

## *The Marxist*

Volume XXIV, No. 3  
July-September 2008

M.K. BHADRAKUMAR

### *Conflict in the Caucasus: A Turning Point in the Post-Cold War Era*

It might already sound a trifle clichéd to say that the world changed radically, almost beyond recognition, in the night of August 7. The flow of events since the watershed event of Georgia's ferocious military attack on its breakaway region of South Ossetia has been nothing less than torrential. There is no exact analogy in international politics but if a parallel could be drawn, we may do so with June 28, 1914 when the Austrian archduke Francis Ferdinand was assassinated in Serajevo – another event that proved capable of triggering realignments on the geopolitical chessboard.

The two bullets fired on a sunny street in Serajevo set in motion a sequence of events that shaped the 20<sup>th</sup> century world. The question today is how profound will be the impact of the current events on the world order.

To quote Russian President Dmitry Medvedev, “we really should reflect on the security architecture we want for our complicated world over the coming years. It is absolutely clear to me that the events that began with Georgia's aggression on August 8 have put this issue firmly on the agenda. The former security architecture has proven its ineffectiveness”.<sup>1</sup> A host of issues come under what Medvedev called the “security architecture”: the United States's attempts at global dominance and its trans-Atlantic leadership in particular; Russia's resurgence; China's phenomenal rise; the working of the international system; global challenges such as terrorism, energy security or climate change, and so on.

#### “CAUCASIAN CHALK CIRCLES”

There is wide acknowledgement that the so-called “colour revolution” in Georgia in November 2003 was stage-managed by the US as part of a carefully thought-out plan to bring the Caucasus region under American control. A generally pro-American president in Tbilisi, Eduard Shevardnadze, was replaced by an unabashedly pro-American president, Mikheil Saakashvili. The immediate backdrop was the commissioning within months of the Baku-Tbilisi-Ceyhan [BTC] oil pipeline, funded by the US, which was a historical landmark in the chronicle of the struggle for the control of the Caspian region's fabulous energy reserves – the first energy transportation route to Europe that altogether bypassed Russian territory.

The pipeline passed through the tangled Georgian mountains and its safety required that the US took control over the transit route. Apart from the BTC, Washington was nurturing other

grandiose trans-Caspian pipeline projects in the coming years, which accorded a crucial status to Georgia as a transit country. Broadly, the US geo-strategy worked in the direction of establishing close links with the main energy producing countries in the Caspian – Azerbaijan, Kazakhstan and Turkmenistan – and to wean them away from Russian influence.

The strategy predates the George W. Bush administration. Almost immediately after the disintegration of the Soviet Union, the US administration under Bill Clinton began working on a “containment strategy” towards post-Soviet Russia, predicated on the assumption that a Russian resurgence was a matter of time. The noted American scholar on Russia, Professor Stephen Cohen pointed out two years ago in a celebrated article that the US’s “containment strategy” boiled down to “a relentless, winner-take-all exploitation of Russia’s post-1991 weakness”.

Stephen wrote, “Accompanied by broken American promises, condescending lectures and demands for unilateral concessions, it [containment strategy] has been even more aggressive and uncompromising than was Washington’s approach to Communist Russia”.<sup>2</sup> The key elements of the US strategy were a military encirclement of Russia on or near its borders; a robust contestation of the legitimacy of Russia’s interests outside its own territory; highly intrusive and prescriptive approach as to how Russia should and should not organize its political and economic systems; familiar cold war double standards; and, a renewed attempt at something that the US strove but couldn’t achieve during the Soviet era – nuclear superiority and the capacity to launch a nuclear first strike without fear of retaliation. At the root of the US strategy lay the triumphalist narrative that the end of the cold war was a great American victory and Russian defeat – and not a mutual Soviet-American decision, which it really was.

Cohen identified as an “epically unwise decision” by the Clinton Administration in the early 1990s to break the promise given to the Soviet Union not to expand the North Atlantic Treaty Organisation [NATO] “one inch to the east” (to quote the then US Secretary of State James Baker in a conversation with Soviet leader Mikhail Gorbachev) and instead set in motion the alliance’s expansion to Russia’s borders. “From that profound act of bad faith, followed by others, came the dangerously provocative encirclement of Russia and growing Russian suspicions of US intentions”, Cohen wrote.

Thus, in perspective, the current crisis in the Caucasus emanates out of a carefully choreographed US intervention on Russia’s borders with well-defined strategic objectives. The presence of American military advisors in the combat zone near South Ossetia; training and weapon supplies for the Georgian military by Israel; US Secretary of State Condoleezza Rice’s visit to Tbilisi in July on the eve of the Georgian military attack; US-Georgian military exercises in July funded by the Pentagon; the timing of the Georgian attack on South Ossetia – all these are pointers. Washington didn’t expect Russian reaction to go beyond rhetoric. Conversely, Washington estimated, if war ensued between Russia and Georgia, that could be used to augment the case for Georgia’s induction into NATO, which major European countries such as Germany, France, Spain and Italy have been resisting. The crisis in the Caucasus also enables Washington to finesse its trans-Atlantic leadership role by projecting a “revanchist” Russia as a growing problem for European security.

In geopolitical terms, the following elements have appeared: first, Russia reacted firmly to the US-instigated Georgian aggression and demonstrated its will to use military power to safeguard its national interests if a need arises. It has not only not allowed itself to be browbeaten by the US but, in the bargain, badly exposed the limits of US power and influence. Washington could do precious little to salvage the ground for its Georgian proxy.

