleviate the pressures of this containment is to turn to the like-minded East, and it seems she is doing so. The other type of containment is applied to China by the apparent competition for the control of SLOCs and through the conditionality of trade and most-favoured nation status with improvements in her human rights record and environmental protection efforts. These two sets of pressures drive Russia and China into each other’s arms, bringing Central Asia in with them.

We may be seeing the dawn of a new trading block, self-sufficient, and unhindered by considerations of human rights and sustainable and environmentally-friendly development. That in itself is not a source of risk, but the way in which conflict is managed in that region of the world does not accord with the values and norms of the other important trading block, the EU and its Euro-Atlantic partners. Far from an ideological confrontation, we could nevertheless see in the medium term the emergence of trading blocks opposed to each other by the diversity in their norms. One motivated by its attachment to humanistic values, and the other ready to use all necessary means to preserve its right to grow economically.

If the Euro-Atlantic partners are serious about the welfare and the promotion of their values in other regions of the world, perhaps its members would do well not to appear too uncompromising in matters of democracy versus prosperity, lest it precipitate the formation of a military and politically-capable block animated by opposing

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<sup>56</sup> “China to Grant \$10 bln Loan to SCO States to Overcome Crisis,” *RIA Novosti* (Yekaterinburg, 16 June 2009); available at <http://en.rian.ru/world/20090616/155263957.html>.

values. There is no indication that the formation of a super-trading block is in China's intentions (or even in Russia's), past the manifestation of intra-regional trading and security development. But this process may be taking part in spite of China's intentions. Russia's relative weakness to China (in terms of demographics, just to give one indicator) will necessarily propel the latter into a leadership role, and this function could accidentally land on her shoulders. Once that is realized, the West would feel compelled to treat China as a superpower, and she would then cease to remain a regional power. Whether the West, China and Russia are aware of this process—let alone ready for its implications—is unclear.





# In the Shadow of Great Powers: A Comparative Study of Various Approaches to Regionalism in Central Asia

Xu Zhengyuan \*

## Introduction

Alongside the rapid development of globalization, the post-Cold War era has witnessed the expansion of various forms of regional cooperation in many areas of the world. Regionalism, therefore—both in reference to the construction of a regional identity (“soft regionalism”) and the building of regional cooperative institutions (“hard regionalism”)<sup>1</sup>—has become a salient ongoing process worldwide, involving the participation of both states and non-state actors as a response to globalization. Different from the “old regionalism” that arose immediately after World War II, which underscored the economic and security dimensions of regional integration and the dominant role of external power or even hegemony in it, the “new regionalism” that is increasingly widespread nowadays emphasizes spontaneous regional cooperation in a variety of areas, including politics, economy, security, culture, etc.<sup>2</sup>

For Central Asia (a region consisting of Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan), however, the “new regionalism” wave has not yet arrived. Instead, a pattern of great power-sponsored regionalism has dominated the development of structures of regional cooperation. Although the dissolution of the USSR and the following independence of the five Central Asian states once generated opportunities to form self-sustaining regional cooperation frameworks based on common interests that could lead to a functioning regionalism, the disagreements among the states caused by water resource disputes, border issues, and other conflicts of interest impeded them from making substantial moves.<sup>3</sup> In addition, since the newly independent states in Central Asia are quite concerned with their hard-won sovereignty and are still hampered by their relatively poor economic performance, the political will and national capabilities to promote usually binding regional cooperation projects are inevitably inadequate.<sup>4</sup> A good instance of such challenges is the failure of the Central Asian Cooperation Organization (CACO), a spontaneously initiated regional project consisting of all the five Central Asian states.

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<sup>1</sup> Louise Fawcett, “Exploring Regional Domains: A Comparative History of Regionalism,” *International Affairs* 80:3 (2004): 433.

<sup>2</sup> Bjorn Hettne and Fredrik Soderbaum, “The New Regionalism Approach,” available at [www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=11583&P\\_XSLFile=unisa/accessibility.xsl](http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=11583&P_XSLFile=unisa/accessibility.xsl).

<sup>3</sup> Annette Bohr, “Regionalism in Central Asia: New Geopolitics, Old Regional Order,” *International Affairs* 80:3 (2004): 485.

<sup>4</sup> Fawcett, “Exploring Regional Domains: A Comparative History of Regionalism,” 443–44.

The new geopolitical realities in Central Asia after the Cold War (and especially after the terrorist attacks of 11 September 2001) invited external great powers to step in. The collapse of the former Soviet Union did not necessarily mean the end of any kind of hegemonic dominance in the region. On the contrary, the USSR's largest successor state, Russia, has been exerting overwhelming influence in its southern backyard since the early 1990s, largely driven by strategic concerns. The rich oil and gas resources in the region have also attracted attention from Europe, the U.S. and China. After 11 September 2001, "the relocation of Central Asia from the periphery to the center of the United States' zone of strategic interest" due to its adjacency to Afghanistan further reinforced the inevitability of the great powers' involvement and complicated the geopolitical situation in the region.<sup>5</sup> The major global powers have been engaged in building various regional structures on their own designs based on their own agendas. The U.S. is focusing on building increased connections between Central and South Asia; the EU has recently established a new partnership with Central Asia; China is still preoccupied with the institutionalization of the Shanghai Cooperation Organization (SCO); while Russia is simultaneously working on bolstering the Collective Security Treaty Organization (CSTO), the Eurasian Economic Community (EURASEC), and the SCO altogether. What interests are the great powers seeking by adopting these approaches? What policy instruments do great powers use in pursuit of these goals? What effects do these approaches produce? And finally, what is the feasible design of regionalism in Central Asia? This essay will address the above questions from a comparative perspective.

### **Theoretical Framework: Great Powers and Regionalism**

International relations theories provide us with a variety of analytical tools to examine the relations between great powers and regionalism. Neorealism, liberalism, and constructivism all demonstrate their explanatory power in this regard through their key theoretical elements such as power distribution, interdependence, and identity construction. However, as mentioned above, due to the existence of interstate disputes, the lack of regional identity, and the pervasive influence of external great powers in Central Asia, any attempts to employ liberalism and constructivism as research approaches would be doomed. This article, therefore, draws on neorealist arguments regarding great powers and regionalism as its theoretical framework.

According to the neorealist approach, the distribution of power in the international system determines states' behavior. Hegemonic or dominant power could serve as a driver for international cooperation. Weaker states would pursue cooperation when they are faced with a common threat posed by such a dominant power. They would

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<sup>5</sup> Bohr, "Regionalism in Central Asia: New Geopolitics, Old Regional Order," 485.

also try to counterbalance or “bandwagon” the dominant power by joining multilateral regimes.<sup>6</sup>

In a given regional context, the roles that local or external great powers play in developing regionalism can be multiple. Depending on their overall interests in and specific approaches toward the region, great powers could either facilitate the building of regional structures, impede them from strengthening, or prevent their formation altogether.

Great powers’ involvement in a given region could promote regionalism there. Especially when a great power has strong or even dominant influence in the region, it may seek to institutionalize its influence as an effective way to protect its strategic, economic, or political interests.<sup>7</sup> This process could not only facilitate the building of regional structures there, but might also help foster the construction of regional identity. This in turn could enhance the external power’s legitimacy and decrease its costs of dominance,<sup>8</sup> since regional states could benefit from closer economic or security ties with the larger power and show more willingness to collaborate with them.<sup>9</sup> In addition, regional institutions could also serve as foreign policy tools that great powers could use to realize their interests within or out of the region.<sup>10</sup> Thus it has been hardly rare in modern history that great powers initially promote the development of regionalism in a certain region – e.g., the EU or NAFTA.

But local or external great powers may also hinder the development of regionalism in a given region. That is not only because external great powers’ interventions into regional affairs and their dominance of regional structure building could undermine the capabilities and opportunities of local states to sponsor their own independent regionalism,<sup>11</sup> but also because great powers usually follow their own interests and agendas when designing approaches toward regional cooperation in areas of interest.<sup>12</sup> When bilateral rather than regional approaches are better suited to promote their short-term interests in the region, external powers could soften their support for efforts to build

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<sup>6</sup> Timothy McKeown, “Hegemonic Stability Theory and Nineteenth-Century Tariff Levels in Europe,” *International Organization* 37:1 (1983): 73–91. *Bandwagoning* is a term used in realist discussions of international relations to refer to the act of weaker states joining a stronger power or coalition within balance of power politics, when the weaker states decide that the costs of opposing the stronger state outweigh the benefits, or when there is little chance of forming a balancing coalition.

<sup>7</sup> S. Neil Macfarlane, “The United States and Regionalism in Central Asia,” *International Affairs* 80:3 (2004): 447.

<sup>8</sup> *Ibid.*, 448.

<sup>9</sup> Dennis Rumley, “The Geopolitics of Asia-Pacific Regionalism in the 21<sup>st</sup> Century,” *The Otemon Journal of Australian Studies* 31 (2005): 9.

<sup>10</sup> James H. Mittelman and Richard Falk, “Hegemony: The Relevance of Regionalism?” in *National Perspectives on New Regionalism in the North*, eds. Bjorn Hettne, Andras Inotai, and Osvaldo Sunkel (London: Macmillan, 1999), 175.

<sup>11</sup> Bohr, “Regionalism in Central Asia: New Geopolitics, Old Regional Order,” 485.

<sup>12</sup> Macfarlane, “The United States and Regionalism in Central Asia,” 447.

regional structures.<sup>13</sup> Even if great powers adopt regional approaches, their institutionalization efforts may reflect their own interests and preferences, which might contradict those of local states. Besides, if necessary, the external powers would always have the capabilities to turn their backs on their commitments to regional institutions, especially those of a binding variety.

From the perspective of regional states, the pattern of their interactions with great powers is also an important factor affecting the development of regionalism. As neorealists argue, when an external power's involvement in regional affairs is regarded as a threat by the local states in a region, the latter will usually choose to balance the great power by cooperating with each other in a variety of realms. In this sense, an external power could serve as a driver of closer regional cooperation by presenting a perceived threat.<sup>14</sup> If there is no such perceived threat, however, local states may adopt a strategy of "bandwagoning" toward the external great power, because under these circumstances the external power could be viewed by a local state as a provider of security or economic benefits, or even a strategic tool that can be used to balance against neighboring states.<sup>15</sup>

Finally, the development of regionalism could be seriously impeded and further complicated when local states are involved in a variety of regional arrangements with different or competing missions and sponsored by more than one external great power, since these powers will quite often be pursuing different or even conflicting interests. Local states have to choose according to their respective interests which great power to balance or align with, and what regional institutions to join or reject. Thus, competition between different regional structures and great powers would undermine local states' common will and efforts in promoting regionalism based on common interests and values.<sup>16</sup> Furthermore, "states with overlapping regional membership may place themselves in cross-pressured situations which can adversely affect the internal coherence of regional groups due to goal conflicts."<sup>17</sup>

In sum, the roles that local or external great powers could play in the development of regionalism would depend on their interests and approaches in a certain region, the patterns of local states' behaviors, and the relationship between different regional structures sponsored by the great powers. How these factors interact should be illuminated when we examine the progress of regionalism in Central Asia, where great powers like the European Union, the United States, Russia, and China all play a role.

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<sup>13</sup> Ibid., 448.

<sup>14</sup> Ibid., 447.

<sup>15</sup> Ibid., 458.

<sup>16</sup> Roy Allison, "Regionalism, Regional Structures and Security Management in Central Asia," *International Affairs* 80:3 (2004), p. 464.

<sup>17</sup> Dennis Rumley, "The Geopolitics of Asia-Pacific Regionalism in the 21<sup>st</sup> Century," 9.

## The EU, the U.S., Russia, and China: Various Approaches to Regionalism in Central Asia

As several scholars have recently noted, “The interest and action of all the great powers of the international system come together in Central Asia.”<sup>18</sup> The EU, the U.S., Russia, and China—the four most prominent external powers playing a role in the region—have adopted different approaches to regionalism in Central Asia. This section will explore those approaches based on an analysis of these four powers’ interests, policy instruments, and the ensuing effects.

### *The U.S. Approach: A Connected Central and South Asia*

The two decades since the dissolution of the USSR have seen a rapid evolution of U.S. interests and policies toward Central Asia. Before 2001, the U.S. was mostly concerned with the issue of nonproliferation of nuclear weapons and its access to the region’s energy resources, endorsing Russia’s special status there. After 2001, with the initiation of the war in Afghanistan and the increasingly proactive involvement of other regional powers (namely Russia, China, and Iran), the U.S. redefined its interests toward Central Asia. Strategically, Central Asia is not only “an important theater in the war on terrorism,” but also “a theater where America might counter a revived Russia or China” as well as “a place to blunt any extension of Iranian influence.”<sup>19</sup> Following 11 September 2001, the need to check and diminish the radical Islamist influence in the region was also high on the U.S. strategic agenda.<sup>20</sup> Economically, it is in the United States’ interest to maintain equal access to the rich sources of energy in the region, diversify its export routes, and prevent Russia and China from controlling the resources there.<sup>21</sup> In addition to these economic priorities, building democracies, promoting economic reforms, and improving the protection of human rights are also long-term goals that the U.S. is pursuing in this region.

To realize these interests (and particularly to facilitate the war in Afghanistan), the U.S. has prioritized bilateral approaches—such as establishing a strategic partnership with Uzbekistan, as well as providing economic and military assistance to local states—while its efforts toward regional cooperation have been “few and not notably effective.”<sup>22</sup> As an adjustment, the U.S. employed trans-regional means aimed at pull-

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<sup>18</sup> Mario Esteban and Nicolas de Pedro, eds., *Great Powers and Regional Integration in Central Asia: A Local Perspective* (Madrid: Exlibris Ediciones S.L., 2009), 7; available at [www.falternativas.org/la-fundacion/documentos/libros-e-informes/great-powers-and-regional-integration-in-central-asia-a-local-perspective](http://www.falternativas.org/la-fundacion/documentos/libros-e-informes/great-powers-and-regional-integration-in-central-asia-a-local-perspective).

<sup>19</sup> Stephen Blank, “The Strategic Importance of Central Asia,” *Parameters* (Spring 2008): 73.

<sup>20</sup> Svante E. Cornell, “The United States and Central Asia: in the Steppes to Stay?” *Cambridge Review of International Affairs* 17:2 (July 2004): 242.

<sup>21</sup> Stephen Blank, “U.S. Interests in Central Asia and the Challenges to Them,” 3; available at [www.strategicstudiesinsitutute.army.mil](http://www.strategicstudiesinsitutute.army.mil).

<sup>22</sup> S. Frederick Starr, “A ‘Greater Central Asia Partnership’ for Afghanistan and its Neighbors,” Silk Road Paper, Central Asia-Caucasus Institute, Silk Road Studies Program (March 2005), 11; available at [www.stimson.org/newcentury/pdf/Strategy.pdf](http://www.stimson.org/newcentury/pdf/Strategy.pdf).

ing the Central Asian states into a larger regional framework where it has a strong influence.

First, the U.S. has been trying to promote NATO's Partnership for Peace (PfP) program to increase the ties between NATO and the Central Asian countries, in order to exert a higher level of control in the region and facilitate the war effort in Afghanistan. Second, it created a trans-regional approach to Central and South Asia in 2005.<sup>23</sup>

Sharing in common some basic conception with the "Greater Central Asia Partnership" project, this new approach incorporated Central and South Asia into a large regional framework with Afghanistan as the nexus,<sup>24</sup> based on the premise that "Afghanistan, at the center of this region, can be a bridge that links South and Central Asia."<sup>25</sup> Accordingly, the Bureau of South and Central Asian Affairs became the agency in charge of relations with the region, replacing the Bureau of South Asian Affairs. The rationale behind this regional arrangement lies in the U.S.'s important role in South Asia: "Our relations with the nations of South Asia can serve as a foundation for deeper engagement throughout Central Asia."<sup>26</sup> Apparently India's closer ties with Central Asia could help diversify the energy export routes and break the possible Russian and Chinese monopoly over these energy resources that the U.S. feared, and its democratic political system could also serve as a model for Central Asian states. Pakistan, as an important stakeholder and a key player in Afghanistan's reconstruction, is indispensable for any prospect of a coalition victory in the Afghan war. In addition, by promoting trade and the construction of transport infrastructure, the U.S. aimed to rebuild Afghanistan with a view to maintaining long-term stability and security in Afghanistan.<sup>27</sup>

### *The EU Approach: A New EU–Central Asia Partnership*

Central Asia is a region where the EU has substantial interests at stake and has become deeply involved since the end of the Cold War. First of all, the EU's strategic interests in Central Asia are primarily in ensuring security and stability.<sup>28</sup> This is mainly because Central Asia now borders with the target states involved in the European Neighborhood Policy and the Black Sea Synergy Initiative; as a result, various kinds of instabil-

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<sup>23</sup> Atajan Iazmuradov, "Greater South Asia – America's New Regional Approach to Central and South Asia: How It is Developing and What Prompted It," *Central Asia and the Caucasus* 4:40 (2006): 80; available at [www.ca-c.org/journal/2006-04-eng/09.pr.iazmuradoven.shtml](http://www.ca-c.org/journal/2006-04-eng/09.pr.iazmuradoven.shtml).

<sup>24</sup> This project was led by the Central Asia-Caucasus Institute of the Paul H. Nitze School of Advanced International Studies at Johns Hopkins University in 2005.

<sup>25</sup> Ambassador Richard Boucher, "Pursuing Peace, Freedom and Prosperity in South and Central Asia," remarks before the Senate Foreign Relations Committee (Washington D.C., 16 February 2006); available at [www.state.gov/p/sca/rls/rm/2006/61317/htm](http://www.state.gov/p/sca/rls/rm/2006/61317/htm).

<sup>26</sup> *The National Security Strategy of the United States of America* (Washington, D.C.: The White House, March 2006), 39.

<sup>27</sup> S. Frederick Starr, "A 'Greater Central Asia Partnership' for Afghanistan and Its Neighbors," 16.

<sup>28</sup> Council of the European Union General Secretariat, *European Union and Central Asia: Strategy for a New Partnership* (Brussels: European Communities, October 2007): 8.

ity and threats such as terrorism, drug-trafficking, and organized crime in the region could have a serious impact on the EU's security.<sup>29</sup> Second, as Afghanistan's neighbors, three Central Asian states could provide crucial support for the EU member states operating in the ongoing Afghan war. Third, Central Asia could serve as an ideal alternative energy supplier for the EU, which would decrease its dependence on Russian energy resources.

Although nowadays it is quite clear that it "has a strong interest in a peaceful, democratic, and economically prosperous Central Asia,"<sup>30</sup> the EU initially did not seem to realize the strategic importance of this region, and thus did not put forward a comprehensive approach in the 1990s. However, as the biggest donor to nations in Central Asia, it did involve the region in some projects focusing on "economic and technical questions"<sup>31</sup>—e.g., Technical Assistance to the Commonwealth of Independent States (TACIS), the Transport Corridor Europe-Caucasus-Asia (TRACECA), and the Partnership and Cooperation Agreements (PCAs)<sup>32</sup>—which to some extent promoted the Central Asian states' economic and social development. After 11 September 2001, the EU adopted more security-focused projects in the region, such as the Central Asia Drug Program (CADAP) and Border Management in Central Asia (BOMCA) aimed at adapting to the new security situation there.

In 2007, with the publication of the document "European Union and Central Asia: Strategy for a New Partnership," the EU adopted a "comprehensive and long-vision approach" toward Central Asia.<sup>33</sup> Under this new strategy, the EU will establish a variety of cooperation mechanisms, namely "a regular regional political dialogue at [the] Foreign Minister level," the European Education Initiative, the "e-silk-highway," the EU Rule of Law Initiative, a formalized human rights dialogue, and an energy dialogue with the Central Asian states.

There is also an emphasis on bilateral cooperation in the EU's overall approach to Central Asia. In the areas of human rights, economic development, and education, cooperation will be conducted on a bilateral basis, considering the different conditions in each regional state. And, according to the EC 2007–2013 Regional Assistance Strategy for Central Asia (another important document elaborating the EU's approach to the region), 70 percent of a fund of EUR 750 million for assistance for Central Asia will be allocated to bilateral projects.<sup>34</sup> In addition, the EU will also conduct dialogues with

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<sup>29</sup> Ibid., 9.

<sup>30</sup> Ibid., 8.

<sup>31</sup> Nicolas de Pedro, "The EU in Central Asia: Incentives and Constraints for Greater Engagement," in *Great Powers and Regional Integration in Central Asia: A Local Perspective*, eds. Mario Esteban and Nicolas de Pedro (Madrid: Exlibris Ediciones S.L., 2009), 116.

<sup>32</sup> Ibid., 116.

<sup>33</sup> Ibid., 117.

<sup>34</sup> European Union, "European Union and Central Asia: Strategy for a New Partnership," 28.

other regional organizations involved in Central Asia, such as the UN, the OSCE, EURASEC, the SCO, and the CSTO.<sup>35</sup>

### *China's Approach: SCO*

China, "as the most powerful, dynamic, and immediate neighbor of Central Asia,"<sup>36</sup> has vital strategic, security, and economic interests in the region. First and foremost, ensuring overall stability in the region—and especially tranquility on its borders—will help create a favorable regional environment for China's internal economic development, and thus facilitate its future rise to global power status. In the meantime, creating a friendly neighborhood and "a harmonious region of lasting peace and common prosperity"<sup>37</sup> that could accommodate China's growing influence is also strategically essential. Second, it is in China's interests to cooperate with its Central Asian neighbors in addressing some immediate security concerns it faces, like combating separatism in Xinjiang Province, as well as cross-border drug trafficking and organized crime in a regional context. Third, in terms of economic interests, Central Asia also represents both a rich energy source for Chinese industry and a huge market for Chinese goods.

China's approach to regionalism in Central Asia mainly takes place within the framework of the Shanghai Cooperation Organization (SCO). The SCO's predecessor, the "Shanghai Five," was originally set up in 1996 as a mechanism aimed at solving border issues and building confidence between China and Russia as well as China's other three Central Asian neighbors. Based on the successes achieved through this process, the SCO was formally established in 2001, and since then its development has gained tremendous momentum. The level and range of cooperation within the SCO has expanded from the security area to a variety of other areas such as trade, energy, education, cultural communication, and tourism.<sup>38</sup> This might serve to increase the level of interdependence between regional states and "consolidate the social basis of the SCO."<sup>39</sup>

Security cooperation has always been high on the SCO's agenda. Faced with the common threats of terrorism, separatism, and extremism, along with the prevalence of cross-border criminal networks, SCO member states have held several common military exercises and agreed on improving information sharing and coordination between

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<sup>35</sup> Ibid., 11; see also Diana Golikova, "Central Asia Seminars – 2<sup>nd</sup> GCSP-NUPI-OSCE Academy Seminar, 'Central Asia 2009,'" GCSP Geneva Paper 13 (2010), 10.

