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Economic Sanctions and *The Sanctions Paradox*: A Post-Sample Validation of Daniel Drezner's Conflict Expectations Model

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Summary: Daniel Drezner's 1999 book *The Sanctions Paradox* used case studies from the former Soviet Union in the 1990s to test his game-theoretic model—the Conflict Expectations Model—of sanctions behavior. The model purports to help predict whether or not a “sender” will resort to economic sanctions to extract concessions from a “target” and whether the target will concede or resist. The clear logic of the Drezner approach, its applicability to a wide variety of policy situations, and its empirical validation using historical data have combined to make it a standard source in the literature, generating over 250 citations¹. In this paper we reexamine the performance of the model, using a new data base of Russian economic sanctions enacted in the 2000s, well after the publication of *The Sanctions Paradox*. We found that the model still performs well and is still a useful aid in sanctions analysis.

¹ Google Scholar, 1 May, 2013.

Our paper also sheds light on Russian economic statecraft. We found that Russia continued to make extensive use of economic sanctions to influence political decisions in the New Independent States (NIS) in the 2000s but that the sanctions were considerably less effective than they had been in the 1990s. The analysis makes clear that Russia's sanctions successes in the 1990s created a strong desire in many of the NIS to reduce Russia's economic leverage over them by diversifying their trade and energy links. It is possible that a less aggressive Russian strategy in the 1990s – though it might have brought smaller short term gains – could have better served Russia's long term interests. The paper also suggests that the Drezner model might have improved predictive ability if it included some measure of repetition and/or duration of sanctions.

Economic Sanctions and Russian Economic Statecraft

It is paradoxical that the economic sanctions literature, especially the debate between Hufbauer and Pape² is so pessimistic about the utility of sanctions (even Hufbauer says they have utility in only about a third of the cases) but policy-makers still seem to turn to them with great hope and enterprise when faced with difficult foreign policy issues. Indeed, the world community has spent an enormous amount of effort sanctioning Iran in the last few years seeking to dissuade the rulers of that country from pursuing nuclear weapons. The academic community has contributed a large amount of literature analyzing the case³.

² Key works in the sanctions debate are Gary C. Hufbauer, Jeffrey J. Schott, Kimberly A. Elliot, and Barbara Oegg, *Economic Sanctions Reconsidered*, 3rd edition (Washington, DC: Peterson Institute for International Economics, 2007), and Robert A. Pape's "Economic Sanctions Do Not Work", *International Security*, Vol. 22, No. 2 (Autumn, 1997), pp. 90-136. For an earlier version of the debate see David Baldwin's *Economic Statecraft* (Princeton: Princeton University Press, 1985) and Klaus Knorr's *The Power of Nations* (New York: Basic Books, 1975). See also Richard N. Haass and Meghan L. O'Sullivan, eds., *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy* (Washington, DC: Brookings Institution Press, 2000), and Richard N. Haass, ed., *Economic Sanctions and American Diplomacy* (New York: Council on Foreign Relations, 1998).

³ See Jeffrey J. Schott, "Economic Sanctions Against Iran: Is the Third Decade a Charm?" *Business Economics* Vol. 47, No. 3 (July, 2012), pp 190-192; Robert D. Blackwill, ed., *Iran: The Nuclear Challenge* (New York: Council on

One strain of the sanctions literature, revolving around Daniel Drezner's *The Sanctions Paradox*⁴, is not only more optimistic about the utility of economic sanctions, it provides a framework for both predicting the imposition of economic sanctions and for gauging their effectiveness if implemented. Drezner tested the model in several ways in his 1999 book and continues to use the framework in foreign policy analysis⁵. In the most compelling test of his theory, Drezner examined how the newly created Russian state used economic sanctions 39 times in the 1990s to extract concessions and to influence important policy decisions in the newly independent states (NIS⁶) formed after the dissolution of the Soviet Union. These sanctions, he claims, were successful 38% of the time, a proportion far higher than Pape's view of the historical record (less than 5% success rate) and somewhat higher than Hufbauer's estimate of a success rate around 34%. More importantly, his analysis shows that his game-theoretic model was both a good predictor of the imposition of economic sanctions on particular targets and the magnitude of concessions (if any) likely to be offered.

Russia's aims in the NIS were more diverse than the current US aims in Iran, but the stakes were nonetheless high for Russia. Ariel Cohen⁷ asserts that Boris Yeltsin "demanded a sphere of influence in

Foreign Relations, 2012); Meghan L. O'Sullivan, "Iran and the Great Sanctions Debate," *The Washington Quarterly*, Vol. 33, No. 4 (October, 2010), pp 7-23; and Ruel Marc Gerecht, "The Logic of Iran Sanctions," *The Weekly Standard*, (January 3, 2011), pp 11-15.

⁴ Daniel W. Drezner's *The Sanctions Paradox: Economic Statecraft and International Relations* (Cambridge, UK: Cambridge University Press, 1999).

⁵ See Drezner "Bad Debts: Assessing China's Financial Influence in Great Power Politics", *International Security* (Vol. 34, No. 2 (February, 2009), pp. 7-45, which uses the Conflict Expectations Model to analyze China's recent attempts at economic coercion against the United States. See also Drezner "'The Iran Sanctions are Crippling'", *Foreign Policy* blog, July 5, 2012.

⁶ NIS is an informal term used to represent the "newly independent states", the 15 states that were formed from the dissolution of the Soviet Union. Some quoted passages below refer to the CIS, the Commonwealth of Independent States, a loose political organization that contains most of the NIS.