Two, Russia has assertively drawn a red line and signaled that any further NATO expansion to the territory of the former Soviet republics will be resisted, no matter what it takes. Three, it has become problematic for the US to rally the European opinion to accept Georgia and Ukraine as NATO members in complete disregard of Russian sensitivities. Four, Russia has repelled the

US attempt to roll back its historical presence as a Black Sea power. Russia is conscious that the US strategy is to make the Black Sea a “NATO lake”, to curtail Russia’s Black Sea fleet and thereby diminish Russia’s capacity to remain as a serious player in the Mediterranean and indeed the Middle East. Finally, differences have appeared in the US and European Union’s [EU] as well as NATO and EU’s approaches to defusing the crisis.

Speaking in the Black Sea resort of Sochi on August 31, Medvedev outlined that Russian foreign policy’s future directions would be guided by five basic principles. These principles are: a) primacy to international law; b) a multipolar world order (“A unipolar world is unacceptable ... [Russia] cannot accept a world order where all decisions are made by one side, even such a powerful one as the US. Such a world is unstable and threatened by conflicts”.); c) a non-confrontational approach; d) obligation to protect its citizens “wherever they are”; and, e) “Russia, like other countries in the world, has regions where it has its privileged interests”.<sup>3</sup>

It may appear that Russian foreign policy hasn’t fundamentally changed from the course that Medvedev’s predecessor Vladimir Putin charted – a “de-ideologised”, non-confrontational, multi-vector foreign policy that attributed primacy to Russia’s national interests and Russia’s integration into the international economic and political system. But it isn’t so. New factors have appeared in the nature of an assertive will to safeguard national interests. To quote a Chinese scholar, Fu Mengzi, Assistant President of the China Institute of Contemporary International Relations, “As a major power on the rise again, Russia has found its inner energy pumped by the rising oil price in recent years, as its economy kept growing at a fast pace, filling the nation with overflowing confidence and the will to be the rising power it really is”.<sup>4</sup>

Meanwhile, the conditions of Russia’s integration are also shifting. Whichever way one looks at it, therefore, the crisis in the Caucasus has brought to the fore major differences in the perceptions of Russia and the Western countries.

As a prominent Russian commentator, Fyodor Lukyanov, Editor-in-Chief of *Russia in Global Affairs* put it, “The strategic partnerships, which have proliferated over the past 15 years, are now giving way to strategic independence. Integration is no longer on the agenda, but the goal of consolidating spheres of influence to strengthen the country’s position as ‘an independent pole’ in the multipolar world has been formulated more clearly and unambiguously than ever before. This formula is not anti-Western, yet Russia’s policy is no longer focused only on the West”.<sup>5</sup>

In a sense, history is resuming. Russia’s search for allies is re-commencing. The crisis in the Caucasus has shown that Russia has no reliable allies. Except for a broad endorsement from Kazakhstan, the former Soviet republics have by and large kept aloof, including close ally Belarus. The Shanghai Cooperation Organisation has generally expressed support for the Russian position in the current crisis. The Collective Security Organisation has been more forthcoming. Nicaragua is the only country that joined Russia in according diplomatic recognition to South Ossetia and Abkhazia. Even friendly countries like Iran and Syria, which are beneficiaries of the changed international situation refrained from articulating open support of the Russian action.

What can be expected is that Moscow will pay greater attention to the integration processes involving its CIS [Commonwealth of Independent States] allies. The signs are already there. President Medvedev, Prime Minister Putin and Deputy Prime Minister Viktor Zubkov visited Tajikistan, Uzbekistan and Turkmenistan respectively from August 29 to September 2. The focus was on strengthening bilateral cooperation in the political, economic and security areas. As a *People’s Daily* commentary noted, “Against a global backdrop of Russia’s growing contradictions with the West, acknowledge political analysts, the high-level shuttle diplomacy of Russian leaders will further enhance Russia’s strategic position in Central Asia, beef up the control of oil and gas resources and help coordinate the positions of Russia and these Central Asia nations on the Transcaucasia issue”.<sup>6</sup> China, though a strategic partner, has also desisted from extending support to the Russian action – at least, publicly.<sup>7</sup> Russia has taken a defiant position.

In his interview with Television Channel Euronews on September 2, Medvedev said, “There is no isolation, Russia does not want isolation, and it is essentially impossible...G8 is not viable without Russia... The G8 cannot therefore exist without Russia...We do indeed want to join the WTO, but not at any cost... It is not only we who want to join the WTO; other economies need to have us there too”.

#### NATO EXPANSION

The expansion of NATO is the most contentious issue today in Russia’s relations with the West. To quote Stephen Cohen who was an active participant in the negotiations leading to the ending of the Cold War, “When the first President Bush was president and Gorbachev agreed to allow a united Germany to go into NATO, that was the sticking point at the end of the Cold War. It was an enormous decision for Soviet Russia to agree that Germany would be in NATO and united. The United States solemnly promised that NATO would never move eastward. And since the ‘90s, it has moved so much eastward that it now encircles Russia. That’s a broken promise”.<sup>8</sup>

Cohen adds, “Putin feels, Russians feel, we betrayed him. We pushed NATO further eastward. We withdrew from all these nuclear agreements that we have made with Russia. We demanded unilateral access to Caspian oil. There was no attempt to cooperate with Russia for that. For the last 15 years, we’ve made a grievous mistake, primarily by treating Russia as a defeated nation... Russia believes – and I believe correctly – and you and I witnessed it, we remember it – you had people who participated in bringing about the end of the Cold war right here. You even had Gorbachev at one time. But you knew how it came about. It was a process of negotiation. But as soon as it was over, we said we won, you lost, and this triumphalism of American policy set in”.<sup>9</sup>

Therefore, the impact of the Caucasus crisis on Russia’s relations with the NATO will be far-reaching. The Western alliance at its summit meeting in Bucharest, Romania, in April had decided to postpone a decision on the membership of Ukraine and Georgia despite robust attempts by the US and its Central European and Baltic allies and Britain. Major European powers such as Germany, France, Italy and Spain took the stance that the independence of Kosovo in February had already strained Russia’s relations with Europe and the NATO expansion issue would have to be deferred. The European countries are conscious of their dependence on Russia for supplying between 30% to 50% of their energy needs. Besides, at a time when European economies are showing sluggish growth, Russia’s importance as a burgeoning market has vastly increased.