<sup>36</sup> Zbigniew Brzezinski, Foreword, in Bates Gill and Matthew Oresman, "China's New Journey to the West: China's Emergence in Central Asia and Implications for U.S. Interests," a Report of the CSIS Freeman Chair in China Studies (August 2003).

<sup>37</sup> Alyson J.K. Bailes, et al., *The Shanghai Cooperation Organization*, SIPRI Policy Paper No. 17 (Stockholm: SIPRI, 2007): 48.

<sup>38</sup> SCO website: [www.sectSCO.org/html/00026.html](http://www.sectSCO.org/html/00026.html).

<sup>39</sup> Hu Jintao, speech at the sixth SCO Summit, Shanghai (15 June 2006); available from the website of the Foreign Ministry of China, at [www.fmprc.gov.cn/chn/pds/wjb/zzjg/dozys/dqzzyos/shhz/xgxw/t258248.htm](http://www.fmprc.gov.cn/chn/pds/wjb/zzjg/dozys/dqzzyos/shhz/xgxw/t258248.htm).



them. Combating common security threats, therefore, is an important motivating factor for the development of the SCO.

China in particular has also viewed effective economic cooperation as a key driving force for building regionalism in Central Asia. Its proposal to establish a free trade zone within the SCO framework is a direct attempt to build closer economic ties between the states. China also established a USD 900 million fund to promote economic development in the Central Asian states. The construction of regional infrastructure projects—for example, the cross-border railway network—and the establishment of an “energy club” would further deepen the economic linkages between states in the region. Through its promotion of regional economic cooperation, China has gained mounting influence in the SCO and in the region due to its strong economic power.

In addition, China has also made efforts to promote the institutionalization of the SCO as an effective way to strengthen regionalism in Central Asia.<sup>40</sup> The SCO Secretariat and its Regional Anti-Terrorist Structure (RATS) were set up in 2004. Some NGOs were also established within the SCO framework; for example, the Business Council, the Inter-bank Consortium, and the SCO Forum were all created in order to facilitate cooperation among member states.

It should be noted that the SCO shows to some extent an open attitude in cooperating with other states, organizations, and regions. By bringing in Mongolia, India, Pakistan, and Iran as observers, as well as Belarus and Sri Lanka as dialogue partners, the SCO has worked to bolster its influence in other parts of Asia. An Afghanistan Contact Group was established in order to contribute to improving Afghanistan’s situation. Moreover, the SCO has been maintaining dialogue with the UN, the EU, the OSCE, the CSTO, the CIS, EURASEC, and ASEAN.

### *Russia’s Approach: CSTO, EURASEC, and SCO*

Due to its geographic proximity to Central Asia, Russia has a variety of interests there. Politically, one key interest of Russia lies in the “the preservation of the internal stability of the Central Asian nations,” since any kind of instability in its backyard could spill over and threaten its own security.<sup>41</sup> Economically, Russia’s oil and gas exports to Europe as well as its energy-driven economic growth would be seriously affected if it could not have stable access to energy resources in Central Asia.<sup>42</sup> In terms of security, Russia is faced with threats like terrorism, extremism, and drug trafficking filtering across its “vulnerable southern borders.”<sup>43</sup> Strategically, it is in Russia’s interests to

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<sup>40</sup> Bailes, et al., *The Shanghai Cooperation Organization*, 49.

<sup>41</sup> Igor Torbakov, “From Hegemony to New Geopolitical Competition: Assessing Russia’s Strategic Footprint in Central Asia,” *Finnish Institute of International Affairs Briefing Paper* 22:6 (October 2008): 3; available at [www.ciaonet.org/pbei/fiaa/0008193/index.html](http://www.ciaonet.org/pbei/fiaa/0008193/index.html).

<sup>42</sup> Nikolay Kuzmin, “Central Asia: The Sphere of Russia’s Privileged Interests,” in *Great Powers and Regional Integration in Central Asia: A Local Perspective*, ed. Mario Esteban and Nicolas de Pedro (Madrid: Exlibris Ediciones S.L., 2009), 16.

<sup>43</sup> Richard Weitz, “Averting a New Great Game in Central Asia,” *The Washington Quarterly* 29:3 (Summer 2006): 156.

maintain its dominant influence in Central Asia while properly dealing with the competition from other major powers like the U.S., China, and the EU.<sup>44</sup>

Given Russia's long-standing dominant role in the region, the Central Asian states have long been drawn into its overall design of multilateral networks and become member states of the CIS, the CSTO, EURASEC, and the SCO. However, since the CIS is already in the process of a "slow death," driven by its lack of substantial achievement and the turn of some member states toward the West,<sup>45</sup> the CSTO, EURASEC, and SCO are the three key organizations that Russia relies on in its approach to regionalism in Central Asia.

The CSTO was established in 2003 on the basis of the Collective Security Treaty (CST) with Russia and six other former Soviet republics (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Belarus, and Armenia) as its members. As a "real defense alliance,"<sup>46</sup> CSTO members are obliged to assist each other with necessary means (military means included) in cases of aggression against any member state. So far, a variety of internal structures have been set up within the CSTO to facilitate member states' coordination in their joint efforts to combat terrorism, drug trafficking, and other security threats. To maintain its dominant role in the organization, Russia successfully proposed the building of a Collective Rapid Deployment Force as the main provider of both funding and personnel. In addition, Russia has also successfully maintained military bases in some member states, and even opened some new ones. In the wake of a few moderately successful military operations conducted within the CSTO framework, Russia has consolidated its preponderant influence in Central Asian security. And the CSTO, therefore, is regarded as the "basis for an effort at competitive regionalism," which is seen as a counterbalance against NATO's PFP.<sup>47</sup>

Economically, Russia uses EURASEC as the main framework to involve itself in regional economic cooperation in Central Asia. Against the backdrop of China's growing economic presence in the region, and in order to maintain its own economic influence, Russia provided strong support for the development of EURASEC. Since its founding in 2001, and especially after its merger with CACO in 2005, EURASEC has made achievements in promoting regional economic cooperation. It has established a free-trade zone between member states, which laid a firm foundation for the further development of regionalism in Central Asia. Efforts have also been made to form a customs union; by July 2010, Russia, Belarus, and Kazakhstan hope to launch their

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<sup>44</sup> Kuzmin, "Central Asia: The Sphere of Russia's Privileged Interests," 15.

<sup>45</sup> Stephen Aris, "Russia's Approach to Multilateral Cooperation in the Post-Soviet Space: CSTO, EURASEC, and SCO," *Russian Analytical Digest* 76 (15 April 2010): 2, available at <http://e-collection.ethbib.ethz.ch/view/eth:1620>.

<sup>46</sup> Ingmar Oldberg, "The Shanghai Cooperation Organization: Powerhouse or Paper Tiger?" *FOI Paper* (June 2007): 28, available at <http://www2.foi.se/rapp/foir2301.pdf>.

<sup>47</sup> Roy Allison, "Regionalism, Regional Structures and Security Management in Central Asia," *International Affairs* 80:3 (2004): 471.

customs union within EURASEC as an early step toward a large-scale union.<sup>48</sup> And in 2009, member states arrived at a consensus to build a Joint Anti-Financial Crisis Fund to diminish the impact of the global financial crisis, to which Russia made the largest contribution.<sup>49</sup>

As an influential member of the SCO, Russia has also been deeply involved in its development. Through the SCO framework, it can not only forge closer relations with its Central Asian neighbors, but also further strengthen its strategic partnership with China. More importantly, the SCO provides an effective platform for Russia to counter the U.S.'s influence by calling on the U.S. to withdraw from the region. Therefore, Russia has been actively participating in both economic and security cooperation actions within the SCO framework.

It should be noticed that the Russian government has encouraged more robust interaction between CSTO and EURASEC in order to promote regional integration.<sup>50</sup> However, although it is a dominant member in the SCO, Russia has also been trying to blunt the SCO's influence in economic and security cooperation efforts in the region. For example, Russia rejected China's proposal on the creation of a free-trade zone within the SCO framework; as a result, the SCO will likely fall behind EURASEC in the area of economic cooperation. Meanwhile, Russia tried hard to pull the CSTO—a more organized and integrated military organization—into the joint exercises among SCO members, so that the SCO would not be given full play in regional security cooperation. In this way, Russia not only contains China's rising role in the region but also guarantees the CSTO and EURASEC decisive roles in these two areas.

### **Comparison and Evaluation: Which is the Best Approach to Regionalism in Central Asia?**

The approaches of the great powers to regionalism in Central Asia described in the previous section each have their own strengths and weaknesses, reflected in the interests they serve, the policy instruments they adopt, and the effects they produce. The proper model for an approach to regionalism, therefore, should be that with the greatest convergence of strengths and the smallest number of weaknesses. This section will attempt to arrive at an identification of an optimal model through a comparison of the various approaches.

#### *Strengths and Weaknesses of the Approaches*

*Comparison of Interests.* There is no doubt that each of the major powers discussed in this essay became involved in Central Asia primarily due to their own interests. Therefore, how much they will contribute to the development of regionalism there largely

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<sup>48</sup> Stephen Aris, "Russia's Approach to Multilateral Cooperation in the Post-Soviet Space: CSTO, EURASEC, and SCO," 3.

<sup>49</sup> *Ibid.*, 3.

<sup>50</sup> Ikboljon Qoraboyev, "A Move away from Geopolitics in Central Asia: A Call for a Move to Institutions," paper submitted to the Garnet Sixth Ph.D. School at the Institute for European Studies, Brussels (June 2008); available at [www.garnet-eu.org/Sixth\\_PhD\\_School.320.0.html](http://www.garnet-eu.org/Sixth_PhD_School.320.0.html).

depends on the extent to which their own interests converge with that of the region in terms of regional integration. Moreover, whether a great power is seeking to pursue short-term concrete interests or long-term strategic interests in Central Asia is also a factor affecting the development of regionalism.

For the EU and China, maintaining lasting security and stability through integration is in their long-term interests. Their interests in diversifying the energy transport routes in Central Asia also coincide with those of the local states. In this sense, the EU and China basically share common interests with the regional states in promoting the integration process.

Russia's interest in maintaining its dominant presence in Central Asia and keeping order in a region that is an important strategic neighbor converges with that of the regional states in terms of regional cooperation, because only a region that is integrated in the areas of economy and security could serve as an ideal backyard in strategic terms. But, on the other hand, its dominance in the region is also regarded as an obstacle that could impede the spontaneous regionalization of Central Asia.

As for the U.S., its primary interest in Central Asia lies in supporting and winning the Afghan war. This to some extent coincides with the interests of the Central Asian states, since the development of economic, political, and security cooperation in the regional context requires a stable and secure regional environment. But the United States' interest is not directly linked with the promotion of regional cooperation, and contributes little to regional institution building. Besides, the U.S. focus on the Afghan war also reflects the pursuit of short-term concrete interests without considering long-term issues of regional economic and political development.<sup>51</sup> As mentioned above, another key U.S. strategic interest in the region is to contain the growing influence of Russia, China, and Iran. This in some way runs counter to the interests of Central Asian states, because under the circumstances of great power competition, they will likely have to take sides, which could easily hinder the development of regionalism.

*Comparison of Policy Instruments.* A comparison of the policy instruments the great powers have applied in their approaches to regionalism in Central Asia could be conducted in three dimensions. The first dimension compares bilateralism versus multilateralism. Interestingly, although multilateralism is regarded as the essential way to develop regionalism, all of the major powers have adopted bilateralism as a key principle in their respective approaches to Central Asia. The U.S. to a large extent relies on bilateral relations with the Central Asian states to pursue its interests, and "has displayed little sustained interest in regional cooperation in Central Asia."<sup>52</sup> In comparison, Russia and China have devoted themselves to multilaterally promoting regional cooperation in Central Asia, although bilateral cooperation is still a significant element of their multilateral cooperation frameworks. Especially in the SCO, due to its inefficient decision-making structure and weak capabilities for collective behavior, both Russia and China widely work on bilateral cooperation projects with other SCO mem-

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<sup>51</sup> Macfarlane, "The United States and Regionalism in Central Asia," 456.

<sup>52</sup> *Ibid.*, 457.

ber states. In the case of the EU, due to its unsuccessful previous experience in promoting multilateral cooperation with Central Asia, the strategy of building a new partnership includes both bilateral and multilateral approaches, with an emphasis on the former.

The second comparative dimension involves evaluating a comprehensive approach versus a partial approach. The EU's creation of a new partnership with Central Asia represents a comprehensive approach to promoting regional cooperation that covers economic, political, social, and energy aspects. In comparison, Russia's approach mainly focuses on economic and security issues, while the U.S. emphasizes military and economic cooperation within the Greater Central Asian area. The SCO's agenda has been rapidly expanded since its establishment, from focusing merely on issues of economy and security to a variety of other areas like education, cultural exchange, science, technology, and environmental protection.<sup>53</sup> It should be admitted, however, that no substantial progress has been made so far in these newly added areas.

The third comparative dimension is that of "soft regionalism" versus "hard regionalism." "Soft regionalism" refers to the promotion of "a sense of regional awareness or community through consolidating regional groups and networks," while "hard regionalism" means the building of "pan- or sub-regional groups formalized by interstate arrangements and organizations."<sup>54</sup> In this regard, China has adopted the "hard regionalism" approach by establishing regional organizations and their relevant mechanisms. The U.S. has also engaged in building interstate arrangements in the area of security cooperation, even though it did not set up any concrete regional structures. In contrast to these two powers, the EU did not only work with the regional governments to promote some interstate projects, but also devoted attention to cultivating social networks and positive social developments through a variety of education cooperation initiatives aimed at the formation of a regional identity. Russia too has worked on both tracks. Alongside efforts to establish formal regional organizations, it also makes use of its soft power (such as the influence of the Russian language) as a way to maintain regional awareness in Central Asia.<sup>55</sup>

*Comparison of Effects.* The various approaches of the great powers to regionalism in Central Asia have produced complex effects, which in turn have revealed the difficulties caused by the complicated geopolitical competition in the region. Specifically, these effects can be examined from three aspects: regional cooperation, regional states, and the great powers.

First, it should be noted that with the establishment of regional organizations and their relevant institutions by the great powers, the processes of regional integration have been promoted both within individual organizations and across the arrangements. Nevertheless, the competition between the different approaches taken by the great

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<sup>53</sup> See [www.sectsc.org/html/00026.html](http://www.sectsc.org/html/00026.html).

<sup>54</sup> Fawcett, "Exploring Regional Domains: A Comparative History of Regionalism," 433.

<sup>55</sup> Fiona Hill, "Russia's Newly Found 'Soft Power'," *The Globalist* (26 August 2004); available at [www.theglobalist.com/StoryId.aspx?StoryId=4139](http://www.theglobalist.com/StoryId.aspx?StoryId=4139).

powers is also salient. For example, Russia tried hard to reject the formation of a free-trade zone within the SCO in order to ensure that EURASEC could play a larger role in regional economic cooperation. The U.S. has also sought to balance the dominant influence of the Russia-led regional organizations by pulling Central Asia into a larger trans-regional context. These forms of competition could easily help to counter the effects of regional integration, or even result in the “fragmentation” of Central Asia.<sup>56</sup>

Second, multiple efforts have been made by the regional states to either balance or align with external great powers, which could be harmful for long-term regional integration in Central Asia. Regional states chose to “bandwagon” the U.S. and Russia at the same time in order to maximize the economic and military gains to be accrued from both sides. They also use the U.S. and Russia to balance each other for their own benefit. Even within the SCO, Central Asian states use Russia or China to check each other so that they can minimize the chance of being manipulated by them. Moreover, due to the interstate disputes and distrust between Central Asian states, they also use large external powers as tools to gain more leverage and more favorable status with respect to each other. And finally, states like Uzbekistan, which has achieved most of its goals simply by cooperating bilaterally with the U.S., may lose interest in further regional cooperation.<sup>57</sup> All these factors could impede the further promotion of regionalism in Central Asia.

Third, the competition between the great powers could become even more severe due to the development of regional institutions. For example, the SCO has always been viewed by the U.S. as a platform that could be used by Russia and China to challenge its strategic interests and seek to control energy resources in Central Asia. As a response, the U.S. has further increased its bilateral ties with regional states to ensure its strategic interests in the region. And this in turn has been perceived by Russia and China as part of the U.S. policy of strategic containment toward them. The Central Asian region, therefore, could come to be reinforced as a “testing ground for new great-power relations,” and the development of regionalism there might be hindered further.<sup>58</sup>

### *Evaluation: The EU Approach as the Proper Model?*

After a comprehensive comparison of the great powers’ various approaches to regionalism in Central Asia, a conclusion could be drawn that theoretically the EU approach represents the proper model,<sup>59</sup> since it is the one characterized by the largest convergence of strengths and a minimum of weaknesses.

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<sup>56</sup> Qoraboyev, “A Move away from Geopolitics in Central Asia.”

<sup>57</sup> Macfarlane, “The United States and Regionalism in Central Asia,” 459.

<sup>58</sup> See Geir Flikke and Julie Wilhelmsen, *Central Asia: A Testing Ground for New Great-Power Relations* (Oslo: NUPI, 2008).

<sup>59</sup> Nicolas de Pedro, “The EU in Central Asia: Incentives and Constraints for Greater Engagement,” in *Great Powers and Regional Integration in Central Asia: A Local Perspective*, eds. Mario Esteban and Nicolas de Pedro (Madrid: Exlibris Ediciones S.L., 2009), 130-132.

As discussed above, the EU approach upholds the long-term interests of security and stability in Central Asia, which converge with those of the regional states. It adopts both bilateral and multilateral means to promote a comprehensive system of regional integration, including the cultivating of regional identity as the “soft” side of regionalism. And as the largest donor to the states in Central Asia, it has provided considerable tangible assistance to the region. In addition, the EU and its approach did not become deeply involved in the complex competition and balance between different parties, and thus overcame a key limitation of geopolitics in Central Asia, a success that “in itself serves to facilitate its access to the region.”<sup>60</sup>

Moreover, the EU approach also has other crucial advantages. First, the EU itself could serve as a perfect model for the development of regionalism. Its historical experiences in overcoming interstate disputes and building mutual trust between member states would be intrinsically valuable for Central Asian states. Second, with an emphasis on economic diversification and the promotion of education, the EU approach would be conducive to the economic and social development of Central Asian states which is an important condition for the development of regionalism. Third, with Kazakhstan as the chair of OSCE in 2010, now is the perfect time for the EU to promote its strategy of partnership with Central Asia and facilitate its cooperation with the regional states.<sup>61</sup>

However, the EU approach does have its own weaknesses. The lack of efforts in institution building could constrain the effectiveness of its approach to regionalism. The promotion of democracy and human rights within the framework of the EU-Central Asia Partnership could easily run counter to the regional states’ emphasis on stability, and could consequently lead those states to reject the EU approach.

Although theoretically the EU approach represents the proper model, in practice its involvement in the promotion of regional cooperation in Central Asia has fallen substantially short of expectations. It is true that the EU’s new partnership strategy has made achievements while being implemented in the past several years. For example, there have been more scholarship opportunities provided to Central Asian students, and new projects such as the Central Asia Invest program aimed at promoting the economic development of the Central Asian states have been established. But, compared with the other great powers, the EU’s involvement has been relatively insignificant. The reason behind this is apparently the EU’s lack of incentives and interests in this region due to its limited economic and social ties with the Central Asian states. However, with the common economic and security challenges facing both the EU and Central Asia increasing, the EU—in its role as a normative and economic power—should devote more attention to the region. On the one hand, the EU should allocate more resources to support economic and social development in the region, and thus cultivate deeper ties with the regional states. On the other hand, the existing mechanisms aimed at promoting regional cooperation should be fully made use of within the framework of

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<sup>60</sup> Ibid., 132.

<sup>61</sup> Ibid., 131.

the new partnership strategy. And finally, the EU should be very cautious and skillful when it seeks to promote the cause of human rights and democracy there. In sum, the EU approach is the proper model to regionalism in Central Asia, possessing a number of strengths. But it also faces several internal weaknesses that could undermine its efforts in promoting regional integration.

## **Conclusion**

Because of its geostrategic importance and rich energy resources, Central Asia has become a new test case for great-power relations since the end of the Cold War, and especially since 11 September 2001. Due to the failure of CACO (a spontaneously initiated Central Asian regional institution), the development of regionalism in Central Asia now primarily lies in the hands of large external powers, namely, Russia, China, the EU, and the US. They have adopted various approaches to promoting regional integration in Central Asia, which to some extent has facilitated regional cooperation. But the competition between the different approaches has also hindered the progress of regionalism. After a comprehensive comparison of the various approaches to regionalism in Central Asia, a conclusion could be drawn that the EU approach represents the proper model. As a comprehensive approach, it is not only conducive to the overall economic and social development of the regional states; it could also overcome the limitations of geopolitics in Central Asia. Under the new strategy of EU-Central Asia partnership, the EU will contribute to the enhancement of regionalism in the region.



# Modeling Defense Acquisition Strategy

*Venelin Georgiev* \*

## Introduction

Defense acquisition policy is one of the most important aspects of defense policy, and requires an efficient and effective strategy for implementation. As a universal method, modeling provides an opportunity for many different approaches to defense acquisition strategies to be developed and analyzed in order to select the best or most appropriate method, depending on a nation's current economic conditions. Variables that can be included in modeling the process of defense acquisition strategy include specific defense acquisition instrumental policies and their parameters; typical strategies currently in use in different defense acquisition domains; and strategic management tools, such as the strategic card (SC) and the balanced scorecard (BSC). In the end, the options for defense acquisition strategy that are developed through modeling are assessed based on the extent to which they appear likely to develop the set of desired military capabilities and implement the defense missions and tasks that have been set forth in the nation's defense policy, and remain in line with the level of ambition, budget resource restrictions, and level of associated risk.