Accordingly, the Bucharest summit decided to revisit the question of NATO expansion at the meeting of the alliance’s foreign ministers in December. This was intended as a concession to the US since the December meet would be the last major NATO event before the Bush administration relinquished office.

For the US, NATO’s expansion is a vital issue in its overall global strategy of transforming the alliance as a global organization and using it as an instrument of US regional policies bypassing the United Nations. The NATO’s summit meeting in November 2006 in Riga, Latvia was a turning point in the alliance’s transformation in the post-Cold war era. The summit adopted a “Comprehensive Political Guidance” drawing up the “imperatives” for the alliance in the coming 10-year period in terms of which terrorism, proliferation of weapons of mass destruction and “disruption of the flow of vital resources” (read oil and gas) are the new features of the current security situation. To deal with these challenges, NATO needs to deploy troops in some remote places and take action under “grim” conditions. It therefore needs to change its focus while ensuring large-scale military operations, carrying out several small but necessary military actions. The alliance has estimated that the s-called large-scale military action requires force level

of 60000 troops, while small-scale action will need anywhere between 20-30000 troops. The alliance is working on a plan to have the capacity to undertake two large-scale military operations and six small-scale operations simultaneously.

Both Russia and China have been viewing with disquiet NATO's ambitious expansion plans and its approach to seek substantive cooperation with so-called "global partners" such as Japan, Australia and India, etc. At the time of the NATO's Riga summit, a rare Chinese commentary noted, "NATO has been making great efforts in the 'expansion of the South and East' ... With its tentacles stretching further and further, NATO has shown a growing emerging globalization trend. Just as one NATO official said, the leader of the allies of NATO is the United States, therefore, NATO's actions will no doubt reflect the American strategy.... NATO's series of actions on 'exceeding the defense sector' also goes hand in hand with the US global strategy.... NATO leaders repeatedly asserted that the organization has no intention of acting like the 'world police', but its series of actions has demonstrated that NATO has become a world police. The only question is will NATO become a 'good' or a 'bad' one".<sup>10</sup>

The NATO's intention is to create a multi-layered alliance structure with a core of full-fledged members supplemented by a global web of "partnerships" with countries such as Israel, India and Australia that have regional influence and the capacity to undertake military operations beyond their territory in coordination with the alliance.<sup>11</sup> The methodology is to work out interoperability between the military forces of these "partners". The NATO primarily uses US-made weapons. In the interests of "interoperability", the US would encourage the NATO "partners" such as Israel or India too to switch to US-made weapons for their military.

Washington estimates that with the induction of Georgia, NATO will advance to the Caucasus region. With Ukraine's induction, virtually all the littoral states of the Black Sea will be NATO member countries – Romania, Bulgaria, Ukraine, Georgia and Turkey. The US has already established military bases in Romania. The US has been making efforts to persuade Azerbaijan also to seek NATO membership. With the Caucasus as springboard, the US estimates that the alliance will be poised for expansion into the Middle East and Asian region. The ultimate US objective is to create an arc of countries surrounding Russia (and China) stretching from its allies in the Baltic, Central European and the Black Sea regions, and Turkey, Georgia, Israel, India and Australia all the way to Japan where its missile defence systems will be deployed. The "containment" strategy aims at neutralizing Russia's strategic capability and thereby establish the US's nuclear superiority.

The US has adopted a differentiated approach towards China. The US is going slow on deploying the missile defence systems in the Asian region with a view to avoid causing disquiet to China. Washington thereby aims to isolate Russia by diluting the Sino-Russian strategic understanding. In the US estimation, for the foreseeable future, it is Russia that continues to be a strategic rival with its massive nuclear weapon stockpiles and delivery systems of the Soviet era.

In the aftermath of the Russian military moves against Georgia, NATO strongly condemned Russia. The alliance characterized Russia's decision to recognize South Ossetia and Abkhazia as an attempt to redraw the map of Georgia. The NATO swiftly held a naval exercise in the Black Sea as a show of muscle flexing. Russia is seriously concerned over the increased presence of the NATO warships near its Black Sea base at Sevastopol, which hosts at least 50 warships and smaller vessels and 80 aircraft.<sup>12</sup> It has since served notice to Moscow that it would offer every conceivable assistance to Georgia.

A NATO delegation led by Secretary General Scheffer visited Tbilisi on September 15. He said, "The NATO delegation has come to Georgia and to support its ambition and wish for euro-Atlantic integration". Scheffer announced the formation of a NATO-Georgia commission to coordinate Georgia's bid and to "enhance and accelerate our cooperation and integration". But he made no mention of whether Georgia would be given a Membership Action Plan when the

NATO foreign ministers meet in December. He merely said, “The foreign ministers of NATO in their December meeting will make a first assessment. I do sincerely hope that on the political track, given the very serious situation existing as it is, that there will be progress there”.<sup>13</sup>

But the decisive factor will be the status of Ukraine. The point is, without Ukraine’s admission into NATO alongside, NATO expansion at this juncture doesn’t make sense. For the US, therefore, the collapse of the governing coalition in Ukraine comes as a setback, as it holds the distinct prospect that the country might correct its pro-Western course. In actuality, the US proxies who united in the “Orange Revolution” of 2004 – President Viktor Yushchenko and Prime Minister Yulia Tymoshenko have become bitter political rivals. Tymoshenko has reached out to the pro-Russian Orange Revolution loser Viktor Yanukovich to form a new coalition, though she is far from a Kremlin ally. Coupled with the fact that the majority of Ukrainians oppose their country’s NATO membership, the realignment of the political forces works in Moscow’s favour.

The political crisis is unfolding against the backdrop of the crucial presidential election due in 2009 or 2010, which is expected to pit pro-US Yushchenko against both Tymoshenko and Yanukovich. Washington desperately tried to get Yushchenko and Tymoshenko to work together so that Ukraine doesn’t revert to its traditionally close ties with Russia. The US Vice President Dick Cheney visited Kiev in this connection on September 2 but of no avail.

Significantly, the immediate reason for the falling out of the Orange allies was a feud over Ukraine’s political orientation – whether Ukraine should ally with Russia or the West. Yushchenko, a staunch advocate of EU and NATO integration, was sharply critical of Russia over the Caucasus crisis, but, on the contrary, Tymoshenko was silent on the issue. All in all, therefore, the political upheaval in Ukraine is bad news for NATO. As things stand, Ukraine’s EU integration aims also suffered a setback on September 9 when Brussels failed to make any firm pledges on future membership.

The paradox is that if NATO fails to expand, the purpose of the alliance’s existence comes under questioning. The alliance has been in a sort of “existential limbo” since the end of the Cold War. The conflict in the Caucasus places a new dilemma on NATO as to how to respond to the new strong Russia. The dilemma is acute since Russia’s cooperation is needed on important issues such as Iran and energy security.

Unsurprisingly, Moscow has taken a nonchalant attitude to the NATO. To quote Medvedev, “As far as Russia’s relations with NATO go, they are not going through the easiest time now, but I would not dramatise the situation. I think that all the calls to limit cooperation between Russia and NATO can cut both ways. Speaking frankly, this would be a greater blow for the NATO countries... We do not see anything dramatic or anything so difficult about ending these relations if this is what our partners want, but I think our partners would stand to lose more”.<sup>14</sup>

Moscow holds a trump card at the moment in the nature of the transit facilities it provides through Russian territory for the NATO to effect supplies to its troops in Afghanistan. Despite the tensions over the Caucasus crisis, Moscow has not withdrawn this facility. Without doubt, NATO will be hard-pressed if the facility is withdrawn since the only other route for supplying the troops in Afghanistan happens to be via Pakistan where the overwhelming public opinion is against the US-led “war on terror”. The Russian envoy to NATO, Dmitry Rogozin made a thinly veiled threat when he said at a press conference on September 3 at the NATO headquarters in Brussels that “future cooperation [in Afghanistan] will depend on the alliance’s position in the ‘Caucasus crisis’. We are not satisfied either with NATO’s words or actions”. Rogozin added, “We do not see any success [in NATO operations] but only a degradation of the situation in Afghanistan, and that is why Russia decided to maintain its cooperation with NATO in this area”.<sup>15</sup>

The conflict in the Caucasus erupted against the backdrop of fierce rivalries for the control of the Caspian energy resources. Russia is a traditional player. The US lost no time since the collapse of the Soviet Union in 1991 to stake its claims. The European Union and China are latecomers during the past 3-4 year period. The rivalries form a complex matrix but at their core lies the US attempts to cut into Russia's traditional regional standing.

During the past 15-year period, the US has significantly enhanced its political influence over Azerbaijan, a key energy producer in the Caspian. The US met with less success in expanding its influence in Kazakhstan, which still regards Russia as its preferred partner for oil exports. With Turkmenistan, the US diplomacy was extremely aggressive but Russia has largely frustrated Washington's efforts. The US suffered a huge setback in its relations with Uzbekistan following the uprising in Andizhan in Ferghana Valley in 2005.

The US's energy diplomacy in the Caspian and Central Asia has unabashedly worked towards loosening what Washington perceives as Moscow's "stranglehold" over the energy producing countries in the region. As the chief foreign affairs writer for Business Week and author of *The Oil and the Glory*, Steve LeVine put it, the United States is promoting alternative energy transportation routes in the region "to counterbalance Russia's growing economic and, by extension, political influence in the United States' strategic backyard, which is Europe...the United States fears that [Russian oil company] Gazprom's growing hold is translating into political power and influence in the European theater, and the United States seeks to assert its own leverage into the equation". That amounts to what LeVine calls an "anti-Russian policy".<sup>16</sup>

The pipeline diplomacy forms the most visible template of the great game over the Caspian energy resources. Early last year, Russia scored a major success by getting Turkmenistan and Kazakhstan to agree to the construction of a new pipeline along the eastern shores of the Caspian Sea to Russia, as a main transportation route for Turkmen exports. Alongside, Russia also got Kazakhstan and Uzbekistan to agree that the capacity of the Soviet era pipeline system in Central Asia be increased to accommodate greater volume of Turkmen exports to Russia.

Russia has followed this up by signing an agreement with Kazakhstan and Uzbekistan to buy their energy exports at "European prices" starting 2009. This was a masterstroke. First, Russia estimated that this was an offer that no Western oil companies could match. Second, it rubbished the Western propaganda that Russia was exploiting a price differential by buying cheap from Central Asian producers and selling at marked-up prices in the Western market. Third, the Central Asian producers would feel encouraged to tie up long-term energy deals with Russia.

Most important, Russia was consolidating the flow of energy from the Caspian and Central Asian regions. This enables Russia to prompt the European consuming countries to deal directly with Moscow, which in turn has immense strategic implications. Moscow hopes to have a strong hand in future price negotiations with the European countries. Moscow has been talking about forming a "Gas OPEC", comprising major producing countries – and idea to which major producers like Iran, Venezuela, Algeria and Qatar have warmed up.