## Defining Defense Acquisition

The specialized literature offers a variety of definitions of the term “defense acquisition.” The extent to which these definitions are different or similar depends on the point of view from which defense acquisition is considered and the topic being examined. If we try to summarize most of the existing definitions in a systematic way, we will arrive at two main types of definitions, which differ primarily in the scope or context of definition. In a broader context, defense acquisition could be defined as a process of defense products' life cycle management from the moment requirements are defined, through research and development, manufacturing or purchasing, use in operations, exploitation and maintenance, to disposal. In a more restricted context, defense acquisition is related to the process of acquiring defense products—whether by producing or purchasing them—in order to generate defense capabilities that are appropriate to the defense missions and level of ambition set forth in a nation's defense policy. In both contexts, defense acquisition plays an essential role in achieving the goals set forth in a larger defense policy, since it is intrinsically related to the development of defense capabilities, which are basis of the armed forces' missions and task implementation in the national, regional, and global contexts. In this article, defense policy is

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presented as a policy that encompasses both ends and means, and under which the desired ends drive the creation of adequate means (or forces).<sup>1</sup> From such a point of view, the mission of defense acquisition is to deliver and maintain part of these means: armaments, equipment, infrastructure, etc.

Defense acquisition is also of particular importance because it is a process that often consumes an enormous amount of public resources, which are invested in defense programs and projects that often carry a high level of associated risk. Because of size of the investment required, defense acquisition management demands high levels of transparency and accountability in order to minimize corruption, which can cause a failure to deliver promised results. Defense acquisition projects, as a rule, are extremely costly, which is an argument for the importance of effective and efficient management of these projects. In an environment of extremely restricted or limited resources, the question of effective defense acquisition management becomes increasingly pressing and decisive. The specific characteristics of defense acquisition and its management, mentioned above, determine the significant role to be played by defense acquisition strategy as an instrument in helping reach common goals in the area of defense management. These needs place ever-higher demands on the instruments and tools (such as modeling) that are used in developing a sound defense acquisition strategy.

Defense acquisition strategy is an instrumental strategy, a unique tool that is used to reach the desired effects in the area of defense acquisition; at the same time, it is used to offer a long-term plan for the development of defense acquisition that is in line with changes in the defense system and the security environment. Defense acquisition strategy is a capabilities-based solution that is grounded in a thorough economic evaluation of alternatives. It could be defined as offering a “helicopter view” of the path toward progress in defense.<sup>2</sup> The main purpose of defense acquisition strategy is to propose rational models and approaches for the realization of the defense acquisition policy, as well as to achieve the overall defense policy. Defense acquisition strategy should provide decision makers with necessary top-level information for balancing risk against resource constraints and performance needs.

Defense acquisition strategy could also be defined as an instrument for defense management and implementation of defense policy in the context of suitable management concepts. In Figure 1, defense acquisition policy is presented as an element of the overall national defense policy. This approach guarantees that the goals of defense acquisition are synchronized with the nation’s broader goals for the defense and security sector. The practical realization of defense acquisition policy becomes possible in an area that is delineated by the parameters of the defense acquisition management concept. On the other hand, the field of the concept is an environment in which a variety of efficient and accepted defense acquisition strategies can be applied, which in the end

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<sup>1</sup> Todor Tagarev, “The Art of Shaping Defense Policy: Scope, Components, Relationships (but no Algorithms),” *Connections: The Quarterly Journal* 5:1 (Spring–Summer 2006): 55–69.

<sup>2</sup> Elizabeth Wright, “Twenty First Century Defense Acquisition: Challenges and Opportunities,” *Connections: The Quarterly Journal* 5:1 (Spring–Summer 2006): 71–80.

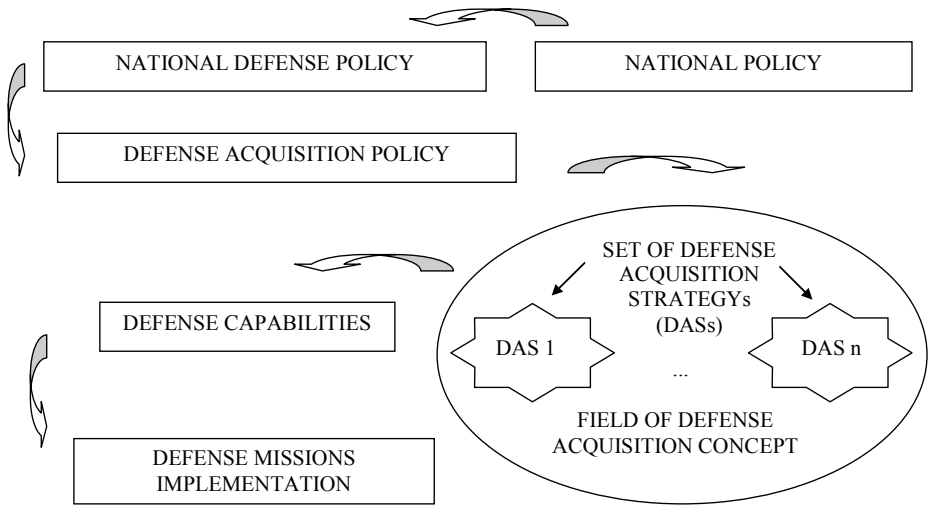


Figure 1: Role and Place of Defense Acquisition Strategy in the Transition from Defense Policy to Defense Capabilities.

can guarantee the development of the defense capabilities that are required to meet the threats posed by the security environment, accomplish prescribed defense missions, and are in line with the nation’s level of ambition, resource limitations from the defense budget, and acceptable levels of organizational, technical, technological, program, and project risk.

Defense acquisition strategy development could be described as a structured decision-making process that takes into consideration all important elements of the acquisition process: sourcing, cost, logistics, innovation, and technologies.<sup>3</sup> The capacity to generate different alternatives for defense acquisition strategy and the need to choose the most appropriate one offers the possibility to model the process of defense acquisition strategy development. Inputs to the model should include the parameters of instrumental defense acquisition policies, typical strategies for different defense acquisition domains, and applied instruments for strategy development, such as strategic cards (SC) and balanced scorecards (BSC). Sources of data and information for the model’s implementation could include existing legislation, STANAGs, allied publications, etc. In summary, modeling the defense acquisition development process offers real potential to achieve enhancements in the efficiency of defense acquisition management in the context of creating defense capabilities that will guarantee the realization of the defense policy.

<sup>3</sup> Wright, “Twenty First Century Defense Acquisition: Challenges and Opportunities.”

## **Implementing Defense Acquisition Policy**

The successful implementation of defense acquisition policy is a vital part of national defense policy, and can make a significant contribution to reaching national goals and priorities in the defense and security area. The activities and results of defense acquisition policy have broad scope, and possess some specific characteristics. First, defense acquisition policy is aimed at the efficient life cycle management of defense products in order to develop the desired set of defense capabilities within the financial restrictions of the defense budget. Second, defense acquisition policy contributes to the implementation of the defined missions, goals, tasks, and priorities of the defense sector through effective management of modernization projects and ensuring that the necessary defense products and infrastructure elements are in place to provide for the training and participation of the armed forces in national and international exercises, operations and missions, and in domestic relief efforts in cases of natural or industrial disasters.

Defense acquisition policy contributes to a significant extent in the implementation of agreements with NATO and the EU for guaranteeing the security of the democratic community, as set forth in accepted force goals and other initiatives. In this regard, the results of defense acquisition policy implementation can be measured by the level of security and capabilities of the armed forces to participate in joint operations with forces from partner nations. Defense acquisition policy development is focused on:

- Enhancing the efficiency of defense management and generating capabilities for further improvement of the military management system
- Realizing the process of defense modernization in an efficient and effective way by implementing innovative investment projects in order to guarantee the appropriate conditions for implementing defense missions and goals
- Supporting a standard level of quality for defense products within their life cycle and optimizing processes of disposal of unnecessary armaments, machines and infrastructures
- Broadening the scope of innovative activity as an instrument for efficient defense transformation
- Implementing national and international technical and technological experience in the process of enhancement of defense capabilities.

As an instrumental defense policy, defense acquisition policy can contribute to the development of strategic paradigms in defense in the context of creating a desired set of military capabilities. It can also help ensure the efficient allocation of and balance between invested resources and received results by implementing traditional and innovative approaches in such areas as life cycle management, research and development, project management, quality management, etc.

One of the main features of defense acquisition strategy is its complex character, which provides an opportunity to implement a range of specific acquisition policies. An example of such a policy is defense product life cycle management policy, which

can provide a rational balance between product cost and the effects that are to be achieved not only within a given stage, but over the full product life cycle. The architecture of a defense product life cycle management system has significant implications for the improvement of the quality of defense acquisition overall. Some authors emphasize the role of operational views (OVs) of acquisition products in the architecture of the life cycle management process, which can contribute to improvements in the Acquisition Management System, and even in the Force Management System.<sup>4</sup> They divide the OVs into four levels:

- OV-1, which usually contains the high-level operational concept, reflected in a graphical description of the architecture. In some cases, it may also present some textual description.
- OV-2 is the Operational Node Connectivity Description. This view presents operational nodes within the architecture of the acquisition system together with connectivity and the information exchanges between them.
- OV-5 is the Operational Activity Model, which presents capabilities, operational activities, relationships among activities, inputs, and outputs.
- OV-6 describes operational activity, and is divided into three sub-views as follows:
  - OV-6a is the operational rules model, and it identifies business rules that constrain operation
  - OV-6b is the operational state transition description, which identifies business process responses to events
  - OV-6c is the operational event-trace description, and it traces actions in a scenario or sequence of events.

Another example of a specific policy that can be considered under the umbrella of defense acquisition strategy is R&D policy, which is the basis for military transformation, development, and modernization, as well as the foundation for making efficient and effective long-term decisions. Elements of this policy include innovation activities, technology development, etc. Acquisition project management policy is focused on delivering new types of equipment and defense products or modernization of existing products in a way that guarantees efficient use of scarce financial resources, embedding new technologies, and reaching the desired level of innovation. Risk management policy is one of the most important instrumental policies in defense acquisition, and without any doubt can serve as an efficient instrument for managing defense acquisition activities in order to enhance the probability of reaching the desired end state. Defense acquisition policy in the area of standardization and codification requires the ap-

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<sup>4</sup> Aleksandar Dimov, Gueorgui Stankov, and Todor Tagarev, "Using Architectural Models to Identify Opportunities for Improvement of Acquisition Management," *Information and Security: An International Journal* 23:2 (2009): 188–203; available at [http://infosec.procon.bg/v23\\_2/Dimov\\_Stankov\\_Tagarev.pdf](http://infosec.procon.bg/v23_2/Dimov_Stankov_Tagarev.pdf).

plication of complex and systematic approaches within the framework of the defense product life cycle in order to achieve initially determined standards related to national and international norms and regulations. Defense industrial policy can also make a specific contribution to implementing defense acquisition policy. The main goal here is supporting active cooperation among national firms with respective international partners. New elements of this instrumental policy are relations with the European Defense Agency (EDA) and the creation of appropriate conditions for the integration of a nation's defense industrial capacity into the international defense market.

The technology for modeling the defense acquisition strategy development process should provide opportunities for creating products that are related to the missions, goals, and tasks of defense acquisition, and that also guarantee the appropriate environment for their practical realization as measured by created military capabilities. The mission of defense acquisition could be defined as ensuring a significant contribution to the enhancement of the armed forces' military capabilities by efficient allocation of defense resources, investments in modern and innovative armaments, and effective management of their life cycle. Practical realization of this mission is related to several key strategic goals:

- Integrating defense acquisition into the larger process of defense transformation
- Improving the effectiveness of the defense acquisition system as a tool for generating rational management decisions and their implementation environment
- Strengthening and developing the role and place of the defense acquisition system in the overall management process by improving its interaction with other management systems
- Improving the process for managing the life cycle of defense products by applying proven, widely accepted approaches and methods to maintain and enhance the capabilities of the forces
- Developing and expanding the armed forces modernization process as a factor in their transformation and constituting an effective source of new defense capabilities
- Optimizing policy and instruments for the implementation of compensatory (offset) agreements, forms of public-private partnerships, private finance initiatives, and other innovative approaches to the management of defense resources provided in the interests of defense acquisition in order to achieve the highest value for consumers and society as a whole
- Improving processes for managing the quality of defense products, ensuring the best use of research results and control measurements in acquisition practices, successfully managing the risk of acquisition activities and projects as effective tools for construction, and maintaining and developing the planned defense capabilities

- Promoting the role of science, research and innovation, and defense-industrial policy as a means of establishing the skills and tools for effective and efficient cooperation with NATO and the European Union member states and partners.

## **Defense Acquisition Concept**

The defense acquisition concept could be described as a domain for applying different appropriate defense acquisition strategies that will guarantee the implementation of defense policy goals and priorities. The role of the concept is to define the frame, parameters, rules, procedures, and practices for the formulation and realization of the defense acquisition goals. One feature should be taken into account: the concept is not restricted to applying only one strategy. In addition, the concept creates conditions under which many different and appropriate strategies can be applied in order to implement managers' decisions. Examples of defense acquisition management concepts would include life cycle management, portfolio management, and net present value for the management of investments in the area of defense acquisition.

### *Life Cycle Management*

The idea underlying the first concept mentioned above is that if the defense products' life cycle is separated into smaller parts or stages, they will be easier to understand and manage. From a structural point of view, the process of defense products life cycle management includes three levels: life cycle phases or stages, groups of processes, and individual processes. It is possible to start any group of processes with the included individual processes step-by-step, or simultaneously at any time and any stage within the defense product life cycle. This concept has one more important advantage: the same concept is applied in all member states of NATO and the EU, which ensures mutual understanding and cooperation.

### *Portfolio Management*

Defense acquisition is a domain of many investment projects involved in the modernization of the armed forces. That fact means that defense establishments are owners of a broad portfolio of projects, and they should manage this portfolio in the best possible way. These arguments have proved the importance of including the portfolio management concept within defense acquisition strategy. Through the use of portfolio management, two key groups of tasks could be solved in the area of defense acquisition. The first involves the development and optimization of the defense acquisition investment portfolio in a way that will guarantee the efficient and effective implementation of defense missions and tasks. The second group of tasks relates to assessing the level of efficiency, effectiveness, and acquisition risk management for all defense acquisition investment projects.

### *Net Present Value*

The net present value (NPV) concept is based on the assessments of discounted inflows, outflows, benefits, and effects, estimated not just for one year but for the entire

economic life of the examined alternatives. A basic rule here is to accept and start only those defense acquisition projects that have a positive assessment of their net present value. All projects with negative net present value should be rejected.

Because there are many concepts that could be applied in defense acquisition management, the question of how to choose the best one and integrate it into the defense acquisition strategy is not just a question of science but one of art. This gives an advantage to well prepared managers in the area of defense acquisition and, on the other hand, can reveal instances of bad management, inefficient decisions, and lack of professional skills in defense acquisition management.

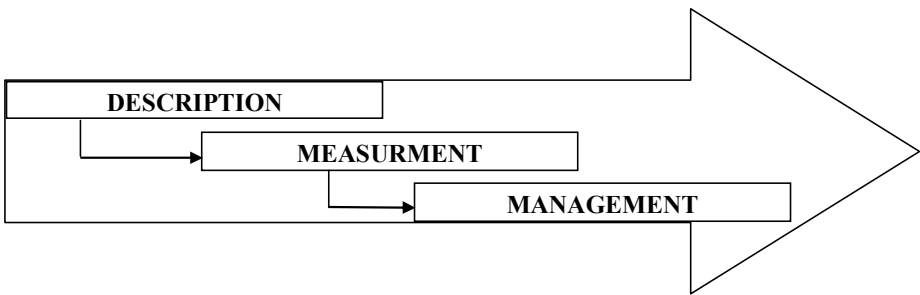


Figure 2: An Integrated Approach to Modeling Defense Acquisition Strategy.

### Modeling the Process

For all of the specific areas of defense acquisition mentioned above, there are examples of typical acquisition strategies, which can be classified as follows. When we think about the more narrow aspect of defense acquisition that includes just purchasing defense products, the typical acquisition strategies are delivering new defense products related to domains with more rapid tempos of technological development (for example, information technology) and repairing and modernizing existing items that belong to domains with slower rates of change of technologies (e.g., platform construction or infrastructure). If we consider how active the defense establishments are in their implementation of defense acquisitions missions and tasks, these typical defense acquisition strategies could be divided into two categories: aggressive or offensive, and passive or defensive. The aggressive ones are related to broader innovative activity in many areas: R&D projects, licenses, “know-how,” patents, cooperation with partners, etc. The passive defense acquisition strategies are more focused on adapting the current situation in defense acquisition to changes in the external environment (e.g., in technological, technical, and knowledge areas). One of the most important parameters for defense acquisition strategy is the place (or position) that is desired from a technological point of view. Here the typical acquisition strategies are technological leader, second (follower) after the technological leader, and outsider. At a given time, the armed forces could need a different acquisition project portfolio if they were to choose one or an-



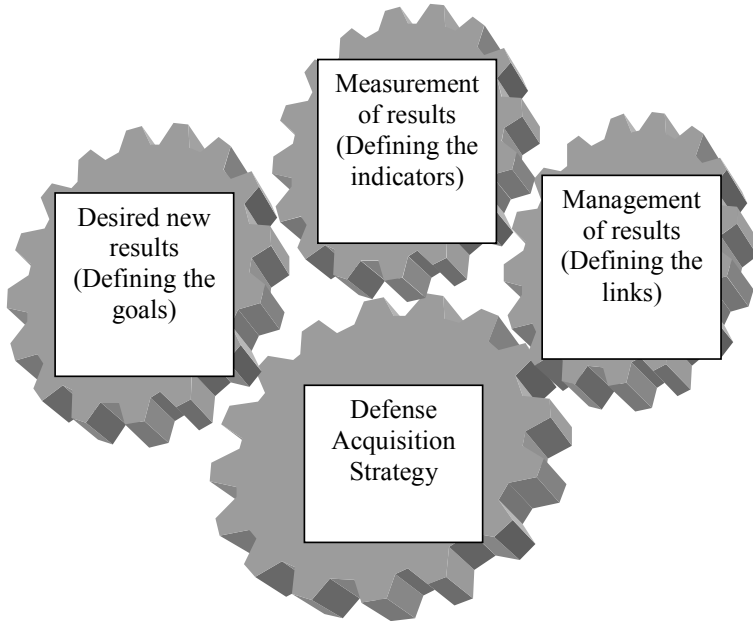


Figure 3: A Mechanism for Applying an Integrated Approach in Modeling Defense Acquisition Strategy.

other typical acquisition strategy. Based on the decision that is made about the desired technological position, the armed forces could be:

- A technological leader that can start production or exploitation of next-generation equipment or armaments
- A second-stage adopter after the leader that can not independently begin development of next-generation technological items, but rather follows the leader in a respective domain at a distance smaller than one technological generation
- An outsider that remains at a distance of more than one technological generation from the leader.

In modeling the defense acquisition strategy process, a broad list of external and internal factors should be simultaneously considered, and innovative practices, theoretical concepts, and benchmarks should be applied. As was mentioned, defense acquisition strategy is a tool that needs to be developed and improved in line with changes in the status of contractors and the environment for implementing the strategy. The rational approach to updating the acquisition strategy is a defensive approach, one that preserves positive results (i.e., the sustainability of the policy for defense acquisition and the systems for its implementation) and simultaneously creates the necessary con-

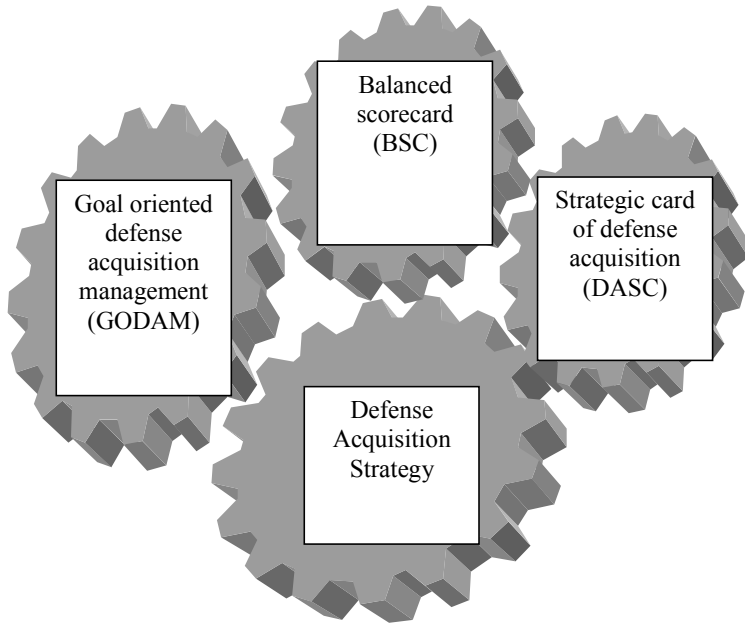


Figure 4: A Modified Mechanism for Applying an Integrated Approach in Modeling Defense Acquisition Strategy.

ditions for further development and improvement (i.e., providing variability and adaptability in defense acquisition policy).

At the heart of modeling of defense acquisition strategy is the trinity of “description → measurement → control” (see Figure 2). The reason for using these three connected processes is that, for a business activity (in this case, defense acquisition) to be measured, it should be described; and if the activity in question is going to be successfully managed, it must be able to be measured.<sup>5</sup> The chosen approach for the development of defense acquisition strategy can be presented schematically, as shown in Figure 3. The individual units of the mechanism for applying an integrated approach in developing a strategy for defense acquisition are characterized by the following:

- Achieving qualitatively new results in the field of defense acquisition—as defined by its objectives, priorities, and tasks—is possible only if the defense organization maintains and develops results-oriented management
- Creating opportunities for the measurement of performance using the selected indicators by applying a balanced scorecard (BSC)

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<sup>5</sup> Robert D. Kaplan, *The Balanced Scorecard: Translating Strategy into Action* (New York: W.W. Norton, 1996).

- Creating opportunities for the effective management of performance by applying a strategic card (SC) of defense acquisition and the definition therein of goals, objectives, actions, and causality between them.

### *Strategic Card*

In considering the above adjustments, the mechanism for implementing an integrated approach to developing a strategy for defense acquisition (shown in Figure 3) can be modified, as shown in Figure 4. Using a strategic card (SC) as a tool for modeling the defense acquisition strategy development process provides two significant advantages. First, it enables both internal and external contractors and operators to achieve the desired level of detail and understanding of the defense acquisition strategy. Second, it allows planners to illustrate the dynamic character of the development and implementation of defense acquisition strategy.

A strategic card for defense acquisition should be developed in compliance with several important principles. The first is to consider the issue of balance between conflicting forces/principles. As an example, investments in intangible assets within the defense acquisition system to achieve long-term results often conflict with the objective of reducing the cost of achieving short-term efficiency. The second principle relates to the fact that stable value in the field of defense acquisition is created by internal processes and the development of the defense acquisition system's intangible assets. The strategic card for a defense acquisition process describes the vital activity of internal processes (strategic issues). The application of this approach allows for a defense acquisition strategy to be built on the development of complementary strategic themes. The third principle relates to the fact that the value of the intangible assets within a defense acquisition system depends on how well they relate to the strategic mission. The process of establishing the value of intangible assets in the field of defense acquisition is characterized by the following features:<sup>6</sup>

- The value inherent in intangible assets is often of an indirect character. Intangible assets in the area of defense acquisition—such as knowledge, motivation, technology, innovation, organizational culture, etc.—rarely have a direct impact on indicators that relate to financial performance. This happens through a chain of causal relationships, which can be defined and presented by the strategic card.
- The value created by intangible assets is contextual in nature, and is determined by their compliance with a given defense acquisition strategy. The existence of differences between the quality of intangible assets for a defense acquisition system and their strategic requirements is an indicator of the expected low value generated by these intangible assets.
- The value created by intangible assets is often potential rather than actual. Investments in intangible assets in the field of defense acquisition are charac-

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<sup>6</sup> Kaplan, *The Balanced Scorecard*.

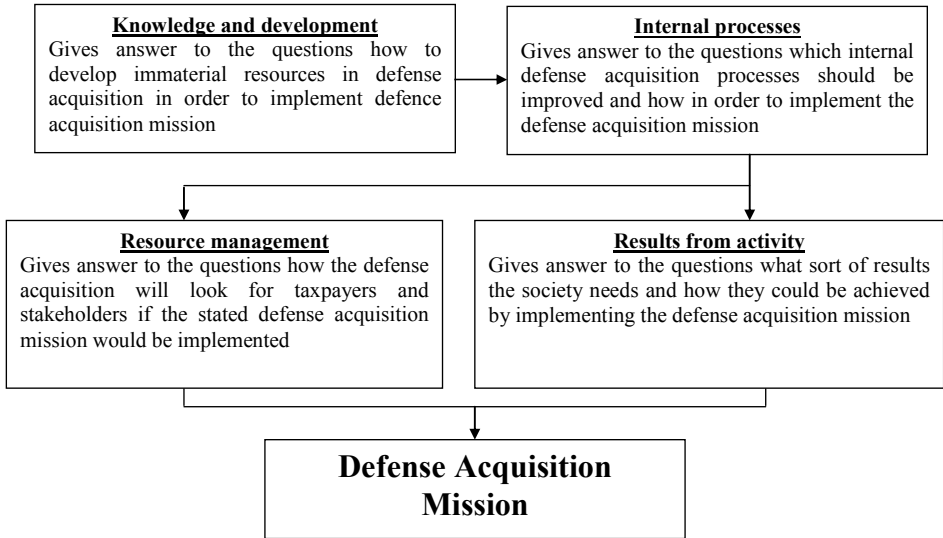


Figure 5: Perspectives to Be Used in Developing a Strategic Card for Defense Acquisition.

terized by potential rather than market value; only the internal processes of the defense acquisition system can realize this potential value.

- There is an interdependence between the various assets involved in defense acquisition, which means that the intangible assets of a given defense acquisition system can rarely create value on their own, because they do not possess the ability to do so in isolation within the defense strategy. Sustainable value is created when the intangible and tangible assets of a defense acquisition system are well synchronized.

In the strategic card, the objectives in the field of defense acquisition are modeled in four perspectives (see Figure 5 above).

The “knowledge and development” perspective provides an answer to the question of how to invest in staff, innovation, technology, infrastructure, and organizational culture to transform a defense acquisition strategy into reality. The “internal processes” dimension can give answers to the question of what processes should be implemented or improved upon in order to implement the strategy for defense acquisition. The “resource management” perspective addresses the extent to which the management of the available resources for defense acquisition is performed correctly and in accordance with overall strategic goals. The “results from activity” dimension responds to the question of whether efforts in the field of defense acquisition have achieved the results that a nation’s political leadership, strategic management processes, partners, society and citizens expect.

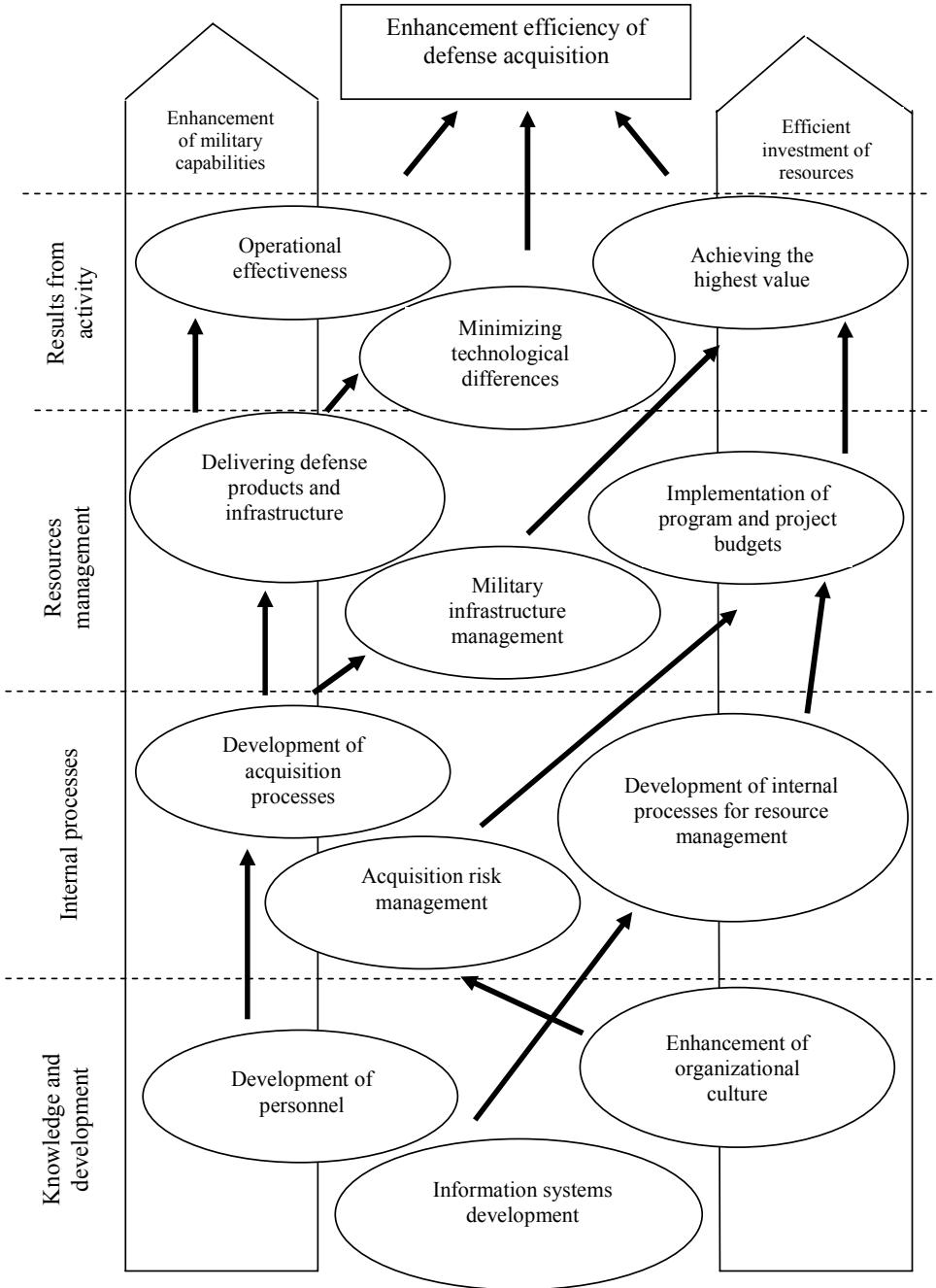


Figure 6: Model of a Strategic Card for Defense Acquisition.

The strategic card for defense acquisition presents a visual linkage between the objectives and perspectives of a defense acquisition strategy. It describes the logic of the strategy, defining the vital and creative value of the internal processes and the intangible assets that are necessary to achieve the acquisition goals and objectives.<sup>7</sup> A model of a strategic card for defense acquisition is presented on Figure 6.

How the strategic map of the defense acquisition process actually works can be described using an example that analyzes a procedure for extending the operation period of defense products. The development of an innovative technological procedure is based on the knowledge and experience of the experts in defense, on the development of information systems, and on improvements in the organizational culture (all of which fall under the “knowledge and development” dimension on the strategic card). The application of the procedure is made possible through the existence of internal processes for managing acquisition activities and the associated risk (falling under the “internal processes” dimension).

The result of applying the procedure is the effective management of defense products within the acquisition (investment) programs and projects (under the “resource management” perspective). The benefits derived from the procedure consist in providing the forces with defense products with an extended service period that can be used in carrying out military missions, goals, and objectives (the “results from activity” dimension). Other examples could also be used to illustrate how to apply a strategic card in the development or updating of a defense acquisition strategy.

### *Balanced Scorecard*

Another tool for modeling the defense acquisition strategy development process is a balanced system of performance indicators—or a balanced scorecard (BSC)—which is designed to apply a systematic approach to determining indicators and measuring performance along the four dimensions described in the strategic card for defense acquisition. It transforms the objectives from the strategic card into specific tasks, whose implementation is measured by indicators for which targets are set and that those who are actually doing the work can more easily measure. Moreover, the use of indicators to measure the extent to which the acquisition tasks have been implemented allows contractors to define their role and contribution to the implementation of the defense acquisition strategy, which increases their adherence to the objectives and adds to their level of performance.

Developing a balanced scorecard for defense acquisition offers the following advantages:

- The use of performance indicators enables actors to measure the realized degree of suitability of various acquisition processes to achieving strategic objectives (i.e., the effectiveness of acquisition processes can be measured).

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<sup>7</sup> Robert D. Kaplan, *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* (New York: W.W. Norton, 2001).

- Performance indicators enable the systematic measurement of all the results in the field of defense acquisition.
- The target values of various performance indicators can be balanced (i.e., the indicators that are used to measure complex goals to be achieved have attainable, realistic values).

*Integration*

The effectiveness of modeling in developing defense acquisition strategies largely depends on the successful integration and synchronization of the strategic card (SC) and balanced scorecard (BSC). The successful implementation of a defense acquisition strategy is a function of the clear definition and supported launch of strategic initiatives in the form of investment programs and projects (see Figure 7).

Figure 8 presents an example of a matrix model for integrating the strategic card and balanced scorecard of performance indicators in defense acquisition. The perspectives and objectives defined in the strategic card are supplemented by the corresponding performance indicators and targets that make up the contents of a balanced scorecard. Quantitative estimates for the target values of performance indicators could be derived from accepted standards, norms, technical documents, or they can be defined by developers, depending on the level of ambition of the defense acquisition policy.

<i>Strategic card (SC)</i>		<i>Balanced scorecard (BSC)</i>		<i>Action plan</i>	
<i>Perspectives</i>	<i>Goals</i>	<i>Indicators</i>	<i>Targets</i>	<i>Programs and projects</i>	<i>Budget</i>
1. Results from activity					
2. Resource management					
3. Internal processes					
4. Knowledge and development					

Figure 7: Model of the Relationship between Defense Acquisition Strategy Instruments.

STRATEGIC CARD		BALANCED SCORECARD	
<i>Perspectives</i>	<i>Goals</i>	<i>Indicators</i>	<i>Targets</i>
1. Results from activity	<u>In the area of suppliers:</u> Providing contractors with actual price information for new defense products	Ensuring that contractors are provided with actual price information for new defense products	Providing answers on 90 percent of questions
		Ensuring the timely provision of desired information to contractors	Providing answers to contractor questions within three days
	Enhancement of the effectiveness of procedures of defense product delivery based on acquisition programs and plans	Percentage of successfully implemented acquisition programs and projects	Successful completion of 80 percent of defense acquisition programs and projects

Figure 8: Model of a Matrix for the Integration of the Strategic Card and Balanced Scorecard in the Area of Defense Acquisition.

**Conclusion**

The description and enumeration of the elements of a defense acquisition strategy as well as the identification of functional and meaningful alternatives provide the ability to develop a variety of defense acquisition strategies. This requires the assessment and selection of a preferred option for a defense acquisition strategy, as well as supporting the chosen approach through the use of modeling. The huge financial resources required in defense acquisition and the associated high levels of risk are factors that make mandatory the application of modeling processes in developing defense acquisition strategy. In other words, in the field of defense acquisition and management, rational managers will prefer not to use the unreliable “trial-and-error” method, and will instead choose to apply modeling methods suitable to the defense acquisition strategy development process in order to optimize the management decisions and obtained results. The application of such an approach guarantees that efficient defense acquisition management decisions will be made, in both good financial times and bad.



# The Russo-Chinese Strategic Partnership: Oil and Gas Dimensions

Jean-Marie Holtzinger \*

**Abstract:** This essay seeks to determine the nature of the strategic energy partnership between the Russian Federation and the People's Republic of China, focusing on oil and gas. In particular, it will attempt to answer the question of whether there is a real and valid strategic energy partnership between the two countries. Many joint declarations, statements, and treaties on the strategic partnership have offered evidence of the good relationship between the two countries. These have been reinforced in recent years through cooperation in different fields—economy, military, and energy—underpinned by an apparently common shared vision of the world. As far as the energy partnership is concerned, many advances have been achieved in the oil and gas sectors. This results from a complementary association of both actors that gives priority to market forces, since Russia is a major oil and gas producer and China, because of its growing economy, is a major consumer. However, this strategic energy partnership is limited in scope, and is very fragile for many reasons: the Russian domestic market is growing; Europe is a more attractive partner for Russian energy exports; Russia has fears regarding China's rapid expansion in economic and geopolitical power; China's tendency to engage in active diplomacy in all directions; and the influence of Japan and South Korea on the Asian market. All factors indicate that there is at present an energy partnership between the two countries, but that it seems to be more strategic for Russia than for China.

## Introduction

After the collapse of the Soviet Union, China and Russia tried to improve their relationship and to resolve their past issues of contention. Relations between both countries may be described as successful, and in various fields cooperation between Moscow and Beijing has even been enhanced. China and Russia came to an agreement in July 2008 to end a decades-long border dispute. Thus, the delineation of the Russian-Chinese border has been accepted by the two partners, and is no longer an issue.<sup>1</sup>

China and Russia communicate and act through bilateral consultations as well as within the framework of the Shanghai Cooperation Organization (SCO), sharing the same principles and visions, such as the right to sovereignty or territorial integrity. Beyond these shared political and philosophical views, China and Russia have experienced different paths of economic development since the 1990s. Russia has faced many difficulties in changing its economic system and adapting to the liberal market. Furthermore, the Russian government is aware that the country's economic develop-

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<sup>1</sup> "China, Russia End Lengthy Border Dispute," *Moscow News* 41 (16 October 2008); available at [www.moscownews.ru/national/20081016/55351138.html](http://www.moscownews.ru/national/20081016/55351138.html).

ment is the principal method that will help restore its status as a great power. To reach this goal, Russia relies on its two main supports: the military-technology industry and the energy sector. The energy sector provides the bulk of the government's revenues and, provides Moscow with a powerful tool of influence, since Russia is a major global producer and provider of oil and, above all, natural gas. China is in a quite different position; the rapidity of its economic growth has been astounding to many analysts. China has become both a major producer and investor, and has also emerged as the banker of the world (this is in addition to the potential offered by its huge domestic market). The Chinese have produced a semi-liberal economy that has been able to adapt efficiently to the processes of globalization. In addition, China has not suffered significantly from the recent global financial and economic crisis, which has reinforced its position as a global actor.

China's demand for energy has risen and will continue to increase. If it wants to sustain its growth, China needs an effective energy policy. Thus, the cooperative relationship between China and Russia has been logically extended to the energy sector, and particularly to the areas of oil and gas. Russia is willing to sell oil and gas to China, and China needs to buy oil and gas from Russia. This apparently pure market exchange hides a more conceptual strategic energy partnership between the two countries, which is in turn rooted in a more complex game of influences. The strategic partnership can be defined as an alignment of compatible interests or approaches, a converging perception of the world enhanced by strong bilateral ties in several domains.

In 2008, the noted Russia expert Bobo Lo argued that Russia and China's understanding of the strategic partnership differ. The partnership with China is strategic for Russia, since it provides an alternative to Russian foreign policy, but especially because it constitutes a guarantee against a powerful and "potentially aggressive China."<sup>2</sup> In other words, the partnership with China enables Russia to have flexibility among strategic orientations, and simultaneously allows for proactive prevention. China, unofficially, does not aspire to build a so-called strategic partnership, but is rather trying a realistic approach that serves its national interests. This approach is limited in scope to the economy. The strategic partnership, for both countries, serves common interests, but to different ends. At the moment, these interests are compatible, but they may become incompatible, given the possibility that their trends will diverge in the long run. Is this strategic partnership an empty vessel? What is the real purpose of the strategic oil and gas partnership? This article will demonstrate that—more than two years after Bobo Lo's statement—if the energy partnership appears to be strategic for Russia, it is not the case for China, which considers Russia as one provider of oil and gas among others, and does not want to increase its dependence on Moscow beyond what is economically necessary.

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<sup>2</sup> Bobo Lo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics* (Washington, D.C.: Brookings Institution Press, 2008), 44.

## Energy as the Central Factor in Economic Relations

Economic ties have been strengthened between China and Russia over the last decades. Russian arms sales to China have for a long time accounted for a major part of Russia's arms exports—often around 40 percent of total sales, and even reaching 60 percent in some years. This trade relationship has to be considered as a major one between the two countries. However, other areas of economic cooperation have been developed, especially in the energy sector. Russia exports its electricity to China at a price higher than Russia's domestic regulated tariffs. Its two main electricity exporting plants, Bureiskaya and Zeiskaya, are located in the Far East. In 2007, Chinese officials argued that the price they paid for Russian electricity was too high, and negotiated for a better price. Russian electricity exports resumed in 2009.<sup>3</sup> Nuclear cooperation with China started in 1990, and since then different agreements have been signed. Using Russian nuclear power equipment and support from Russia's service export monopoly, Atomstroyexport, China built two new generation reactors in the Tianwan Nuclear Plant near Shanghai. The second reactor became fully operational in 2007.<sup>4</sup> The proportion of energy in China that is produced by nuclear plants is growing, but still marginal. In 2009, eight new power plants were under construction, and another eight are in the planning stages. However, three-quarters of China's electricity is produced from coal, and this trend will continue until 2030. The development of gas-fired power plants stands as a governmental priority.<sup>5</sup>

Focusing more specifically on oil and gas, there are several significant collaborative projects between China and Russia that are worthy of mention. In November 2006, the Open Joint Stock Company Rosneft of Russia and the China National Petroleum Corporation (CNPC) set up a joint venture in China focusing on oil exploration and production in Russia. In addition, thirteen deals were signed to encourage investment, promote Russian machinery exports and technical products, and enhance cooperation between oil companies.<sup>6</sup> Even since October 2009, many new contracts have been signed. Gazprom reached a framework agreement with CNPC on gas delivery, while Rosneft will continue its cooperation with this same company. In 2010, an oil refinery is supposed to be built in Tiantszin with a capacity of 200,000 barrels a day. In Vladivostok, in partnership with the Sino-Singaporean company Yantai, huge shipyards will

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<sup>3</sup> Sergei Blagov, "Russia Resumes Electricity Exports to China," *Eurasia Daily Monitor* 6:65 (6 April 2009); available at [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=34817](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=34817).

<sup>4</sup> International Atomic Energy Agency, "Power Reactor Information System" (2010); available at [www.iaea.org/programmes/a2/](http://www.iaea.org/programmes/a2/).

<sup>5</sup> U.S. Energy Information Administration, "Country Analysis Brief: China" (July 2009); available at [www.eia.doe.gov/emeu/cabs/China/Electricity.html](http://www.eia.doe.gov/emeu/cabs/China/Electricity.html).

<sup>6</sup> Guo Qiang, "Russia, China Cement Oil Cooperation," *Chinadaily.com.cn* (13 November 2006); available at [www.chinadaily.com.cn/china/2006-11/13/content\\_731888.htm](http://www.chinadaily.com.cn/china/2006-11/13/content_731888.htm).

be built for the production of oil rigs.<sup>7</sup> Moscow seems to place priority on huge transnational projects in order to develop energy resources in Eastern Siberia and the Russian Far East, such as the Eastern Siberia-Pacific Ocean (ESPO) oil pipeline and the Russian-Chinese branch of the oil pipeline from the Skovorodino refinery, in the Amur region, to Mohe county in China's Heilongjiang province. Since there is a lack of qualified Russian workers in these Eastern regions, it was necessary to call for workers from other regions to build the pipeline. In the summer of 2007, Transneft wanted to employ 1,500 Chinese workers for this purpose.<sup>8</sup> In the context of the global economic crisis, financial help from China is welcomed by Russia. In 2009, the Chinese Bank for Development granted a USD ten billion credit to Transneft, and USD fifteen billion to Rosneft. A contract between Transneft and the CNPC outlines the laying and the exploitation of the oil pipeline to China, which should be completed by the end of 2010. A contract signed by Rosneft and the CNPC calls for the annual delivery of fifteen million tonnes of oil to China for twenty years.<sup>9</sup> At the same time, both countries signed a framework agreement aiming to increase Chinese imports of Russian gas and enhancing cooperation between the main energy companies. In October 2009, Russia agreed to deliver approximately sixty-eight billion cubic meters of gas to China. Two delivery routes were determined: the eastern one, from Eastern Siberia, the Russian Far East, and the Sakhalin continental shelf, and the western one from the Western Siberian gas fields.<sup>10</sup>

All this development is natural because of the common interests of both Russia and China. Moreover, they are driven primarily by business market forces, thus creating a complementary association.

### **A Complementary Association**

Russia is a major producer of oil and gas, while China is a major consumer. The geographical proximity of the two countries and their shared interest in the energy sector logically create a complementary association driven by market forces and need. Russia has more proven natural gas reserves than any other country, is among the top fifteen in proven oil reserves; it is the world's largest exporter of natural gas, the second-largest oil exporter, and the third-largest energy consumer. Energy exports have been crucial for Russia's economic growth over the last five years, during which period Russian oil production has increased considerably and world oil prices have peaked. According

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<sup>7</sup> Philippe Randrianarimanana, "Good Weather on Economic Cooperation," *Courrier International* (27 November 2009); French version (published 14 October 2009) available at [www.courrierinternational.com/revue-de-presse/2009/10/14/beau-temps-sur-la-cooperation-economique](http://www.courrierinternational.com/revue-de-presse/2009/10/14/beau-temps-sur-la-cooperation-economique).