The Russian consolidation puts question marks on the viability of two major pipeline projects that Washington has been pushing, which would bypass Russian territory and directly link the European market with the Caspian suppliers – Nabucco and Trans-Caspian pipeline projects.<sup>17</sup> Moscow is developing its own rival projects for supplying gas to the European market – Shtokman, North Stream, South Stream, and Burghaz-Alexandroupoulos pipeline projects.

The struggle over pipelines has major geopolitical significance. The US is working hard to reduce the dependence of European countries on Russia for their energy supplies. The energy factor has led to the strengthening of Russia's bilateral cooperation in the recent years with important European countries such as Germany, Italy, France, Austria, Greece, etc. Washington feels uneasy that Russia's incremental integration with the European economies would lead to the

loss of US's trans-Atlantic leadership role. The US strategy has, therefore, been to cast Russia in adversarial terms to Europe's long-term interests of energy security.

The crunch came in the month of July. Russia got Turkmenistan on board with regard to its proposal to control all Turkmen gas exports at "European prices". Second, Russia made a similar offer to Azerbaijan. Medvedev undertook a crucial mission to Ashgabat and Baku in this connection on July 3-6 to take up the Russian offers at the highest political level. Turkmenistan has responded favourably while Azerbaijan is mulling over the proposal. If Azerbaijan follows the lead of Kazakhstan, Uzbekistan and Turkmenistan, the scenario means a conclusive defeat for the US strategy in the great game over the Caspian and Central Asian energy resources. The US Vice President Dick Cheney made a hurried trip to Baku on September 3 to persuade the Azeri leadership to stay on course with the Western oil companies but he failed to get a firm commitment.<sup>18</sup> Immediately after Cheney's visit, Azerbaijan President Ilhan Alliyev left for Moscow. A high-stakes game is unfolding with profound consequences for the geopolitics of energy.

The US could counter the Russian moves if Iran is encouraged to become an energy supplier for Europe, but Washington is unable to work on this front so long as the US-Iran standoff continues. However, European oil companies have already begun talking with Iran in anticipation of a breakthrough in US-Iran relations.

Equally, Russian energy diplomacy has been undercutting the US strategy elsewhere too. Drawing deep into the lessons of the Cold War, Russia is networking with other energy producing countries. Russian oil companies have entered the Latin American scene, a traditional preserve of Big Oil, especially in Venezuela and Bolivia. In Africa, Russian oil companies have begun making their presence in key producing countries such as Algeria, Nigeria and Libya. In essence, Russia is trying to gain control over the key energy flows from Latin America and Africa to the US and European market respectively.

But the latest thrust in Russian energy diplomacy comes close on the heels of the dramatic deterioration of Russia's relations with the US. Moscow's initiative could redraw the rules of the world energy sweepstakes. A high-level delegation led by Deputy Prime Minister Igor Sechin (who is also the chairman of Russia's biggest oil group Rosneft) proposed at a meeting of the OPEC [Organisation of Petroleum Exporting Countries] held in Vienna on September 10 proposed closer cooperation between Russia and OPEC.

Russia, which is not an OPEC member, has so far been pursuing its own policy. The Cold War schism enabled the US to keep the Soviet Union out of the OPEC, which is dominated by Saudi Arabia. But new equations have developed with an upswing in Saudi-Russian ties and the Saudi disenchantment with US policies. According to the prominent Russian strategic analyst Alexei Makarkin, the proposal to the OPEC is a show of intent for the West. He said, "The Kremlin wishes to show that if Russia's relations with the United States and Europe grow more strained, we could take a harder line. Russia is not really seeking OPEC membership, which would be economically inefficient because of the cartel quotas restricting production, but it would like to put in place an effective consultation procedure".<sup>19</sup>

Sechin said, "We are putting forward an initiative to establish a regular energy dialogue between Russia and OPEC, the main goal of which will be to contribute to providing sustainable stability on the oil market in the interests of all participants". He spelt out the Russian interest in establishing a "mechanism for regular coordination, information exchange and market analysis and forecasting".<sup>20</sup> On its part, OPEC has responded positively. The OPEC secretary general Abdallah Salem el-Badri has since visited Moscow for follow-up consultations.

Russia's tie-up with OPEC will make it harder to rollback its energy leverage in Europe. The OPEC plus Russia would control more than half of the world's crude output. The depth of the Western sense of disquiet is apparent from the grudging assessment by Richard Wachman of the



Guardian newspaper: “Oil is Russia’s biggest bargaining chip, as the soaring price has done more than anything else to give it the confidence and clout to re-assert itself on the world stage. A pact with OPEC would strengthen Moscow at a time when it has lost friends in the West”.<sup>21</sup>

The US senses danger ahead. Henry Kissinger has warned about “the disproportionate political influence” of the energy producing countries on world affairs. Of course, Russia’s entry into OPEC strengthens the overall Russian standing in the Middle East, which could pose problems for the Western dominance of the strategic region.

Kissinger wrote, “This state of affairs is intolerable in the long run. The foreign policy of the industrialized countries must not become a hostage to the oil producers...America should play a major role in this effort. Rather than wait passively for the next blow to fall, the major consuming nations – the Group of 7, together with India, China and Brazil – should establish a coordinating group to shift the long-term trends of supply and demand in their favour and to end the blackmail of the strong by the weak. Russia should be invited to participate in this effort”.<sup>22</sup>

The hard reality is that there is much more to what Kissinger calls “this political and economic earthquake” than a mere question of high oil prices. For, the question also devolves upon the recycling of the petrodollars. The 13 OPEC countries alone are estimated to earn more than \$ 1 trillion currently. Whereas in the past, the huge sovereign wealth funds used to be invested in passive US and European treasury bonds, they are now increasingly shifting to corporate equities and to the outright purchase of American and European businesses. This is particularly applicable to Russia’s investment patterns in Europe in the direction of aggressive search for buying assets.