<sup>8</sup> Sabrina Vidalenc, "Russian Far East: A New Frontier?" (September 2009); available at [www.ceri-sciences-po.org](http://www.ceri-sciences-po.org).

<sup>9</sup> Elena Mazneva, "Neft na 20 let vpered," *Vedomosti* 29 (2299) (18 February 2009); available at [www.vedomosti.ru/newspaper/article.shtml?2009/02/18/182314](http://www.vedomosti.ru/newspaper/article.shtml?2009/02/18/182314).

<sup>10</sup> "Russia, China Agree on West Siberia, Far East Gas Supplies," *RIA Novosti* (13 October 2009); available at <http://en.rian.ru/business/20091013/156450825.html>.

to the *Oil and Gas Journal's* 2008 survey, Russia has proven oil reserves of sixty billion barrels, mainly located in Western Siberia, between the Ural Mountains and the Central Siberian Plateau. Eastern Siberia is starting to be developed as well.

In 2008, Russia was the world's leading oil producer, with 9.4 million barrels per day, even surpassing Saudi Arabia. However, 50 percent of Russia's largest oil fields are almost depleted, and no more oil fields remain to be discovered.<sup>11</sup> This means that at the current rate the Russian Federation will be able to produce oil for the next twenty-two years,<sup>12</sup> which seems like an unimpressive figure, but is actually much greater than other producers. In 2008, Russia consumed 130.4 million tonnes of oil, and was in the top five of the global oil consumers.<sup>13</sup> Russia exports its oil mainly to the European market, in addition to the United States and Asia. Most of Russia's oil is transported by pipelines, as well by sea and rail. So far, Russia has supplied China's oil shipments by train. Its pipeline network is dated, with some infrastructure dating from the Soviet era. Hence, huge investments are necessary to increase or at least to maintain the current level of production. Russian oil is heavily taxed by the Russian government, because it is very profitable. But this tax system and the lack of government flexibility may dissuade foreign investors from providing the funding necessary to develop the oil sector. There is a double system of taxes, without any domestic harmonization, since the federal government uses tax breaks to try to promote production in the East Siberian oil fields, and the Taman-Pechora (Far North). Since the Western Siberian and the older oil producing regions do not receive these same incentives, they are effectively taxed twice. This unfair tax structure is a problem for smaller companies, and limits their development.<sup>14</sup>

The gas sector offers more opportunities for Russia. It has the largest reserves of natural gas in the world, representing 23.4 percent of total verified gas deposits, with 43.30 trillion cubic meters in 2008, which is the equivalent of seventy-two years of possible exploitation.<sup>15</sup> Russia is also the world's most important gas producer; it represents 19.6 percent of total production, with almost 602 billion cubic meters in 2008.<sup>16</sup> The main portion of this resource (approximately 70 percent) is consumed domestically within Russia. The remaining production is dedicated to exports destined for Europe and Turkey.<sup>17</sup> An interdependent relationship has been developed with Europe,

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<sup>11</sup> U.S: Energy Information Administration, "Russia Independent Statistics and Analysis" (May 2008); available at [www.eia.doe.gov/emeu/cabs/Russia/Oil.html](http://www.eia.doe.gov/emeu/cabs/Russia/Oil.html).

<sup>12</sup> *BP Statistical Review of World Energy 2009*; available at [http://www.bp.com/liveassets/bp\\_internet/globalbp/globalbp\\_uk\\_english/reports\\_and\\_publications/statistical\\_energy\\_review\\_2008/STAGING/local\\_assets/2009\\_downloads/oil\\_table\\_proved\\_oil\\_reserves\\_2009.pdf](http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/2009_downloads/oil_table_proved_oil_reserves_2009.pdf).

<sup>13</sup> *Ibid.*

<sup>14</sup> Alex Burgansky, "Russian Oil and Gas Industry Surprises Analysts," *Seeking Alpha* (25 September 2009); available at <http://seekingalpha.com/article/163358-alex-burgansky-russian-oil-and-gas-industry-surprises-analysts>.

<sup>15</sup> *BP Statistical Review of World Energy 2009*.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

since Russia can sell its gas to European markets at a high price and at the same time needs the Euros to develop the country in general, and especially the energy sector.

As is the case with oil, the majority of Russian gas is transported via pipelines running in and out of the country. The domestic gas distribution network is aging, and much of the infrastructure requires heavy maintenance operations. On 30 July 2007, after an explosion of a gas pipeline that occurred near St. Petersburg, an official inspection conducted by the Federal Service for Ecological, Technological, and Atomic Oversight, came to the conclusion that a great number of Gazprom's production and pipeline subsidiaries were not safe.<sup>18</sup> Russia also relies on maritime transportation, and has worked to develop its own port facilities, terminals, and tanker fleets. The use of this infrastructure depends heavily on climate and geographical constraints, which may reduce Russia's shipping capacity. However, this mode of transportation is going to be increasingly important with the development of liquefied natural gas (LNG) in Russian energy production.<sup>19</sup> Gas is also transported by rail and river, but these types of transportation are decreasing in importance, especially to the Western markets.<sup>20</sup>

In recent years, the level of the Russian government's control over Russia's oil and gas industries has increased considerably. The energy doctrine elaborated by Vladimir Putin in 2003 stated that the role of Russia in global energy markets would significantly determine its geopolitical influence. From this point of view, the oil and gas sectors have served effectively as instruments of Russian domestic and external policy.<sup>21</sup> President Putin reestablished the state's primacy over Russian oil and gas firms. He took control of the main Russian energy firms by imposing new leadership and strategies.<sup>22</sup> The dismantling of Yukon and the formation of major groups such as Gazprom, Rosneft, and Transneft showed that the state's will was to indirectly take control over these companies. Russian energy firms are not officially nationalized, but the state holds a majority ownership stake. There have been tensions between the Russian government and foreign groups over the exploitation of oil and gas fields. In December 2006, after negotiations with Russian Energy Minister Viktor Khristenko, the Dutch-British company Shell accepted an offer (which was more of a demand) to sell to Gazprom half-plus-one of its shares of a company that was exploiting a gas field in Sakha-

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<sup>18</sup> Sergei Blagov, "Russia's Gas Pipeline Network Faces Reality Check," *Eurasia Daily Monitor* 4:150 (1 August 2007); available at [www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=32916](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=32916).

<sup>19</sup> John Margeson, "Russia: Survey of Russian Energy Infrastructure," *International Analyst Network* website (25 January 2008); available at [www.analyst-network.com/article.php?art\\_id=1634](http://www.analyst-network.com/article.php?art_id=1634).

<sup>20</sup> Ibid.

<sup>21</sup> Pierre Verluise, "How the EU Reinforces Russia's Power," *diploweb.com* (November 2006); available at [www.diploweb.com/forum/verluise06113.htm](http://www.diploweb.com/forum/verluise06113.htm).

<sup>22</sup> Steven Woehrel, *Russian Energy Policy toward Neighboring Countries*, CRS Report RL 34261 (Washington, D.C.: Congressional Research Service, 2 September 2009); available at <http://openncrs.com/document/RL34261/>.

lin II.<sup>23</sup> Today, Gazprom is the top gas company in the world, but Russia's aggressive attitude towards foreign investors may eventually become counterproductive.

China is in a completely different situation from Russia as far as energy consumption and production are concerned. First of all, China's consumption and production of coal remains very high. Coal represents 70 percent of China's total primary energy consumption.<sup>24</sup> Despite its large coal reserves—approximately 13 percent of the world's total, the third-largest behind the United States and Russia—China may within five to ten years become a net coal importer to supply the growing demand from its industrial sector, and because coal prices are going to be more attractive on the global market.<sup>25</sup>

China's production of oil increased by 1.4 percent in 2008, to 3,795 thousand barrels a day, representing 4.8 percent of overall global production. China was then the fifth-largest oil producer in the world. In the same year, however, China consumed 7,999 thousand barrels daily, around 9.6 percent of total global consumption, making China the second-largest oil consumer in the world, after the United States.<sup>26</sup> In 1998, China consumed 4,228 thousand barrels a day,<sup>27</sup> which means that in ten years Chinese oil consumption had nearly doubled. By 2030, the demand for oil for transportation will have multiplied four-fold,<sup>28</sup> which will considerably increase China's dependence on foreign oil. The Chinese oil industry is dominated by three major companies: the CNPC, the China Petroleum and Chemical Company (Sinopec Group), and the China National Offshore Company (CNOOC). These companies, which are officially state firms, are listed on the Chinese stock exchange; they represent the overwhelming majority of China's oil output.<sup>29</sup>

Along with oil, China also produces and consumes natural gas. In 2006, natural gas accounted for 3 percent of the country's total energy consumption.<sup>30</sup> In 2007, for the first time, China became a net natural gas importer. And its consumption will grow quickly; current estimates hold that natural gas consumption in China will triple by 2030.<sup>31</sup> According to BP statistics in 2008, China is the world's ninth-largest natural gas producer. China's production more than doubled between 2005 and 2008. In 2008, China was the sixth-largest natural gas consumer in the world, after the United States, Russia, Canada, the United Kingdom, and Iran.<sup>32</sup>

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<sup>23</sup> Alain Guillemoles, "Gazprom, a Giant for the Benefit of Kremlin," *Politique Internationale* 116 (Summer 2007).

<sup>24</sup> U.S. Energy Information Administration, "China: Coal" (July 2009); available at [www.eia.doe.gov/emeu/cabs/China/Coal.html](http://www.eia.doe.gov/emeu/cabs/China/Coal.html)

<sup>25</sup> *Ibid.*

<sup>26</sup> *BP Statistical Review of World Energy* 2009.

<sup>27</sup> *Ibid.*

<sup>28</sup> Alexandre Panizzo, "China's Oil Thirst," *Le Figaro* (3 January 2008).

<sup>29</sup> U.S. Energy Information Administration, "China: Oil" (July 2009); available at [www.eia.doe.gov/emeu/cabs/China/Oil.html](http://www.eia.doe.gov/emeu/cabs/China/Oil.html)

<sup>30</sup> U.S. Energy Information Administration, "China: Natural Gas" (July 2009); available at [www.eia.doe.gov/emeu/cabs/China/NaturalGas.html](http://www.eia.doe.gov/emeu/cabs/China/NaturalGas.html).

<sup>31</sup> *Ibid.*

<sup>32</sup> *BP Statistical Review of World Energy* 2009.

Until recently, the natural gas infrastructure in China was not very developed, essentially because the demand was low. With increasing consumption, the Chinese authorities have launched a new project of regional pipelines linked with international networks of pipelines.<sup>33</sup> One major international project has been completed. The West-East pipeline from Tajikistan to China, also known as the Central Asia China gas pipeline (CAC), became operational at the end of December 2009.

In 2006, China started to import LNG, but the evolution of the sector has been so far limited, since the price paid by China for LNG remains very high. In Asia, China is in direct competition with Korea and Japan, who are willing to buy LNG at any price.<sup>34</sup> China will depend more heavily in the future on gas and oil imports to meet growing demand and to fill the gap between its domestic production and consumption. The Chinese government decided to increase its imports of both natural gas and LNG in order to diversify its imports not to be dependent on a single actor, such as Russia.

### Limitations of the Energy Partnership

There are several obstacles that may impede the progress of the strategic energy partnership between China and Russia. First, Russia's domestic consumption of gas is very high, around 420 billion cubic meters in 2008 (13.9 percent of global gas consumption). This consumption has grown considerably—in 2000, Russian gas consumption was 366 billion cubic meters<sup>35</sup>—and it will only increase in the future. The level of consumption is so high because Russia maintains artificially low gas prices in the domestic market. Russia uses its gas mainly for power generation, for industry, and for households. On the one hand, these low prices are an important tool for the government to ease internal social pressure from citizens;<sup>36</sup> on the other hand, Gazprom does not make any domestic profits, and the government loses money. This means that Russia, even if its natural gas resources were sufficient, will not be able to increase the delivery of gas to new customers (or China) unless new gas fields are discovered or domestic consumption decreases. However, there is no urgent official willingness to change the system, since Russia's earnings from gas exports remain comfortable. Russia has announced that it plans to increase natural gas and electricity prices by 2011, but it remains to be seen how the Russian populace will respond.<sup>37</sup>

Second, the European market seems to be more attractive than the Chinese one. Since the sixth EU-Russia Summit, held in Paris in October 2000, Russia and the EU have developed a strong partnership underlining their "strong mutual dependency and

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<sup>33</sup> Nobuyuki Higashi, "Natural Gas in China: Market Evolution and Strategy International Energy Agency," Working Paper Series (June 2009), 7.

<sup>34</sup> Catherine Locatelli and Jean-Pierre Angelier, "What Development for Gas in China," *Laboratoire d'économie de la production et de l'intégration internationale* (February 2007), 4; available at [http://upmf-grenoble.fr/iepe/textes/CL-JPA\\_Energies-2007.pdf](http://upmf-grenoble.fr/iepe/textes/CL-JPA_Energies-2007.pdf).

<sup>35</sup> *BP Statistical Review of World Energy* 2009.

<sup>36</sup> Woehrel, "Russian Energy Policy toward Neighboring Countries."

<sup>37</sup> U.S. Energy Information Administration, "Russia: Natural Gas," (May 2008); available at [www.eia.doe.gov/emeu/cabs/Russia/NaturalGas.html](http://www.eia.doe.gov/emeu/cabs/Russia/NaturalGas.html).



common interest in the energy sector.” An Energy Dialogue has been developed since then, based on several working levels.<sup>38</sup> Over the last ten years, Russia has been a trustworthy partner for the EU, and never stopped its energy supply to Europe, even during the different energy crises that occurred (including during the last one with Ukraine, in January 2009). An early warning mechanism to prevent any major disruption of supplies was agreed upon by the EU and Russia on 16 November 2009.<sup>39</sup> The European market is an extremely lucrative market, especially in comparison with the Chinese one; prices in Europe are very high, around USD 370 per thousand cubic meters in 2008.<sup>40</sup> Europe is currently the major partner for Russia as far as oil and gas exports are concerned.

In addition, several new projects are under development, such as the “South Stream” and “Nord Stream” pipelines. The former was agreed upon in 2007, and involves a partnership between Russia and the Italian firm Eni. This pipeline, which should be completed in 2015, will transport gas from the Beregovaya compressor station in Russia through the Black Sea to Bulgaria and further to Austria and Italy. The “Nord Stream” pipeline should transport gas from Vyborg in Russia to Greifswald in Germany, under the Baltic Sea. It should be completed in 2012, and is aimed at bypassing the countries in Central and Eastern Europe, mainly for political reasons.<sup>41</sup> Most of the infrastructure is located in the western part of Russia and is linked with Europe. This infrastructure is much more substantial than that which currently exists in the eastern part of Russia. It is therefore more profitable to use the already existing infrastructure than to build new expensive pipelines towards the Asia-Pacific region, even though it is explicitly stated in the “New Energy Strategy of Russia to 2030” that one of the nation’s main objectives is to develop new oil- and gas-bearing provinces in Eastern Siberia and in the Far East.<sup>42</sup> The development of the eastern part of the country will remain a priority for the Russian Federation, but it will require massive investments. Furthermore, Russia wants to improve and develop an integrated system to bring resources from the oil and gas fields to consumers including refineries, transport systems, reserve capacity, and gas processing and petrochemical plants. These investments may dissuade China from investing too massively in big projects as long as it is looking for the cheapest prices for gas and oil.

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<sup>38</sup> “EU-Russia Energy Dialogue,” *European Commission Energy Website* (19 March 2009); available at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/121&format=HTML&language=en>.

<sup>39</sup> “The EU and Russia Reinforce the Early Warning Mechanism to Improve Prevention and Management in Case of an Energy Crisis,” *European Commission Energy Website* (16 November 2009); available at <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1718&language=en>.

<sup>40</sup> U.S. Energy Information Administration, “Russia: Natural Gas.”

<sup>41</sup> Woehrel, “Russian Energy Policy toward Neighboring Countries.”

<sup>42</sup> Andrey Korzhubayev, “Hydrocarbon Arteries of Russia,” *Oil of Russia 2* (2009); available at [www.oilru.com/or/39/787/](http://www.oilru.com/or/39/787/).

Third, China has attempted so far to remain independent from Russian oil and gas, despite its geographical proximity to Russia. China would not like Russia to use its energy resources as leverage. Even if China were to increase its dependence on Russia through the energy partnership, it will nonetheless work through a set of actors that will preserve Chinese freedom of action. China has developed a clearly articulated energy policy based on the diversification of imports. The three main Chinese companies—China National Petroleum Corporation, China National Petrochemical Corporation, and China National Offshore Oil Cooperation—buy foreign gas and oil fields in order to control them directly and conclude direct agreements with neighboring countries on the construction of new pipelines to transport oil and gas directly to China. China's growing thirst for energy resources has pushed it to use all possible diplomatic means with countries in different regions of the world. Apart from Russia, relationships have been developed with partners in the Persian Gulf, Central Asia, Africa, Latin America, and Canada. China has negotiated with Libya, Saudi Arabia, and Syria to secure 60 percent of the oil coming to the PRC from the Middle East.<sup>43</sup>

Fourth, in different regions of the world China and Russia seem to be more competitors than partners, which may have negative implications for their energy partnership. The opening of the Central Asia–China gas pipeline may not be a cause of particular delight in Moscow, as it seems to be yet another symptom of Russia's loss of influence in this region. This pipeline transports gas from Turkmenistan to China through Uzbekistan and Kazakhstan. Prior to the inauguration of this pipeline, almost 70 percent of Turkmen natural gas production “used to exit the country through the Gazprom network.”<sup>44</sup> The pipeline to China strengthens China's position in its negotiations with Moscow on gas prices. China and Russia have not yet concluded their negotiations on the price China should pay for Russian exports from Eastern Siberia to China. Now, the new pipeline appears to be a direct competitor to the Russian-Chinese one, and China will take into account the Turkmen gas prices in its future negotiations with Russia.<sup>45</sup> In Latin America, Russia has developed economic relations based mainly on arms sales, commercial contracts, and energy and military cooperation with Brazil, Venezuela, Cuba, and Nicaragua.<sup>46</sup> At the same time, Cuba sells nickel to China, Venezuela exports oil to China, Brazil provides iron and soy to China, while Nicaragua wishes to improve its economic cooperation with China. Russia has suffered greatly from the international financial crisis, while China has only increased its financial power. As a result, China's influence could increase considerably in South America, especially in Brazil. Another sign that can be seen as negative in the Sino-Russian relationship is the fact that China refused to recognize Abkhazia and South Ossetia as in-

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<sup>43</sup> Maria Belova, “The Oriental Vector,” *Oil of Russia* 2 (2009); available at [www.oilru.com/or/39/793/](http://www.oilru.com/or/39/793/).

<sup>44</sup> Vladimir Socor, “Strategic Implications of the Central Asia-China Gas Pipeline,” *Eurasia Daily Monitor* 6:233 (18 December 2009).

<sup>45</sup> *Ibid.*

<sup>46</sup> Stephen Blank, “La Russie et l'Amérique Latine: Manoeuvres Géopolitiques dans le Voisinage des Etats-Unis,” *IFRI, Russie.Nei.Visions* 38 (April 2009).

dependent, which is a clear message of disapproval of Russia's military intervention in Georgia.

Fifth, as China is developing its economy and has easily weathered the international crisis, it still remains the most important buyer of Russian arms and military technology. China is currently displaying all the signs of wanting to be a major actor in international relations, which may cause Russia to worry about China's ambition to become a major global power as well as a possible competitor. The Russian Far East has long been under-developed and deindustrialized. China may provide development to this part of Russia through two main areas: its supply of qualified workers, and the financial support that would follow their emigration. In 2004, in the region on the Russian side of the border in the Far East there were seven million inhabitants; in the region on the Chinese side, there were more than one hundred million. Chinese migrants started to move to the Russian Far East in 1992, and the number of Chinese emigrants has considerably increased since then. The Russian authorities put the number of emigrants at a maximum of several thousand, although there are certainly several million Chinese working in the region, according to unofficial sources.<sup>47</sup> Today, the demographic imbalance is even more severe, since 110 million people live in northeast China, while the Russian population in the Far East decreased to 6.6 million and is expected to drop to 4.5 million people in 2015.<sup>48</sup>

Oil and gas development—particularly in the Far East region, where it will require huge investments and the use of modern technologies—might not have any positive impact on the Russian labor market, since it will require highly qualified and available workers, which only China can provide. In addition, Chinese workers are paid around USD 100 a month, which is half the average Russian salary, and hence makes hiring Chinese workers more appealing to Russian businessmen, although it creates resentment among the Russian population. To paint a bleaker picture of the situation, local governments and businesses are often accused of corruption, and have formed connections with Chinese organized crime.<sup>49</sup>

In February 2009, an incident occurred in Russian territorial waters between a Russian border guard craft and Chinese-owned vessel near the port of Vladivostok. This may be one piece of evidence of the broader deterioration of the relationship between the two countries.<sup>50</sup> The concerns in Russia are not only over immigration and weak responses from the government, but also about the military balance related to Russian exports to China. China not only imports state-of-the-art military equipment and technology from Russia; it has also developed its own military-industrial capability. China might, in the long term, compete with Russia in high-tech arms sales on the global

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<sup>47</sup> Yevgeny Bendersky, "Russia-China Relationship Favors Beijing," *Asia Times Online* (12 August 2004); available at [http://atimes01.atimes.com/atimes/Central\\_Asia/FH12Ag01.html](http://atimes01.atimes.com/atimes/Central_Asia/FH12Ag01.html).

<sup>48</sup> "Tensions with China in Russia's Far East Fueled by Demographics, Quest for Resources," *WorldTribune.com* (6 March 2009); available at [www.worldtribune.com/worldtribune/WTARC/2009/ea\\_china0195\\_03\\_06.asp](http://www.worldtribune.com/worldtribune/WTARC/2009/ea_china0195_03_06.asp).

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

market. Besides, China makes no effort to hide its strategic ambition to project its power, and hence its willingness to create a powerful People's Liberation Navy relies mainly on two components: a surface fleet (mainly equipped with destroyers) and nuclear submarines. In its 2006 Defense White Paper, China envisaged reaching relative parity with the Japanese Navy in 2010, and between 2010 and 2020 the PRC hopes to be able to intervene militarily to the "Blue Line."<sup>51</sup> Between 2020 and 2050, China wants to impose itself as a naval power in East Asia, and thus to intervene beyond the "Blue Line."<sup>52</sup> Russia will probably be excluded from the geostrategic chess game being played by the United States and China, and the strategic energy partnership should suffer from this exclusion. Another fact demonstrates that Russia is more careful with China than ever. In 2009, Russia leased its nuclear submarine *Akula II* to India instead of China, first because India appears to be a more trusted partner, second because Russia wants to safeguard its advanced technology, and third because Russia suspects China of selling military equipment behind its back.

The last obstacle to a strong Sino-Russian strategic energy partnership is the fact that Russia has been trying to find new energy partners in Asia, and has forged tighter relationships mainly with Japan and South Korea. In February 2009, Japan and Russia inaugurated the liquefied natural gas plant at Sakhalin II. Thus Osaka Gas will be provided with 200,000 tons of LNG on a yearly basis for the next twenty years. The completion of the project shows that Russia and Japan are able to cooperate for the best, despite the ongoing dispute over the Kuril Islands. It also shows that Russia is not solely a dependent partner of China in the Asian energy market. South Korea will also benefit from Sakhalin II, since it will allow South Korea to get Russian gas at a lower price than it has been paying for gas from the Middle East.<sup>53</sup> Furthermore, in May 2009, construction began on the Sakhalin-Khabarovsk-Vladivostok gas pipeline. A memorandum of understanding was signed in July 2009 between Gazprom and South Korea's Korea Gas Group in order to examine the possibility of extending the SKV gas pipeline to South Korea. Two routes would be possible: one bypassing North Korea (which would be risky) and one direct undersea route (which would be very expensive).<sup>54</sup> The first phase of the ESPO pipeline, which was launched by Russian Prime Minister Vladimir Putin in December 2009, will transport oil from Russia's western and central oil fields to the Pacific Ocean in order to be exported to Japan, a project that is partly financed by Tokyo.<sup>55</sup>

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<sup>51</sup> The Blue Line is a line going from the Kuril Islands, passing by the Mariana Islands to reach Papua New Guinea.

<sup>52</sup> E. Franco, "La Chine Renfloue sa Marine pour Asseoir ses Ambitions Régionales," *Armées d'aujourd'hui* 320 (May 2007): 14.

<sup>53</sup> Stephen Blank, "Sakhalin's LNG Plant and Its Implications," *Pipeline and Gas Journal* 236:4 (April 2009).

<sup>54</sup> Eric Watkins, "Gazprom, Kogas Sign MOU for Sakhalin-2 Pipeline Project," *Oil and Gas Journal* 107:26 (13 July 2009): 33.

<sup>55</sup> "Russian Prime Minister Putin Launches the ESPO Pipeline," *Green Car Congress* (30 December 2009); available at [www.greencarcongress.com/2009/12/espo.html](http://www.greencarcongress.com/2009/12/espo.html).

## Conclusion

Although China and Russia have been developing a strong energy partnership, the interests of these two countries will inevitably differ. The partnership may appear to be strategic for Russia, because of the necessity for Russia to diversify its exports. More importantly, Russia needs massive Chinese investments in its energy sector. European investors are more reluctant to invest in a country like Russia, whose political instability makes external financial projects risky. Nevertheless, these investments are vital for Russia's economy and budget. China, on the other hand, has shown its willingness to invest in the oil and gas sectors, principally in the eastern part of Russia. However, in spite of friendly official cooperative declarations, China does not want this partnership to be strategic, especially outside the corridors of private bilateral conferences. There is a real divergence between the rhetoric and the reality.

Russian and Chinese views of the structure of the world system itself differ. The Russians miss the grand strategy approach; the Cold War model no longer exists, and the Russians seem to regret this epoch's passing. A "new G3" is being built, made up of the U.S., China, and the EU. For the Americans, the Russians are now second-string players. Moreover, an emphasis has been recently placed on the creation of different "G2s" between the U.S. and the EU, the U.S. and Japan, the U.S. and China. All these structures exclude Russia, to Russia's dismay.<sup>56</sup>

China is anxious to play a major role in the international chess game, and it has no intention of giving Russia the opportunity to use oil and gas as leverage against the Chinese government. In its past approach to European countries, Russia has tried to use oil and gas as an instrument of its foreign policy. China is striving to diversify its imports, investing in several different, geographically dispersed countries, and is enhancing its relationships with oil and gas producers all around the world. This diversification policy and China's thirst for oil and gas may create friction, and even possible conflicts in the future. This is especially true in the South China Sea, where China claims sovereignty over several disputed areas that are rich in natural resources. From this point of view, China might be seen as more aggressive in Asia, especially in South East Asia.

Furthermore, China aims to buy oil and gas at low prices, whereas Russia naturally is trying to sell its natural resources at the highest prices. Negotiations about further Sino-Russian cooperation on gas have been blocked for three years because of this issue. The disagreement about the price China should pay for Russian gas should be resolved in 2010, but this is subject to further consultations. Above all, China will refuse to pay for gas at the price Europeans are already paying. However, according to the International Energy Agency, in 2020 the share of gas in China's overall energy con-

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<sup>56</sup> During a seminar organized by the GCSP on 25 February 2010, Professor Lanxin Xiang said that in the short term he had an optimistic view of the Sino-Russian strategic partnership. But, in the long term, his view is more pessimistic, since the exclusion of Russia from the grand geostrategic game might provoke the issue of Russian identity.

sumption will grow to at least 10 percent, and China will not have any other viable solution to fill this demand.

For China, the time for decisions has come. Reducing its domestic consumption is impossible, while slowing down the increase in consumption is still possible. Improving its partnerships with major energy producers like Iran may prove vital to Beijing. China will have to develop green technology, and this revolution must be supported at the outset by the Chinese authorities. If Russia's role as an oil and gas provider for China increases, China will strive to limit its dependency, employing all the methods at its disposal.

Finally, the so-called strategic partnership seems to be doomed. The gap will grow between the official speeches and the changing reality. In 2020, China will be the top economic power in the world. Its political system is not likely to change, as long as it continues to provide stability and improving standards of living to the Chinese population. In 2050, China will be able to make use of its full set of tools, which will include a formidable military capacity of projection. This statement is not true for Russia. Its stagnant economy, based almost entirely on arms sales and natural resources, will have to be reformed profoundly. In addition, the government's role in the private sector will also have to be redefined. The strategic energy partnership with China is geologically limited, and is not compensated for in other sectors. Russia's arms sales will decrease as China develops its own production. All factors indicate that the global trade balance between the two countries will be in favor of China. In the end, nothing will be strategic in the Sino-Russian partnership any longer, and Russia may turn towards Europe to rekindle strategic relations with a closer partner.

# Security Implications of Neutrality: Switzerland in the Partnership for Peace Framework

Marjorie Andrey \*

*Isolation in the twenty-first century is not only a crime, but a political blunder. But the desire for active participation in the life of an international system must be tempered by an awareness of what is possible. A small state, more than any other, must have either a policy in line with its means, or the means to uphold its policy.*

Jacques Freymond, 1971 <sup>1</sup>

## Introduction

This article presents the security policy implications of neutrality for Switzerland in the terms of international promotion of peace and crisis management. It focuses particularly on the country's engagement within NATO's Partnership for Peace (PfP) framework, considering the achievements and the challenges of Switzerland's singular choices in foreign and security policy. We will see that permanent neutrality and domestic factors in Switzerland have a huge impact on the nation's involvement in the Euro-Atlantic partnership and in the construction of European security.<sup>2</sup> It will also reflect the differences between civilian and military contributions to international crisis management. Finally, the essay will consider the prospects for Swiss international engagement, and propose some conditions for a relevant Swiss foreign and security policy.

## Neutral Switzerland in the PfP

### *The Concept of Neutrality*

To understand the application of neutrality, it is important to briefly define the concept. Neutrality implies the military non-participation of a state in an armed conflict between states. It can be decided on an ad hoc basis, with regard to a particular conflict, or it can be decided in a general manner and applied permanently, as is the case today in Switzerland. It is important to distinguish between two notions: neutrality law and neutrality policy. Neutrality law refers to the set of rules related to international public law that neutral and belligerent states are bound by in times of international armed con-

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<sup>1</sup> Laurent Götschel, ed., *Small States Inside and Outside the European Union: Interests and Policies* (Boston, MA: Kluwer Academic Publishers, 1998), 42.

<sup>2</sup> The Euro-Atlantic Partnership encompasses the concepts of the PfP and the Euro-Atlantic Partnership Council (EAPC).

flict. International customary law and the 1907 Hague Conventions are the sources of international neutrality law.<sup>3</sup> This body of law applies to armed conflicts between states, and not to internal conflicts. Nor is it applicable in cases of a decision made by the UN Security Council under the framework of Chapter VII of the UN Charter.<sup>4</sup>

Neutrality policy, on the other hand, consists of all the measures a state can take on its own initiative (besides legal obligations) to ensure the efficiency and credibility of a decision regarding neutrality. In these conditions, the neutral state has total freedom to use neutrality as a flexible instrument to manage its national interests in the context of its foreign and security policy.

It is worth understanding the logic and sources of Switzerland's atypical path in directing its foreign and security policy. After considering its neutrality, we will examine its impact on the Swiss current policy and its limits. Does this make the Swiss position unique? What are the security policy implications of Swiss neutrality, more particularly in the context of NATO's PFP? We will then discuss some potential directions Swiss security policy-makers may take in the future.

### *Origin and Evolution of Swiss Neutrality*

The traditional origin story of Swiss neutrality holds that the Swiss Confederates applied *de facto* neutrality after their defeat at the Battle of Marignano in 1515. The official policy goes back to the 1815 Congress of Vienna, when Swiss neutrality was formally established and recognized by the European powers. Switzerland has since applied deliberate, permanent, and armed neutrality. Permanent neutrality does not mean that this status must be maintained forever. However, neutrality is inscribed in the Swiss Federal Constitution; Articles 173 and 185 stipulate that the Federal Assembly and the Federal Council must take the necessary measures to preserve the external security, independence, and neutrality of Switzerland.<sup>5</sup> It is also worth mentioning here that, according to the Swiss system of democracy, any amendment of the constitution must be accepted by obligatory referendum. Moreover, Switzerland's largely positive historical experience of remaining neutral in European conflicts has fully integrated neutrality into the Swiss national identity, for both external and domestic reasons of cohesion. However, neutrality has never been mentioned as being among primary goals of the state, nor has it been discussed as one of the key principles of Swiss for-

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<sup>3</sup> Convention V (Rights and Duties of Neutral Powers and Persons in Case of War on Land) and Convention XIII (Rights and Duties of Neutral Powers in Naval War), in *The Hague Conventions and Declarations* (The Hague: 18 October 1907); available at [http://avalon.law.yale.edu/subject\\_menus/lawwar.asp](http://avalon.law.yale.edu/subject_menus/lawwar.asp).

<sup>4</sup> United Nations, *UN Charter*, Chapter VII (Action with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression) (New York: United Nations, 26 June 1945); available at [www.un.org/en/documents/charter/chapter7.shtml](http://www.un.org/en/documents/charter/chapter7.shtml).

<sup>5</sup> Die Bundesbehörden der Schweizerischen Eidgenossenschaft, *Bundesverfassung der Schweizerischen Eidgenossenschaft*, SR-Nummer 101 (Bern: 18 April 1998), Articles 173.a and 185.1; available at [www.admin.ch/ch/f/rs/c101.html](http://www.admin.ch/ch/f/rs/c101.html).



eign policy.<sup>6</sup> It has always been understood as an instrument of the foreign and security policy of the country, which has seemed so far to be the approach best suited to protecting the state's interests.

Indeed, the 1993 "Report on Neutrality" clearly acknowledges the changing nature of the international environment since the collapse of the Soviet Union, and the impact on Swiss neutrality policy:

The defense of our country's interests in foreign policy calls for an active position of global solidarity. The instrument of neutrality has since lost a part of its efficiency and forcefulness. ... Openness [includes] participation [in] measures against the new forms of threats and to the setting-up of solid security structures. Continuity is refusing to precipitately abandon security mechanisms [that] have given complete satisfaction. Such a strategy of solidarity and participation combined with our own efforts of defense in the limits of our permanent neutrality meet [the] legitimate security needs of a small state. It reflects at the same time our [commitment to] self-determination and our understanding of the fact that our destiny is inextricably linked with the European continent.<sup>7</sup>

Policy changes have since been visible in different areas, such as terrorism or sanctions policy. Switzerland decided to adjust its approach to sanctions along with UN and EU decisions, as was the case in the 1990 sanctions against Iraq. In that same context, in 1996 Switzerland joined NATO's PfP, which is recognized as an important part of the European security architecture.

### *Switzerland and the PfP*

The PfP is not an organization but an instrument, the main advantages of which are the principles of voluntary participation and self-differentiation. It therefore allows cooperation based on the distinct needs and interests of nations like Switzerland. This flexibility provides Swiss authorities with an adequate civilian and military tool for participating in the European security system and a useful role to play in the promotion of peace—on that in both cases is still compatible with neutrality. Within the Individual Partnership Program (IPP) framework, Bern is active in developing initiatives in priority domains for its foreign and security policy.<sup>8</sup> Among other goals, the PfP offers an ideal platform for promoting international humanitarian law, a key objective of Swiss foreign policy. Swiss expertise has also been involved in Security Sector Reform

<sup>6</sup> *L'Essentiel sur la neutralité suisse* (Bern: DFAE); available at [www.eda.admin.ch/etc/medialib/downloads/edazen/topics/intla/cintla.Par.0008.File.tmp/PDF\\_Haupttext\\_Neutralitaet\\_fr.pdf](http://www.eda.admin.ch/etc/medialib/downloads/edazen/topics/intla/cintla.Par.0008.File.tmp/PDF_Haupttext_Neutralitaet_fr.pdf).

<sup>7</sup> Translated by the author, from Département fédéral des affaires étrangères, *Rapport sur la neutralité publié en annexe du Rapport sur la politique extérieure de la Suisse dans les années 90* (Bern: DFAE, 29 November 1993), 11; available at [www.eda.admin.ch/etc/medialib/downloads/edazen/doc/publi.Par.0006.File.tmp/Rapport%20sur%20la%20neutralite%201993.pdf](http://www.eda.admin.ch/etc/medialib/downloads/edazen/doc/publi.Par.0006.File.tmp/Rapport%20sur%20la%20neutralite%201993.pdf).

<sup>8</sup> Directorate for Security Policy, *Individual Partnership Program between Switzerland and NATO for 2010, NATO/EAPC/PfP Unclassified Switzerland only*, Annex 1 (Bern: DSP, 19 November 2009), 2; available at [www.pfp.admin.ch/internet/partnership\\_for\\_peace/fr/home/bibliothek.html](http://www.pfp.admin.ch/internet/partnership_for_peace/fr/home/bibliothek.html).

(SSR) projects, in line with the nation's interest in supporting the democratization and democratic control of armed forces. Beside this, the defense sector is committed to maintaining its efforts toward achieving interoperability and building capacities in international crisis management.

The PfP's approach to military cooperation includes four pillars. The first is the Planning and Review Process (PARP), which provides partner states with the requirements necessary to achieve interoperability and capability, helps countries to improve their own defense capacities, and guides them in preparing their contributions to NATO's crisis response capability. Switzerland started this process in 1999, and has since achieved appreciable results in terms of standardization with NATO processes, definitions, and technology. The current twenty-four Partnership Goals form the basis for assisting Partner countries in planning their targets. Should Switzerland decide to increase its military contributions to the Alliance, the PfP Planning and Review Process would be further developed in that direction. The second pillar includes training courses offered by NATO members or partners under the Euro-Atlantic Partnership Work Plan (EAPWP) framework. Each year the Federal Council reviews and decides on the training activities that Switzerland will offer to staff from allied and partner states. The 2010 IPP offers twenty-one training activities, run in collaboration with the Federal Department of Defense, Civil Protection, and Sport, the Federal Department of Foreign Affairs, and the Swiss-based centers<sup>9</sup> that are part of Switzerland's contributions to the PfP.<sup>10</sup> The PARP and EAPWP are complemented by the third pillar—the Operational Capabilities Concept (OCC)—as the “NATO commanders need to know what forces are available and how capable they are.”<sup>11</sup> This completes the PARP by assessing the real interoperability and readiness of partner states' troops for potential peace support operations (PSOs). While it conducts its own assessments, Switzerland's contributions are also regularly evaluated by NATO officials. Military exercises constitute the fourth pillar. Swiss participation in them is decided on a yearly basis, according to the needs of the Swiss Armed Forces.

The level of civilian contributions to PfP is remarkable. Switzerland actively supports SSR projects in Eastern and South Eastern Europe, South Caucasus, and Central Asia. This is achieved in line with the Partnership Action Plan for Defense Institution Building (PAP-DIB), with the aim to help these countries achieve democratic control of their armed forces. Switzerland complements this aid by financing various trust funds,<sup>12</sup> including those dedicated to the fight against corruption in the defense sector, reduction of stockpiles of arms and munitions, and the elimination of UXOs (unex-

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<sup>9</sup> ISN (International Relations and Security Network), GCSP (Geneva Centre for Security Policy), DCAF (Geneva Centre for the Democratic Control of Arms), GICHD (Geneva International Centre for Humanitarian Demining).

<sup>10</sup> Directorate for Security Policy, 5.

<sup>11</sup> Susan Pond, “Understanding the PfP Tool Kit,” *NATO Review* (Spring 2004); available at [www.nato.int/docu/review/2004/issue1/english/art2.html](http://www.nato.int/docu/review/2004/issue1/english/art2.html).

<sup>12</sup> NATO established this mechanism in 2000, initially to support partner countries in their program of elimination of anti-personnel landmines.

ploded ordnance).<sup>13</sup> Beside these contributions, Swiss departments organize various seminars on the theme of international humanitarian law. Jointly with Great Britain, in December 2009 Switzerland organized an EAPC workshop on private military and security companies (PMSCs). The workshop was based on the Montreux Document, prepared in 2006 by the Swiss government and the International Committee of the Red Cross (ICRC), to establish some legal ground rules for the use of PMSCs in armed conflicts. These activities represent not only an opportune mechanism of practical civilian and military cooperation, but are also an essential part of Swiss foreign policy within the EAPC.

### *Switzerland and the EAPC*

Besides the OSCE and the Council of Europe, the EAPC represents the only genuinely effective institutionalized forum available to Switzerland within the European security architecture. The main challenge today is to maintain its relevance not only for the Partners, but also for NATO itself, which is now focusing its attention on current operations in Afghanistan and is still in search of a new global strategy that will enable the Alliance to apprehend present and future security challenges. In this context it is difficult for small countries like Switzerland to capitalize on the advantages provided by the EAP. Very few ministerial meetings take place with an agenda covering topics other than military operations (the last one was the Bucharest Summit, in 2008). Moreover, and “too often, partner countries tend to be assessed mainly according to their purely military contribution to operations.”<sup>14</sup> The principles of flexibility and self-differentiation are also being called into question with the suggestion of some allied nations of standardizing all of NATO’s partnerships. This intention is rather paradoxical, given the fact that the Alliance regularly acknowledges the importance of its partnerships. It would cut off a successful partnership such as the PfP from its very substance. Instead, the sensible and pragmatic course would be to adopt a global approach to security needs, and to value the various contributions of partner states such as the Western Five, which are net security producers. This must be done by respecting the specific qualities of each partnership, because this differentiation among the partnerships represents precisely the motivation for small and neutral countries like Switzerland to participate in NATO’s activities and thus contribute to European security. The unofficial policy document elaborated by Austria, Ireland, and Switzerland in view of the new Strategic Concept goes in that direction, and recommends further improve-

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<sup>13</sup> Eidgenössisches Departement für Verteidigung, Bevölkerungsschutz, und Sport, Generalsekretariat Sicherheitspolitik SIPOL, *Jahresbericht 2009 des Bundesrates über die Teilnahme der Schweiz am Euro-Atlantischen Partnerschaftsrat und an der Partnerschaft für den Frieden*, Entwurf (Bern: VBS-EDA, 2010), 7; available at [www.pfp.admin.ch/internet/partnership\\_for\\_peace/de/home/bibliothek.html](http://www.pfp.admin.ch/internet/partnership_for_peace/de/home/bibliothek.html).

<sup>14</sup> Jean-Jacques de Dardel, “Whither the Euro-Atlantic Partnership? Partnership and NATO’s New Strategic Concept,” *GCSP Geneva Papers* 10 (Geneva: Geneva Centre for Security Policy, 2009), 24; available at [www.gcsp.ch/Euro-Atlantic-Security/Recent-Publications/Whither-the-Euro-Atlantic-Partnership-Partnership-and-NATO-s-New-Strategic-Concept](http://www.gcsp.ch/Euro-Atlantic-Security/Recent-Publications/Whither-the-Euro-Atlantic-Partnership-Partnership-and-NATO-s-New-Strategic-Concept).

ments in the wake of the modifications implemented at the Bucharest Summit. These countries highlight the effectiveness of flexibility and self-differentiation. Among various recommendations, they call for more recognition of civilian contributions and deepened consultation, particularly with respect to decision making.<sup>15</sup> A major challenge facing PfP states today is avoiding being marginalized within NATO's partnerships network. But in this game, unlike other Western Five states, Switzerland cannot really put forward the argument of its effective military contributions, since at present Switzerland's military contributions to NATO's operations are limited to a 220-man infantry company (see Figure 1). Austria provides double this amount of troops, and Sweden and Finland provide three times more troops, including their contributions to ISAF.

### **Challenges to Euro-Atlantic Military Participation**

Swiss military participation in NATO peace support operations is not hampered by legal constraints. Under the requirements of the Federal Constitution, the Swiss Confederation is committed to preserving a just and peaceful international order.<sup>16</sup> The 1995 Federal Law on the Swiss Army also contains provisions that bolster this obligation; Articles 66, 66a, and 66b give the conditions for military involvement in peace support efforts, which must be based on a UN or OSCE mandate. An amendment passed by referendum in 2001 allows the Federal Council to deploy armed troops, after consultation with the Parliament. Similar consultation is required if the engagement involves more than one hundred troops or lasts more than three months. Use of arms is intended for self-defense only. Switzerland is also the only country to legally prohibit its troops from participation in combat.<sup>17</sup> Unlike the legal stipulations of the Austrian model, the Swiss system does not require professional officers to participate in external missions, even though such a requirement would provide officers with the opportunity to gain concrete experience in the field of crisis management. Beside the legal considerations, it is also necessary to look at the actual capacities and the potential contributions of the Swiss Armed Forces in these external operations.