Yet, the paradox is that Europe cannot do without Russia as an energy powerhouse. A dramatic illustration of this matrix became apparent on September 15 amidst all the hullabaloo over the crisis in the Caucasus. Britain announced that it has invited Medvedev to attend an energy summit of producers and consumers in London in December convened by Prime Minister Gordon Brown. Britain signaled that despite the current strains in Russo-British relations, it cannot and will not cut off all dialogue. The irony is that the UK has been leading the pack of the West’s ferocious critics of Russian intervention in Georgia. The British ambassador to Russia, Tony Brenton candidly told a Moscow newspaper, “High prices for energy resources lead to economic instability, and the suppliers suffer from that as well. They also are interested in discussing the situation. And Russia should participate in that discussion”.<sup>23</sup>

#### REGIONAL DEVELOPMENTS

The cumulative impact of the decline in the US’s global influence, the stresses and strains in the US-Russian ties as well as the surfacing of energy security as a dominating theme of the global discourses is already being felt in the various regions. Clearly, a transformational phase lies ahead.

##### *a) Latin America*

Nowhere is this more starkly apparent than in the Latin American continent, where belying skeptics and detractors, the Bolivarian Alternative Plan [ALBA] took a leap forward during the recent period as an attempt at regional integration that is based on a vision of social welfare and mutual economic aid as well as staunchly opposed to US hegemonism. On August 25, Honduras signed the agreement to join the ALBA, which includes Venezuela, Cuba, Bolivia and Nicaragua and 13 observers. To be sure, the process of unifying Latin America and the Caribbean as a counterbalance to U.S. hegemony is gathering momentum. The ALBA mode of integration emphasises enhanced security cooperation in the region on the basis of political solidarity and

self-dependence among the Latin American countries by promoting mutually beneficial economic cooperation.

Washington faces a serious, coordinated challenge for the first time to its regional hegemony in the Western Hemisphere. A major difference to the leadership role by Cuba in the Cold War period is that Venezuelan leader Hugo Chavez who takes the lead in the ALBA process, is not economically constrained. Chavez is relentlessly exploiting the US's current overstretch in the Middle East and its waning influence in Latin America. Chavez's approach – shift in the focus of trade towards technological cooperation and transfer; governmental intervention in major economic activities and development of natural resources; enhanced inputs for social welfare, etc. – holds direct threat to the US economic interests. At the same time, Chavez has shown the willingness to provide financial aid to the other poorer ALBA member countries out of its vast oil revenues.

Chavez's heady mix of Bolivarian nationalism, petro-diplomacy, and rhetorical assaults on the US is having a significant influence on his neighbours. A concerted US plan to undermine the democratically elected government in Bolivia led by President Evo Morales, a staunch ally of Chavez, is unfolding under the garb of support of democratic institutions and free market. Morales has alleged an attempted US-backed "coup d'etat". Chavez has warned that Venezuela will intervene in Bolivia in the event of any American-backed attempt to overthrow Morales's elected government.

In this surcharged political atmosphere in Latin America, US-Russia tensions are increasingly becoming a factor, much as Russia is not the Soviet Union, nor is there a cold war on the world scene. On September 17, Russian Foreign Ministry issued a strongly-worded statement implicitly criticising the US over the developments in Bolivia. It said, "We [Russia] unacceptable the attempts to threaten its [Bolivia's] territorial integrity, as well as any form of outside interference in the affairs of this sovereign Latin American nation. We condemn actions that lead to the destabilization of constitutional order, to the division of Bolivian society and that question the unity and integrity of that country".

There are other signs, too. Chavez has visited Moscow thrice during the past 2 years. Russia is negotiating supply of sophisticated weapons to the Venezuelan armed forces.<sup>24</sup> Two Tupolev TU-160 Russian strategic bombers recently visited Venezuela "to carry our training flights" in the region. A Russian naval task force will be visiting Venezuela in November, which would carry out "a series of exercises, including joint research and rescue maneuvers as well as communication trials", according to a Russian statement. The Foreign Ministry spokesman in Moscow said the naval task force will include the nuclear-powered cruiser Pyotr Velikiy and the anti-submarine frigate Admiral Shabanenko. Russian anti-submarine fighter planes are also to take part in the exercises and will be "temporarily stationed" at one of Venezuela's air bases. A high-powered Russian delegation led by Deputy Prime Minister Sechin recently toured the Latin American countries. Russian Federal Space Agency has offered the creation of a space center in Cuba and the "joint use of space equipments and space communication systems". Russian officials have said they want to renew Cuban ties that were neglected after the Soviet Union's collapse.

As an analyst with the French Institute of International Relations, Thomas Gomart put it, sending Russian military unites to Venezuela is "a double move by Moscow: increasingly open questioning of US hegemony, and support of energy nationalization in which President Chavez is a standard-bearer".<sup>25</sup> Washington is watching the growing Russian presence in the Western Hemisphere closely. In mid-August, US Secretary of State Condoleeza Rice said that the US was unhappy with the flights by Russian strategic bombers near its borders and accused Moscow of playing a "dangerous game". To be sure, the forthcoming visit by the Nicaraguan President Daniel Ortega, a staunch ally of Chavez and a fierce critic of Washington, to Moscow will be yet

another Russian “provocation” for the US. Nicaragua has recognized the independence of South Ossetia and Abkhazia. Ortega has said he had “talked the issue over with some colleagues” in the region, and hinted that other Central American countries could recognize the Caucasus republics soon. Chavez has condemned United States’s support for Georgia.

What is galling for Washington is that Russia is positioning itself wisely with the prevailing current of anti-US feelings sweeping the Latin American continent. Thus, while supporting Bolivia’s Morales, Russia finds itself in the company of influential Latin American countries such as Argentina, Brazil and Chile.