Although its strengths have been considerably transformed, the Swiss Army has oriented its strategy towards international cooperation in a much more limited way than Austria, Ireland, Sweden, and Finland, which have systematically aligned their policy with European security objectives and international crisis management capacities. In the field, the Swiss Armed Forces must also choose their missions according to their

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<sup>15</sup> Government of Austria, Ireland and Switzerland, *For a Euro-Atlantic Partnership (EAP) Looking to the Future: Proposals for NATO's New Strategic Concept*, unofficial policy document submitted by Austria, Ireland and Switzerland (December 2009); available at [www.decentralisation2010.ch/eda/fr/home/topics/intorg/pfp/misnat/nastra.html](http://www.decentralisation2010.ch/eda/fr/home/topics/intorg/pfp/misnat/nastra.html).

<sup>16</sup> Die Bundesbehörden der Schweizerischen Eidgenossenschaft, *Bundesverfassung der Schweizerischen Eidgenossenschaft*, Article 2.4.

<sup>17</sup> Die Bundesbehörden der Schweizerischen Eidgenossenschaft, *Bundesgesetz über die Armee und die Militärverwaltung (Militärgesetz, MG)*, SR-Nummer 510.10 (Bern: VBS, 3 February 1995); available at [www.admin.ch/ch/d/sr/510\\_10/index.html](http://www.admin.ch/ch/d/sr/510_10/index.html).

	<i>Austria</i>		<i>Finland</i>		<i>Ireland</i>		<i>Sweden</i>		<i>Switzerland</i>	
<i>Troops engaged in PSOs Average 2005–10</i>	1221		763		704		856		268	
<i>Troops engaged in PSOs 2010</i>	1090		675		752		709		254	
<i>% NATO PSOs 2010</i>	41.37 %		84.44 %		31.91 %		95.20 %		81.49 %	
<i>% NATO PSOs 2009</i>	49.68 %		67.51 %		14.05 %		59.68 %		81.18 %	
<i>Main PSOs Contingents (≥20)</i>	2010	Max *	2010	Max *	2010	Max *	2010	Max *	2010	Max *
<i>Afghanistan: NATO ISAF</i>	-	-	165	165	-	-	430	430	-	-
<i>Kosovo: NATO KFOR</i>	447	623	405	510	233	233	245	650	207	220
<i>Bosnia: EUFOR Althea</i>	96	291	4	200	43	57	0	77	25	27
<i>% in the Balkans 2010</i>	49.81 %		60.59 %		36.70 %		34.55 %		91.33 %	
<i>% in the Balkans 2009</i>	55.85 %		75.64 %		19.87 %		39.16 %		90.74 %	
<i>CAR/Chad: MINURCAT 2010</i>	131	131	74	74	427	427	-	-	-	-
<i>Liberia: UNMIL</i>	-	-	-	-	0	413	0	234	-	-
<i>Syria/Israel: UNDOF</i>	378	383	-	-	-	-	-	-	-	-
<i>Lebanon: UNIFIL</i>	-	-	0	205	-	166	0	42	-	-
<i>% UN PSOs 2010</i>	47.88 %		14.37 %		60.50 %		2.82 %		6.69 %	

Figure 1: Military Contributions to Peacekeeping Operations by the Western Five.

capacities. For example, the Swiss military is capable of maintaining operations in such areas as logistics and transmission at only a very low level. Therefore, Swiss contributions can only be managed in a niche scheme.<sup>18</sup> Given the Swiss Armed Forces' current limited capabilities, the pursuit of niche opportunities in PSOs seems to be so far the most realistic direction for the Army to pursue. This constraint would immediately appear again should Switzerland extend its participation in current operations. Complementarity with other contributors should and will certainly be considered when deciding to continue and increase Swiss support to KFOR. This factor brings about the broader question concerning the organization and missions of the Swiss Armed Forces.

As defined in the Federal Law on the Swiss Army, the main missions of the Army are the defense of the population and the territory, as well as the international promotion of peace.<sup>19</sup> The distinction of roles between the Army and the cantonal police forces in the defense of the population is neither clear nor satisfactory. As will be discussed in the next section, military peace promotion is also very controversial among the public as well as the political class. Finally, in the new security context—an environment characterized by European stability and the globalization of security challenges—immediate geographical threats have become highly improbable. As a consequence, the defense of Swiss territory is no longer a relevant mission. This challenges the very *raison d'être* of the Swiss Army, which is gradually losing its credibility as an actor in Swiss security. Switzerland should take a radical shift from a Cold War security concept to a true cooperative approach to defense, which is today “conceivable only in a European framework.”<sup>20</sup> Unfortunately, the latest “Security Policy Report” of the Federal Council clarifies neither the organization of security actors nor a strategy for achieving Swiss security policy. It only reflects the divergences between governmental players on these issues.<sup>21</sup> Ideally, such a shift should be decided at the political level, and guided only indirectly by public opinion.

### *Swiss Politics and Public Opinion*

Compared with the spirit prevailing in the 1990s, the margin of maneuver regarding international involvement is currently much narrower for the Swiss government than is the case in other countries. This has been accentuated with the polarization of political forces in the Swiss Parliament. Not only is there no longer any sustained debate about the relevance of neutrality, but any discussion on any potential military participation in

<sup>18</sup> This policy appeared along with the idea of an EU army: each country would provide it with contributions in areas where they possess comparative advantages (British infantry, German navy, French intervention troops, etc.).

<sup>19</sup> Die Bundesbehörden der Schweizerischen Eidgenossenschaft, *Bundesgesetz über die Armee und die Militärverwaltung (Militärgesetz, MG)*, Article 1.

<sup>20</sup> Translated by the author, from Daniel Möckli, ed., “Auslandeinsätze der Armee: Stand und Optionen,” *CSS Analysen zur Sicherheitspolitik* 67 (Zürich: CSS ETH Zürich, February 2010); available at [www.ssn.ethz.ch/Aktuell/CSS-Analysen/Detail/?lng=de&id=112179](http://www.ssn.ethz.ch/Aktuell/CSS-Analysen/Detail/?lng=de&id=112179).

<sup>21</sup> Der Schweizerische Bundesrat, *Bericht des Bundesrates an die Bundesversammlung über die Sicherheit der Schweiz*, Entwurf (Bern: VBS, 14 April 2010); available at [www.vbs.admin.ch/internet/vbs/de/home/documentation/bases/sicherheit.html](http://www.vbs.admin.ch/internet/vbs/de/home/documentation/bases/sicherheit.html).

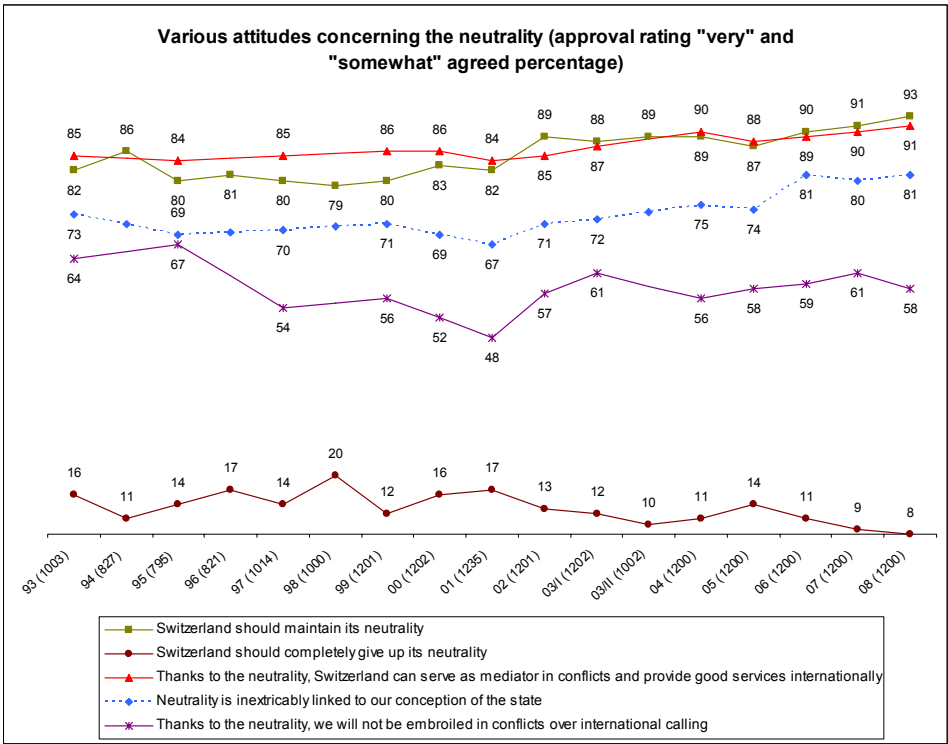


Figure 2: Swiss Public Opinion Regarding Neutrality (1993–2008).  
 (© K. Haltiner Si/1031/08/sw)

an external mission creates a huge controversy among the political parties in Switzerland. The counter-intuitive coalition between the left-wing social democrats and the right-wing populist party impedes any majority that might emerge in favor of international military engagement. This alliance also prevents the Swiss Army from carrying out necessary reforms. The social democrats privilege civilian contributions, while the populist party prefers to see the role of the army limited to the defense of Swiss territory. Public opinion is not much more inclined to support military missions abroad.

With the rise of new security challenges, Swiss public opinion has become aware of the effects of globalization and the increasing level of interdependency in security policy. Today the distinction between war and peacekeeping is clearly understood. However, the Swiss cling to a traditional—i.e., Cold War—concept of peace promotion, one that relies almost exclusively on civilian means. As was previously discussed, this sector is well developed in Switzerland, and is well represented within the Pfp and the EAPC. This concept is inherited from Switzerland’s history of neutrality: “The tradition of the ‘good offices’ has favorably influenced domestic adhesion to extending ci-

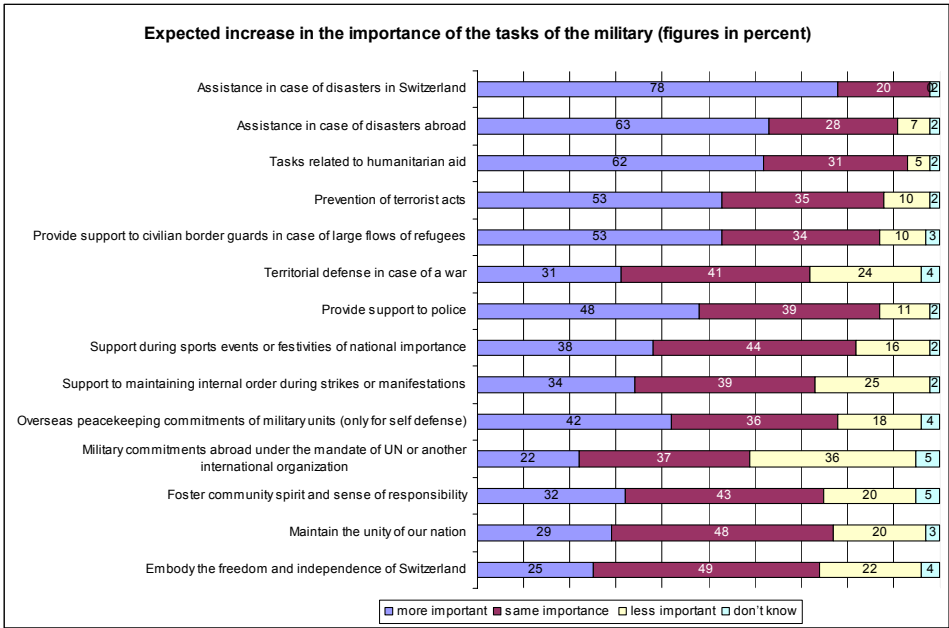


Figure 3: Expected Importance of Tasks of the Swiss Army.  
 (© K.W. Haltiner Si/913/08/P9/sw)

vilian peace promotion policy.”<sup>22</sup> Surveys show that this inclination is not on the wane. More than 90 percent of the Swiss population thinks that its policy of neutrality requires Switzerland to play a mediating role in conflicts. It is also striking that a significant majority of the population believe that neutrality will protect the country from being involved in international conflicts (see Figure 2). Although a small majority generally accepts the notion of international military engagement, opinions diverge much more on the question of sending armed troops.<sup>23</sup> With regard to the role of the Swiss Army, a tendency indicates that a belief in its role purely as a guarantor of territorial defense is gradually losing importance.<sup>24</sup> For the future, the Swiss public sees the na-

<sup>22</sup> Translated by the author, from Daniel Trachsler, ed., “Promotion civile de la Paix: Potentiel et Limites,” *Politique de sécurité: analyses du CSS*, No. 63 (Zürich: CSS ETH Zürich, November 2009); available at <http://www.ssn.ethz.ch/Aktuell/CSS-Analysen/Detail/?lng=de&id=109198>.

<sup>23</sup> Département fédéral de la défense, de la protection de la population et des sports – Politique de sécurité POLSEC, *Les tendances de l’opinion suisse en matière de politique extérieure, de politique de sécurité et de défense, Principaux résultats* (Zürich: ETH/VBS, 28 August 2008), 6; available at [www.vbs.admin.ch/internet/vbs/fr/home/documentation/publication/p\\_security](http://www.vbs.admin.ch/internet/vbs/fr/home/documentation/publication/p_security).

<sup>24</sup> *Ibid.*, 6.



tion playing an increasing role in humanitarian aid, both domestic or international, and peacekeeping, rather than becoming involved in international military operations (see Figure 3).

However, civilian engagement remains today the preferred instrument to achieve these ambitions, a sentiment that is reflected in the growing level of spending in that domain.<sup>25</sup> On one hand, Switzerland's active engagement in civilian arenas compensates for the controversial rejection of involvement on the part of the Swiss Army. On the other hand, this emphasis on civilian engagement poses the risk of creating unrealistic expectations among the public and the political class about the benefits that a Swiss policy of peace promotion can generate on the international scene. But the situation also highlights the lack of coherence in the orientation toward foreign and security policy on the part of the concerned departments, which have divergent conceptions of Switzerland's appropriate role in promoting international peace. After considering the constraints, we will now turn to thinking about future perspectives in shaping Switzerland's security policy.

### **Prospects for Swiss Civilian-Military International Engagement**

The Western Five have proved that neutrality or military non-alignment does not prevent proactive engagement with and solidarity in constructing European security and managing international challenges. With little objectivity, politicians and public opinion in Switzerland have poured cold water on this sensible logic. In an increasingly interdependent security context, however, understanding neutrality as an end in itself rather than as a means can only lead to isolation and loss of credibility. While committed to the principle of neutrality as an effective tool of maneuver in foreign policy, the Swiss government must pursue its involvement in a multilateral and institutionalized international security configuration. On the practical level, activities should be conducted under a "whole of government" approach, with coherent interdepartmental goals and involving military participation: "Civilian peace promotion must not become essentially an instrument compensating [for] the deficits recorded somewhere else in Swiss international positioning, and allowing a general exemption to [devolve] to fundamental questions regarding external and security policy."<sup>26</sup> The Swiss government increasingly acknowledges the importance of the complementary roles of civilian and military components in international crisis management: "International politics cannot be limited to dialogue and diplomacy. Its mission is also to seek international peace and security, if necessary by military or other constraining means. ... Switzerland must also face this challenge."<sup>27</sup>

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<sup>25</sup> From 37.9 to 57 million Swiss Francs between 2000 and 2008, according to Daniel Trachsler, ed., "Promotion civile de la Paix: Potentiel et Limites," 2.

<sup>26</sup> Translated by the author, from Daniel Trachsler, ed., "Promotion civile de la Paix: Potentiel et Limites," 4.

<sup>27</sup> Translated by the author, from Der Schweizerische Bundesrat, *Aussenpolitischer Bericht 2009*, Bericht 09.052 (Bern: DFAE, 2 September 2009), 3; available at [www.eda.admin.ch/etc/medialib/downloads/edazen/doc/publi/aussen.Par.0001.File.tmp/AB09\\_de](http://www.eda.admin.ch/etc/medialib/downloads/edazen/doc/publi/aussen.Par.0001.File.tmp/AB09_de).

The main question remains the participation of the Swiss Armed Forces in this effort. A fundamental debate should be undertaken to define the realistic threats facing Switzerland, followed by a delineation of the consequent missions and organization of the army in the future. We can assume that territorial defense is no longer pertinent in the new European and international security context. In that regard, we may also question the relevance of a militia-based army with a large conscription program. Furthermore, the association commonly made between this system and the notion of national identity rests on purely subjective analysis. At any rate, the militia system is no longer so popular in Switzerland anyway. One orientation should be the gradual professionalization of the Swiss military, and an effort to maximize flexibility in order to better face realistic threats. More importantly, such a transformation would contribute to clarifying the roles between the civilian, military, and (domestically) police components in the Swiss security architecture. This would provide the government with a flexible and complementary “whole of government” instrument, which would enhance the effectiveness and credibility of the Swiss position in international crisis management. While proving its solidarity with Euro-Atlantic multilateral security structures, Switzerland would achieve this objective by respecting its internal political and legal constraints – i.e., respect for neutrality, abstention from taking part in combat, and participation in UN- or OSCE-mandated missions. Unlike the four EU non-aligned members, Switzerland is not challenged by the CSDP solidarity clause, which contradicts the principle of non-alignment.

In a context of weak political support for military involvement in peace promotion efforts, the internal components of the Swiss Army also have difficulty in giving up their conservative approach to their perception of the security environment. Ensuring transparency and objectivity *vis-à-vis* the population and gradually convincing it of the domestic benefits from allowing the military to play an international role would guarantee the Swiss Army’s legitimacy in the long term. More active participation in PfP activities is one solution that might help move Swiss public opinion in this direction.

### *Prospects for Swiss Participation in NATO Operations*

The PfP certainly represents one of the best opportunities for Switzerland to legitimize the *raison d’être* of its army, since it ensures the principles of diversity and self-differentiation, which is fully compatible with Swiss domestic obligations. It is therefore in Switzerland’s interest not only to maintain but also to develop civilian-military contributions within the PfP framework. Considering the constraints on Switzerland’s military capacities, the most likely manner for this participation to unfold going forward is through the option of participating in niche operations. In the Balkans, the Swiss Army has been proving itself to be a “high value asset”<sup>28</sup> in air transport. Work in this sector can be extended. Other valuable contributions—in such areas as ceasefire control, land mine clearance, and expertise in arms elimination—would gain visibility if they were further developed. Flexible capacities may also represent an advantage to intervene in different phases of crisis management (peacekeeping, peace-building, etc.). These con-

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<sup>28</sup> Daniel Möckli, ed., “Auslandeinsätze der Armee: Stand und Optionen,” 3.

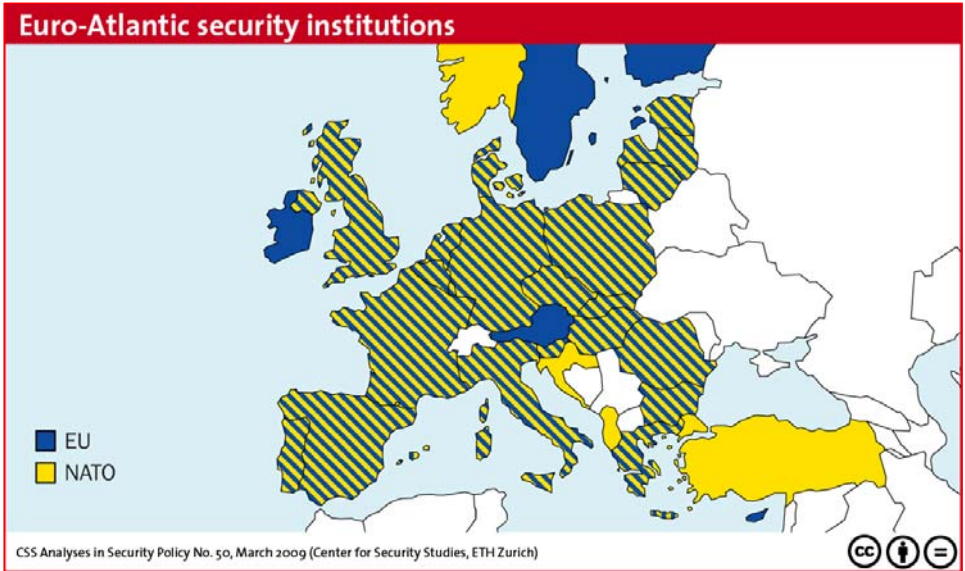


Figure 4: The Euro-Atlantic Security Architecture.

tributions can be optimized if they are complemented by adequate efforts in the area of civilian peace promotion, which relies, as was discussed above, on highly specialized expertise. Domestically, these contributions can be justified in the sense that they represent the only possibility for the Swiss Armed Forces to receive training and test their capabilities under real conditions. This is the argument adopted by the German government, which is for obvious historical reasons generally reluctant to deploy troops abroad. The Swiss experience within KFOR has indeed demonstrated the value of the opportunity to test interoperability and capacities in international crisis management.

In the medium term, NATO's major focus will remain on military operations. Whatever the output of the new Strategic Concept will bring, particularly with regard to partnerships, it is certain that the partners states' merit will be increasingly assessed according to their concrete participation in the field. The added value of the PfP depends as well on the importance that the partner countries attach to it. It is in Switzerland's interest, for external and domestic purposes, to show its commitment to the Partnership and its willingness to enhance its engagement with the Euro-Atlantic security community.

## Conclusion

In Switzerland, the concept neutrality virtually always enters into discussions about foreign and security policy, but rarely creates a deep debate. Surveys show that abandoning neutrality will not be a possibility in Switzerland in the near future; a similar state of opinion exists with regard membership in the EU. NATO membership also re-

mains out of the question. But participation in the PfP holds the advantage of placing more comprehensible limits on cooperation. This may explain why public opinion is less reluctant about cooperating with NATO than with the EU. So far, Switzerland has no institutionalized link with the EU's Common Defense and Security Policy (CDSP) or the Common Foreign and Security Policy (CFSP), and the Western Five are increasingly becoming a "4 + 1" formula (see Figure 4). More than unique, the Swiss position is becoming increasingly odd and isolated in the European security arena. And it will remain so, should subjective views of Switzerland's interests keep confusing the means and ends of neutrality. Ultimately, however, the small, neutral state will have to come around: "when it comes to solidarity, even Switzerland is tied to EU-Europe: when Europe is threatened, Switzerland is threatened too."<sup>29</sup>

Even within the framework of the PfP, it is going to be more difficult for non-aligned states like Switzerland to maintain privileged relationships with the member states of NATO. Indeed, even if NATO relies more and more on its partnerships, the challenge will be to protect the particularities that have enabled the PfP to become a successful platform of exchange and participation in collective security. If Western non-aligned countries must show themselves to be particularly proactive in using this instrument, their request addressed to the Alliance for more consultation and transparency will be perfectly understandable, and must be taken into consideration. In addition, this would enhance NATO's legitimacy, as well as the partner states' sense of ownership. This is possible if NATO's missions are clearly defined in today's variable security environment. NATO should keep this in mind while working on the new Strategic Concept; a similar comprehensible vision must be proposed to the partner states. In that way, the Allies would ensure the commitment of Partners like Switzerland that are hesitant to engage with them. And it would help prove that small—and neutral—states can play a role in building international security.