#### *b) Middle East*

Like in Latin America, US-Russia ties are likely to cast a shadow on the geopolitics of the Middle East region. The regional trends of the Middle East region have striking similarity with the Latin American scene in certain respects. In the Middle East, too, US prestige and influence have continued to suffer erosion in the past 6-month period. In the Middle East, too, petrodollar is a big factor in the regional politics. The huge amassing of wealth due to high oil prices is providing many countries in the region new and unprecedented options while crafting their foreign policy. Again, “de-ideologised”, post-Soviet Russia offers a comfortable partnership based on pragmatic considerations and mutual benefit. Finally, like in Latin America, there is a huge unfinished business of US hegemony that the Middle East is grappling with.

The three core issues – Palestine problem, Iraq and Iran nuclear problem – continue to dominate the Middle East regional landscape. No doubt, the Israel-Palestinian “peace process” lies in tatters. The credibility of the Palestine Authority head Mahmoud Abbas, whom the US and Israel favoured, has grievously suffered. Hamas’s grip on Gaza has only strengthened. In other words, the logic of the US-Israeli policy – applying extreme pressure on Hamas; persuading Palestinians to conclude Hamas cannot deliver in Gaza, while West Bank would be built up as a counter-model of tranquility and economic growth – has completely floundered. A new direction is needed. But the George W. Bush administration lacks a mediator’s credentials, in the Arab perceptions.

Washington’s attempts to whip up the spectre of a “Shia crescent” in the Middle East under the leadership of Tehran so as to rally the pro-West Sunni Arab regimes to seek American cover have floundered. As a perceptive German observer of the regional scene commented, “Rather than objectively describing the actual political situation in the Middle East, the notion of a fundamental Iranian threat is being used to continue unconditional Western support for increasingly unstable regimes. Moreover, the overstatement of the threat posed by Iran is also being used as a convenient excuse for political inflexibility and stagnating reform processes throughout the region”.<sup>26</sup>

From all appearance, the Bush administration has shelved its plans to bring together the pro-West Sunni Arab regimes and Israel in a phalanx against Iran, which would mitigate Israel’s regional isolation. On the contrary, the Arab regimes in the Persian Gulf region and Egypt have sought their own political accommodation with Iran. They have also voiced strong opposition to any US plans to attack Iran militarily. There is widespread recognition by the Sunni Arab regimes that regional power and politics have gravitated to Iran in large measure and an enduring solution to the region’s problems, including the Israeli-Palestinian conflict, can be found only with Iran and its local allies. The Arab popular opinion is also an important factor here. A recent survey by the University of Maryland revealed that a large majority of Arabs cutting across the sectarian divide consider Iranian President Mahmoud Ahmedinejad as one of the three most popular political leaders worldwide.

The stalemate in the US-Iraq talks to reach an accord on long-term relations will have a direct bearing on the legitimacy of the US forces stationed in Iraq. In turn, this will not only tarnish the Bush administration's final legacy in Iraq but also exacerbate Washington's ties with Baghdad, its Middle East strategy and indeed the Middle East situation as a whole. Two framework agreements were under negotiation: an agreement regarding the status of the US troops involving their rights, obligations, scale, duration and bases, their extent of operations, their immunity from local laws, etc. and a second agreement regarding the broader political, economic, military and long-term strategic partnership between the two countries.

Serious differences have cropped up on the status of the American troops stationed in Iraq, the withdrawal schedule and many other related issues. Iraqi side wants a 'non-occupation' accord which severely delimits the powers of the US forces, requiring them to operate with Iraqi prior approval and under local laws, progressively reduce the troop level and to commit to a final withdrawal schedule. Unsurprisingly, the Bush administration is averse to defining a timetable for withdrawal of troops and also insists on immunity for the troops from criminal liability under Iraqi laws. As regards any long-term framework agreement on strategic partnership, the difficulties are fundamental insofar as there is a huge groundswell of opinion in Iraq for the restoration of the country's sovereign power and powerful leaders like Shiite leader Muqtada al-Sadr and Spiritual Leader Grand Ayatollah Ali al-Sistani oppose the signing of any agreement with the US and Iran, which has huge influence is prevailing upon Baghdad not to grant any privileges to the US troops that Washington might misuse for undertaking a military strike against Iran. Least of all, Tehran would like Baghdad to get Washington to commit to a definite timetable for the troop withdrawal.

The conflict in the Caucasus has a direct impact on the Iran nuclear problem. It is highly unlikely during the period of the Bush administration, that Russia will agree in the UN Security Council with any move to impose stricter sanctions against Iran. Consequently, an impasse prevails despite a critical report by the International Atomic Energy Agency on September 15. The brief 6-page report assessed that the IAEA has failed to "make any substantial progress" in its investigation which was begun 4 months ago concerning Iran's alleged past research on designing a nuclear weapon. The IAEA report said that in defiance of UN Security Council resolutions, Iran is continuing to expand its uranium enrichment programme and has at present 3820 centrifuges running – an increase of 500 since May. The efficiency of these centrifuges has been put at 80% as compared to 50% previously. Conceivably, the report will be used by the United States to step up pressure against Iran.

Given the diplomatic impasse, there is speculation that the Bush administration might resort to a military strike against Iran. Russian analysts have warned that the US and Israel were considering plans to strike Iran from bases in Georgia. Significantly, Russian officials have hinted that Moscow is negotiating the delivery of more air defence systems to Iran despite US demands for a halt in sale to Tehran. The Russian official stance is that the air defence systems were aimed exclusively at augmenting Iran's defensive capabilities and they were not subject to international regulations. Iran recently took delivery of 29 Russian-made Tor-M1 air defence missile systems under a \$700 million contract. Russia has also trained Iranian personnel to handle the systems, including radar operators and crew commanders. Israel and US are monitoring any Russian willingness to supply Iran with the advanced version of S-300 missile system, which has a range of over 150 kilometers and can intercept ballistic missiles and aircraft at low and high altitudes, making Iran almost completely impervious to possible air attacks. On its part, Iran has been in a high state of alert for the past several months. It has conducted several high-profile war games this year, including a 3-day series of Ait Force and missile defence exercises on September 15-18.

#### CONCLUSION

The conflict in the Caucasus is a watershed event for US-EU and US-Russian relations. The US, EU and NATO have taken a position highly critical of Russia. The standoff between the Russian fleet and the US warships in the Black Sea bears testimony to the emergent “East-West” tensions.

Russia has refused to blink. It has recognized the independence of South Ossetia and Abkhazia and is well on the way to establishing military bases there. Russia has also suspended negotiations with NATO. All in all, Moscow has frontally challenged the US-led calculus of power and is making a very assertive comeback on the world stage. Russia’s continued interest in integration into the Western-dominated world order remains to be seen even if the talk of a “new cold war” may seem premature.

All this marks the end of the post-Cold War era as known for the past 17 years. The days are gone when the West would create a *fait accompli* for Russia as in the Balkans in the 1990s or with Kosovo’s independence. Russia is insisting that the US must negotiate with it. Russia has few economic vulnerabilities and is actually in a position to retaliate against continued attempts to “contain” it.

Without doubt, countries in the far-flung regions of Latin America and the Middle East will be keenly watching how the paradigm evolves. The US’s hegemonic model that proposes maintaining the world’s established power through absorbing some emerging powers is unravelling. We are witnessing the beginning of a process whereby the United States, the fulcrum of the unipolar world, is gradually becoming a common power. The Iraq war and Iran nuclear problem have shown that there are serious limits to the US’s capacity to solve regional problems on its own. Indeed, the subprime crisis testifies that the US’s capacity to solve its domestic problems is also in doubt. The Caucasus conflict is a signpost that the decline of US hegemony is an irreversible process.

#### NOTES

<sup>1</sup> Interview with Television Channel Euronews, *Kremlin.ru*, September 2, 2008.

<sup>2</sup> Stephen F. Cohen, “The New American Cold War”, *The Nation*, July 10, 2006.

<sup>3</sup> “Medvedev outlines five main points of future foreign policy”, *RIA Novosti*, August 31, 2008.

<sup>4</sup> Fu Mengzi, “West has no reason to see red in Russia’s rise”, *People’s Daily*, September 12, 2008.

<sup>5</sup> “Interim consequences of the Caucasus conflict”, *RIA Novosti*, September 16, 2008.

<sup>6</sup> “Russia busy with intense Central Asia diplomacy”, *People’s Daily*, September 4, 2008.

<sup>8</sup> Interview with Stephen Cohen, The Charlie Rose Show (US public television), June 28, 2006.

<sup>9</sup> A detailed account of the Clinton Administration’s hard-line post-Russia policy is available in Strobe Talbott, *The Russia Hand* (New York: Random House, 2006).

<sup>10</sup> “NATO’s great ambitions”, *People’s Daily*, June 13, 2006.

<sup>11</sup> India held its first-ever ministerial level meeting with the NATO when the NATO Secretary General Jaap de Hoop Scheffer met the Indian External Affairs Minister Pranab Mukherjee at New York in September 2007. NATO official delegations have been visiting New Delhi from time to time. For the first time, India participated in the Red Flag military exercise held in Nevada in the US in August, 2008.

<sup>12</sup> Russian officials have begun voicing alternative plans for the Black Sea fleet if its continued basing in Sevastopol becomes problematic. Talks have commenced seeking the reopening of the Soviet naval base in Tartus in Syria. See “Russia eyes Mediterranean as alternative to Sevastopol base”, *RIA Novosti*, September 15, 2008.

<sup>13</sup> “NATO backs Georgia but no firm invitation to join”, Reuters, September 15, 2008.

<sup>14</sup> Interview with Italian Television Channel RAI, *Kremlin.ru*, September 2, 2008.

<sup>15</sup> Russia may suspend support for NATO operations in Afghanistan”, *RIA Novosti*, September 4, 2008.

<sup>16</sup> “Seeking A Way Forward On Trans-Caspian Pipeline”, *Radio Free Europe & Radio Liberty*, September 2, 2008.

<sup>17</sup> “Cheney to shoot Caucasian troubles”, *RIA Novosti*, September 3, 2008.

<sup>18</sup> For a detailed account, see “Cheney fails to unite South Caucasus states against alleged Russian threat”, *Kommersant*, September 5, 2008.

<sup>19</sup> “Kremlin wants an OPEC on its side”, *Gazeta.ru*, September 11, 2008.

<sup>20</sup> “Russia and OPEC to join forces?”, *UPI*, September 12, 2008.

<sup>21</sup> “Russia’s OPEC bear hug”, *The Guardian*, September 15, 2008.

<sup>22</sup> Henry Kissinger and Martin Feldstein, “The rising danger of high oil prices”, *The International Herald Tribune*, September 15, 2008.

<sup>23</sup> “Medvedev asked to energy pow-vow”, *Upstream online*, September 18, 2008.

- <sup>24</sup> During the past 3-year period, Venezuela has procured weapons from Russia and China for over \$4.5 billion dollars, including Sukhoi fighter jets, Mi Helicopters, Kalashnikov assault rifles, radar and missile systems, patrol boats and reconnaissance planes. Current negotiations with Russia include purchase of submarines and other equipments.
- <sup>25</sup> Humberto Marquez, "Russia-Venezuela: Cold War coming to the Caribbean?", *Inter-Press Service*, September 12, 2008.
- <sup>26</sup> Michael Broning, "The myth of a 'Shiite Crescent' in the Middle East", *Daily Star*, May 21, 2008.