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<sup>29</sup> Hanna Ojanen, ed., "Neutrality and Non-alignment in Europe Today," *FIIA Report*, No.6 (Helsinki: Finnish Institute of International Affairs, September 2003), 67; available at [www.upi-fiaa.fi/en/publication/55/](http://www.upi-fiaa.fi/en/publication/55/).

# The Armed Forces' Development at the Beginning of the Twenty-First Century from the Polish Perspective

*Stanisław Zajas* \*

## Introduction

The turn of the twenty-first century is a period of very important and decisive changes in international politics, particularly in the security arena, both in relation to the global system and to individual countries and societies. This dynamic process of change is above all connected with the dissolution of the Warsaw Pact and the expansion of security and economic development, especially in Europe. Many countries' achievement of independence on democratic principles, combined with the significant enlargement of NATO and the European Union, has increased the sense of integration and safety as perceived by many nations in the region. The division of the world into two opposing blocs disappeared, and the notion of the Cold War is now primarily considered only in historical perspective. However, these changes do not necessarily mean that we live in the world without threats. Although the probability of the outbreak of an armed conflict on the global scale is very low, new security threats have emerged. The unsettling quality of these threats lies in their asymmetric character, which means that it is very often difficult to identify a particular enemy, rendering them hard to combat. However, it should be stressed that, although these threats may originate in remote areas of the globe, they may also have a local impact through the increasingly omnipresent character of the worldwide communication networks that lie at the root of globalization.

Such a situation has required a revision of many nations' approach to security problems, both on the global and national scales. Poland is a member state of both the North Atlantic Treaty Organization (NATO) and the European Union (EU). Because of Poland's participation in these regional organizations, its security level has increased. Despite this enhanced security (especially in the Euro-Atlantic area), however, it is still necessary for individual countries to have their own armed forces, which represent an important tool to pursue politics. Within the arrangement of NATO and the EU, these forces must be capable of both defending their own territory in case of an act of aggression on any NATO state (as is called for within the framework of collective defense) and of participating in a wide range of crisis response operations outside the borders of the EU or NATO.

So what should these armed forces be like in the first decades of the new century? What kind of threats should they be ready to confront? What requirements should they fulfill? This article will attempt to provide answers to these questions. These considerations have a universal character, but here they will be addressed mainly to the issue of the development of the Polish military as seen through the lens of NATO, while also

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taking into consideration European conditions. The Polish approach to the requirements and directions for the development of the Polish Armed Forces' at the beginning of the twenty-first century is presented against this background.

## **Contemporary and Future Threats in the Context of Changes in the Global Security Environment**

After 1990, the global political and military environment changed dramatically. The most significant and crucial events driving these changes stemmed from the dissolution of the Warsaw Pact and the introduction of democracy in most countries in Central and Eastern Europe. Consequently, the Berlin Wall fell, and the two German states united; Hungary, the Czech Republic, and Poland joined NATO in 1999; and nine other countries from the former Warsaw Pact followed suit in ensuing years. As a result of this process of integration, the level of security in European countries increased significantly, and it is currently extremely unlikely that an armed conflict on a large scale would emerge within Europe. Nevertheless, new threats have appeared that are of global scope and importance. Moreover, the lack of symptoms of a global armed conflict does not equal achieving an era of permanent peace. So what will be the most significant future threats that will influence the deployment of the armed forces, and the development of the components that constitute them? How will the idea of these threats be expressed?

Analyses of official documents that include evaluations of contemporary and forecasts of future threats as they relate to the development of both the political and military situations show that the primary threats involve terrorism, proliferation of weapons of mass destruction (WMD), regional conflicts, the collapse of certain countries (resulting in so-called failed states), or organized crime.<sup>1</sup>

Terrorism is currently the biggest and most unpredictable threat facing people living in widely disparate parts of the globe. It affects the openness and tolerance of communities in a direct and negative way.<sup>2</sup> In spite of the great resources that have been directed against terrorism, the significance of this threat is most likely not going to decrease in the future, due to the fact that terrorists often have substantial funds at their disposal, are able to remain connected via modern communication networks, and are determined to take advantage of any kind of violence that will tend to inflict massive losses and create a constant threat.

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<sup>1</sup> *Strategia bezpieczeństwa narodowego Rzeczypospolitej Polskiej (National Security Strategy of the Republic of Poland)* (Warsaw: Ministry of National Defense, 2003), 2; *Strategia bezpieczeństwa narodowego Rzeczypospolitej Polskiej (National Security Strategy of the Republic of Poland)* (Warsaw: Ministry of National Defense, 2007), 6–10, 14–15; Waldemar Czarnecki, and Stefan Czmur, “Przyszłość sił zbrojnych RP: miejsce Polski w Euroatlantycznych strukturach bezpieczeństwa” (“Future of the Polish Armed Forces: Poland’s Place in Euro-Atlantic Security Structures”), 1; presented at the conference *Polska wizja przyszłego pola walki. Wymagania i potrzeby (Polish Vision of the Future Battlefield: Requirements and Needs)*, hosted by the Polish Ministry of National Defense, Warsaw, 2004.

<sup>2</sup> NATO, “Prague Summit Declaration,” available at [www.nato.int/docu/pr/2002/p02-127e.html](http://www.nato.int/docu/pr/2002/p02-127e.html).

The proliferation of WMD and weapon systems to carry them is currently viewed as a threat to individual countries, entire regions, and also, in special circumstances, to the whole global order. Consequently, numerous non-democratic states are presently carrying out research in order to create WMD and delivery systems. For authoritarian countries, having WMD opens up the possibility to put pressure on the world security community, and to create a threat in remote regions. North Korea, Iran, and Pakistan—all of which have conducted research on such weapons—represent a threat to Europe and to the more developed countries in Asia and the Americas. This situation will require using not only measures of political pressure, but also undertaking steps that combine political pressure and military deterrence.

Despite the fact that regional conflicts will occasionally emerge far away from our countries, they may affect the security situation around the world. These conflicts are often based on religious problems, struggles for power, and long-standing traditional antagonisms. Averting such conflicts using political means is difficult, and often requires committing armed forces in order to enforce resolutions passed by the international community (whether within the forum of the United Nations, or various regional security frameworks).

Another threat that is currently present and is likely to increase in the future is that posed by situations connected with the collapse of countries due to corruption, dependence on the power of weak state institutions, or the loss of the ability to govern. Somalia, Liberia, and Afghanistan's takeover by the Taliban have been prime examples of such "failed states," which collapsed as a result of the fall of state institutions and other factors.

Europe is and probably will remain the primary target of international organized crime. Nonetheless, this threat is and will continue to be prevalent for all continents to a certain extent. It most often takes the form of smuggling drugs, women, illegal immigrants, and weapons, but also includes other modes of criminal activity. Combating organized crime requires the engagement of a wide range of state security bodies, since the activities engaged in by these criminal networks involve crossing borders in a variety of ways and for a variety of purposes.

During the Cold War, Poland's traditional perception of its own defense was based on the threat of being invaded. The character of these new threats demand that the first line of defense against them will take place primarily outside Poland's own borders. Contrary to the massive military threats from the Cold War period, each new threat does not have a strictly military manifestation. Counteracting them requires various measures, including but not limited to military assets.

When considering Poland's security, these new threats mean that Poland will need to be an active participant in the efforts undertaken by the international community to counteract the emergence of the threats discussed above, and to combat them in case they appear. As is underscored in *Wizja Sił Zbrojnych Rzeczypospolitej Polskiej – 2030*<sup>3</sup>

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<sup>3</sup> *Wizja Sił Zbrojnych Rzeczypospolitej Polskiej – 2030 (The Polish Armed Forces' Vision – 2030)* (Warsaw: Ministry of National Defense, 2008), 7.

(*The Polish Armed Forces' Vision – 2030*), the processes of political and military integration within NATO and political, economic, and military integration within the European Union are the primary factors that help decrease the possibility of destabilization or conflict in Poland's direct neighborhood. This document also stresses that, due to the unpredictability of the global security environment, one cannot rule out the possibility that new threats may emerge in Poland's "near abroad" in the next twenty years. However, the likelihood that such a threat would emerge in the form of a traditionally understood invasion connected with the tendency to occupy the territory of the country seems very low.

Owing to the participation of units from the Polish Armed Forces in stabilization and peace support operations around the world, terrorist attacks and threats will be more likely to occur. In addition, there will also be threats resulting from natural, industrial, or ecological disasters in Poland and its neighborhood. Therefore, increasing Poland's importance as a reliable partner and member of NATO and the EU will be a substantial contribution to the world and European security systems. Poland will aim to solidify this more prominent role through engagement in common defense issues and the extension of these organizations' defense capabilities.<sup>4</sup>

### **The Polish Armed Forces' Transformation in the Context of their Participation in Future Military Operations**

The need to have greater capabilities to counteract threats means that Poland's military needs to be transformed into a more flexible and mobile force that will be more capable of providing effective defense, according to a varying scale of threats.<sup>5</sup> NATO's use of sufficient (necessary) components assigned by cooperating countries seeks to eliminate the duplication of assets and increase the forces' potential. While increasing capabilities in various areas, Poland should also consider that it will face a wider range of military missions.

The emergence of new military and civilian threats required NATO to adjust its political and military assumptions to meet these new conditions. After the terrorist attacks of 11 September 2001, it was necessary to develop further directions of change in the Alliance's operational concept that would take into account the new security environment.

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<sup>4</sup> Ibid., 8.

<sup>5</sup> Armed forces transformation is the process of their permanent adjustment to changes taking place in the security environment. The idea of this process rests in the constant search for and introduction of changes in all areas of the armed forces' functioning and their environment. Its range involves not only armed forces' organization and functioning, but also such areas as technical modernization, financing, and relations with the state and with civil society. See Marek Ojrzanowski, "Kierunki rozwoju sił zbrojnych – podejście polskie" ("Directions of Armed Forces' Development – Polish Approach"), in *Profesjonalizacja Sił Zbrojnych Rzeczypospolitej Polskiej (Professionalization of the Polish Armed Forces)*, *Zeszyty Naukowe*, special issue 2 (71)A (Warsaw: National Defense University, 2008): 41–42.



The principles that ensure security for the Alliance's member states are explicit: an attack on any NATO state means an attack on all its members. According to Article 5 of the Washington Treaty, NATO's multinational armed forces must be ready to deter or conduct defense on the Alliance's territory. However, NATO's armed forces must be also prepared to prevent conflicts and carry out crisis response operations outside NATO territory (so-called non-Article 5 operations). It is estimated that conducting crisis response operations beyond NATO's boundaries will be the most common deployments in the future. It must be stressed that in the short term, engagement in crisis response operations in order to resolve conflicts will often require the projection or use of military force, in addition to diplomatic efforts and political pressure. According to Article 5, these military efforts may be carried out under the rubric of collective defense or military deterrence. Yet, under the category of crisis response situations also peace support operations may be carried out as well as other crisis response operations that may include military assistance operations aimed at supporting civil authorities; operations connected with the alleviation of the results of natural disasters and calamities; non-combatant evacuation operations; search and rescue operations; withdrawal operations; and sanctions and embargo enforcement operations.<sup>6</sup>

Therefore, the primary area of the armed forces' use in the future will be operations defined under NATO doctrine as peace support operations.<sup>7</sup> It may be assumed that such peace operations will most probably be carried out to support the activities of international security organizations (especially the UN and OSCE), and they will focus on conflict prevention and containment, as well as on creating a stable international situation.

Future crisis situations that pose a threat to international peace and security and that require the use of armed forces within peace operations will also require the provision of humanitarian assistance. Such activities, if undertaken early enough, may avert the escalation of crisis situations and their negative consequences.

The use of the armed forces in resolving crises that are different from those that directly threaten international peace and security will include a wide range of activities undertaken to support humanitarian assistance operations, including providing aid to the victims of natural and industrial disasters and securing the functioning of search and rescue systems. Specially assigned military units may also be used to evacuate non-combatants, or to evacuate their own citizens from foreign territory when they are exposed to danger. Due to NATO's growing engagement in stabilization operations, and owing to the need to support reconstruction efforts after armed conflict termination, it can be expected that the scope of assistance provided by the armed forces to

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<sup>6</sup> *AJP-3.4 Non Article 5 Crisis Response Operations* (Brussels: NSA, 2004).

<sup>7</sup> Witold Lidwa, "Operacje reagowania kryzysowego jako podstawowy obszar użycia sił zbrojnych" ("Crisis Response Operations as a Basic Area of Armed Forces' Use"), in *Współczesne i przyszłe zagrożenia bezpieczeństwa a rozwój sił zbrojnych (Contemporary and Future Security Threats vs. Armed Forces' Development)*, *Zeszyty Naukowe*, special issue 1 (70)A (Warsaw: National Defense University, 2008): 124.

civil authorities will expand in situations when they are not able to fulfill their basic functions.

Consequently, NATO member states should develop their military capabilities within the framework of defense transformation by preparing appropriate components of land, air, naval, and special and support forces. NATO armed forces must have sufficient combat potential and capabilities to counteract aggression directed against any of the member states. They must also maintain the required level of readiness and capabilities to deploy and achieve military success within a wide spectrum of combined Allied joint operations, in which Partners and non-NATO members may also participate.

The findings mentioned above directly concern the Polish Armed Forces and their transformation process. According to the provisions of *Strategia Bezpieczeństwa Narodowego Rzeczypospolitej Polskiej*<sup>8</sup> (*National Security Strategy of the Republic of Poland*), the aim of the armed forces' operations in the military security area is to develop the readiness to defend the territory and sovereignty of Poland and its allies, to eliminate military threats, and to counteract possible disadvantageous changes in the military balance in the region. Poland has built its defense policy in alignment with the principle of allied solidarity and loyalty. As mentioned above, Poland's expectation is that there is little probability that a large-scale armed conflict will emerge in its region in the near future. Regional and local conflicts are more likely to occur, but Poland will not be directly involved in them. Their course and consequences may create crisis situations that may threaten to expand or turn into full-scale war. Poland must be ready to respond to crises that may provoke conflicts that require it to pursue defense tasks resulting from Article 5 of the Washington Treaty. Poland's participation in collective defense and in operations in support of UN, NATO, and EU policies in the crisis response area and in stabilization operations will be connected with the need to take an extended spectrum of threats into consideration in Polish strategic planning, particularly asymmetric threats and the new technological context.

Poland does not want to be merely a beneficiary of NATO and EU membership. As a medium-sized European country with commensurate potential, Poland has confirmed its responsibility to and solidarity with the international community by actively participating in peace and stabilization operations in Iraq, Afghanistan, the Balkans, Chad, and the Golan Heights. In the recent past Poland has been fulfilling its commitments to the Allies and coalition partners, becoming one of the most persistent and reliable states in global security operations, and making notable contributions in ensuring secu-

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<sup>8</sup> *Strategia Bezpieczeństwa Narodowego Rzeczypospolitej Polskiej, 2007 (National Security Strategy of the Republic of Poland, 2007)*, 14–15.

riety and in the reconstruction and rebuilding processes in the above-mentioned regions.<sup>9</sup>

In *Wizja Sił Zbrojnych Rzeczypospolitej Polskiej*<sup>10</sup> (*The Polish Armed Forces' Vision*), Polish military planners predict that future military operations will be carried out mainly in an international arrangement – that is, they will be planned and conducted according to decisions developed by international commands and staffs. National operations will be carried out only in crisis response operations within Poland's borders; they will be limited in space and time, and their primary goal will be to minimize the effects of the existing threat. These will be mainly operations in situations of natural, industrial, and ecological disasters. In cases of external military threats or the escalation of other threats, their task will be to create the conditions to introduce international forces. The prime form of the Polish Armed Forces' activity in the twenty-year time frame will be participation in military operations conducted outside the country under the rubric of EU, NATO, or coalition crisis response operations. They will be complemented by diplomatic and economic efforts undertaken in order to prevent and avert escalating crises or conflicts.

With regard to the future development of the Polish Armed Forces, one of the most crucial requirements will be an expeditionary operations capability. Thus part of the forces will form light units, able to deploy over long distances, thoroughly equipped in combat and logistical assets, capable of rotating and conducting operations for long periods of time.<sup>11</sup>

It must be stressed that not only proper armament and equipment will determine the quality of the Polish Armed Forces, but also first and foremost the presence of professionally prepared and extensively trained soldiers. The decision concerning the Polish Armed Forces' full professionalization made by the Polish government in August 2008 is a step in the right direction, as it takes into account the importance of achieving the above-mentioned requirements.

## Network-Centric Warfare versus Armed Forces Development

New concepts of conducting military operations also directly influence the armed forces' development. A new concept of such operations, known as “network-centric warfare,” was launched in the United States in the 1990s. Network-centric warfare was first defined by the team of John Garstka, David Alberts, and Frederick Stein. Ac-

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<sup>9</sup> Cezary Lusiński, “Globalne i narodowe środowisko bezpieczeństwa a przyszłe operacje z udziałem sił zbrojnych RP” (“Global and National Security Environment vs Future Operations with Armed Forces' Participation”), in *Współczesne i przyszłe zagrożenia bezpieczeństwa, a rozwój sił zbrojnych*, (*Contemporary and Future Security Threats vs. Armed Forces' Development*), 22–24.

<sup>10</sup> *Ibid.*, 11.

<sup>11</sup> Anatol J. Wojtan, “Misje, zadania i właściwości użycia sił zbrojnych w przyszłych operacjach” (“Missions, Tasks and Features of Armed Forces' Use in Future Operations”), in *Współczesne i przyszłe zagrożenia bezpieczeństwa a rozwój sił zbrojnych* (*Contemporary and Future Security Threats vs. Armed Forces' Development*), 174–75.

According to the American specialists' assumptions, network-centric warfare is a way of conducting operations within which armed forces—connected by IT networks—use information asymmetries and complete situation awareness (on the strategic, operational, and tactical levels) in order to carry out fast and effective operations. It is directed toward defeating the enemy with the smallest possible own losses while making effective and economical use of own (friendly) forces.<sup>12</sup>

Network-centric warfare occupies a prominent place in NATO's doctrinal assumptions. Therefore, it has been agreed that one of the main NATO transformation aims should be to ensure that Allied armed forces' capabilities to generate information advantages—combined with the capabilities that can be achieved as a result of the network solutions applied by the Alliance—will create a basis to reach a decision advantage. The aim of implementing network-centric warfare will be to create an environment within which the sensors of information acquisition, decision makers, and effect elements can be integrated within a single common super-network, which will make it possible to find and receive information from any source "plugged in" to the network in a format and time adjusted to the recipient's needs.

With regard to the Polish Armed Forces, the general requirements for achieving the capabilities called for by the network-centric warfare concept were set forth in *Wizja Sił Zbrojnych Rzeczypospolitej Polskiej – 2030 (The Polish Armed Forces' Vision – 2030)*. According to that document, future operations will be based on the network-centric warfare concept. Its idea is to gain a significant growth of combat power through the connection of sensors acquiring information, decision makers, and weapons systems (combat platforms) into a single uniform IT network. The consequences will include information advantages, increases in the speed of command and the pace of operations, as well as increases in armament efficiency, resistance to enemy attacks, and in the level of operation synchronization.<sup>13</sup>

The prime feature of all combat systems and equipment will be their capability to operate in a networked system, based on a modern IT platform of the multidirectional exchange of information. The network will integrate in a complex way reconnaissance means, decision makers, armament, weapons, and equipment of the remaining military elements. The reconnaissance system will be based on a wide range of multi-spectral, active and passive reconnaissance sensors. The weapon system used in network-centric warfare incorporates both manned and unmanned aerial, land, and naval vehicles (platforms). They will be equipped with state-of-the-art navigation and optical systems and high-precision weapons. The Polish Armed Forces will reach full network-centric warfare capabilities gradually, mainly due to the introduction of new combat techniques into armament and equipment, and the required process of full professionalization.

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<sup>12</sup> David Alberts, John Garstka, and Frederick Stein, *Network Centric Warfare* (Washington, D.C.: Department of Defense, C4ISR Cooperative Research Program, 2000), 88.

<sup>13</sup> *Wizja Sił Zbrojnych Rzeczypospolitej Polskiej – 2030 (The Polish Armed Forces' Vision – 2030)*, 14.

## Conclusions

Most analyses of the current threat environment indicate that the character of security threats will change in the next twenty years. However, the possibility of a large-scale conflict on the global scale in the near future will remain low. The main security threats will be posed by international terrorism, uncontrolled proliferation of weapons of mass destruction, outbreaks of local conflicts stemming from religious and ethnic antagonisms or economic and social inequalities, the failure of certain states, as well as international organized crime.

These threats will most likely occur in remote areas of the globe, outside the territories of Poland, NATO, or the European Union. In order to prevent these threats and resolve the crisis situations that they may generate, international organizations—such as the UN, OSCE, or NATO—will still conduct their usual operations, although probably in a more intense way. Forces established on the basis of international organizations' resolutions will have an international character and will carry out crisis response operations. In order to participate in such operations, the Allied armed forces (including the national militaries of the member states) must possess already prepared units characterized by high mobility, short time readiness to operations, high efficiency, and the capability to conduct long-term military operations in remote operational areas. New challenges for security and defense also imply the need to change the concepts of the armed forces' development, use, equipment, and training.

Our analyses also show that future operations will be carried out according to a new concept called network-centric warfare. The idea behind this concept is to ensure information advantage through creating an information network common to all participants in a conflict. Such a network will offer a high level of battlefield awareness, and will enable the delivery of necessary and up-to-date information to all battle participants, both the decision makers and the actors in the field.

The Polish Armed Forces are and will be changing in order to achieve the capabilities necessary to defend Poland's territory effectively as well as to participate in international crisis response operations outside of the nation's borders. Reaching these requirements and capabilities will depend not only on the level of Poland's national ambitions, but also on the state's economic potential, as Poland wants not only to be active on the international stage, but to also be a reliable partner and ally that makes a significant contribution to ensuring regional and world security.

## *Connections: The Quarterly Journal*

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