⁷ Ariel Cohen, "'Reset' Regret: Russian 'Sphere of Privileged Interests' in Eurasia Undermines U.S. Foreign Policy". *Heritage Foundation* WebMemo No. 3311, July, 2011.

the CIS in 1993” and that goal “has been the driving force of Russian foreign policy.” “Moscow,” according to Drezner “wanted the NIS to be subservient to Russia and to no other great power”:

Nominal independence of the NIS gave Russia the best of both worlds. It could scavenge these states for valuable assets and concessions, but avoid incurring any of the costs associated with subsidizing their regimes or economies.⁸

Drezner quotes Sergei Karaganov, head of Russia’s Foreign Defense Policy Council, who said in 1995: “Russia is becoming an imperial power of the 20th century; we no longer need physical control over territory, we can have economic influence”⁹. Drezner documents 39 uses of economic coercion toward the NIS states in 1992-1997. The overall goals of the efforts were to gain control of Soviet strategic military assets (weapons and bases), dominate each new state’s energy resources, and minimize the influence of outside powers in the region—and to achieve all this without military intervention. Russia had varying targets in each of the NIS depending on their military and industrial assets, and had varying degrees of economic leverage over the several states depending on their degree of dependence on Moscow for markets, subsidies, energy supplies, and transit routes. Favored tools of coercion involved raising tariffs on exports to Russia (Azerbaijan), reduced energy subsidies and/or supplies to energy importers (Ukraine, Belarus, Moldova, and the Baltics), and reduced access to and/or higher costs for using energy pipelines across Russian soil (Kazakhstan and Turkmenistan).

Drezner reports that 15 of the 39 Russia coercion attempts met with significant concessions from the target countries. His contribution to the literature, however, is greater than the narrative; it lies in the construction of his “Conflict Expectations Model” in which he sets up a two-dimensional framework based on the degree of opportunity costs involved in the coercion attempt and the degree of expectations of further conflict. In Drezner’s methodology, if the sender country (Russia) bears small

⁸ Drezner, 1999, pg. 135.

⁹ Ibid, pg 141.

costs (in relation to GDP) in imposing the sanctions while the target country suffers large economic costs, there is a large gap in opportunity costs that both makes the sender country more likely to impose sanctions and the target country more likely to offer concessions. Also important, however, is the state of relations between the two states and expectations about future discord. If the target country fears that the current coercion attempt is but one effort in a potentially long and discordant relationship it will be much less likely to make concessions.¹⁰

Table 1 lays out the prediction model constructed by Drezner. Economic sanctions are expected to be much more effective when the target country is not particularly fearful of the sender country and can be forced to bear higher costs than the sender. Sanctions are much less likely to yield significant results if the target country is wary of the sender and the gap in costs is small. The model also predicts that the sender will rarely use sanctions against relatively friendly states where the gap in costs is small. The reader is referred to the Drezner book for details.¹¹

¹⁰ See Adam N. Stulberg, *Well-Oiled Diplomacy* (Albany: State University of New York, 2007) for an alternative discussion of many of these same cases.

¹¹ Before turning to Russia, Drezner tested his Conflict Expectations against alternative explanations of sanctions behavior, such as the “signaling model” and the “domestic politics model” by using regression analysis to explain the results of the Hufbauer database of 114 sanctions cases (see Drezner, 1999, Chapter 4).

Table 1: The Drezner Conflict Expectations Model

	Low Expectations of Future Conflict (Ally)	High Expectations of Future Conflict (Adversary)
Large Gap in Opportunity Costs	Box 1 Prediction: Significant Concessions	Box 2 Prediction: Moderate Concessions
Moderate/Small Gap in Opportunity Costs	Box 3 Prediction No (or few) Coercion Attempts	Box 4 Prediction: Minor Concessions

Source: Drezner, pages 5, 54, 151, and 237. His four tables vary slightly in detail but the concept is unchanged. Box numbers added by authors for convenience.

Drezner tests this theoretical construction against actual Russian behavior in the 1990s. He presents detailed case studies of Russian coercion efforts against the other 14 new states that were formed after the dissolution of the Soviet Union. He describes what Russia did in each of 39 efforts and what its goals were. He judges where Russia and the target country fit in the above table, and evaluates the success or failure of the sanctions' efforts. He rates each attempt as yielding significant concessions from the target country, moderate concessions, minor concessions, or no concessions.

For comparison purposes we have ascribed unit values to each of these four possible results (a significant concession counts as 3 points, a moderate concession gets 2 points, etc.). Using this scoring perfect model forecasting would result in an average Box 1 score of 3, an average Box 2 score of 2, an average score Box 3 score of 0, and an average Box 4 score of 1. Table 5.9 in Drezner presents his judgment about the magnitude of concessions, if any, for each of the 39 coercion attempts. Table 2 below shows the results of the predictions for each box. We consider that the scores in boxes 1 and 2

are quite good--the model had considerable predictive success--while the score for box 3 suggests some problems. The percentages in the outer column and row show the success rate for only significant concessions, a somewhat different consideration more in keeping with the discussion in Hufbauer and Pape. By this measure, it seems that sanctions against allies (countries with low conflict expectations) resulted in significant concessions 73 percent of the time, while sanctions against countries with high conflict expectations had a very low success rate (16 percent).

Table 2: The Conflict Expectations Model: Russian Sanctions Attempts and Results, 1992-1997*

	Low Expectations of Conflict	High Expectations of Conflict
Large Gap in Opportunity Costs	Box 1 8 coercion attempts Average score = 2.75 (vs. expected 3.0)	Box 2 11 attempts Average score = 1.73 (vs. expected 2.0)
Moderate/Small Gap in Opportunity Costs	Box 3 7 attempts Average score = 2.75 (vs. expected 0.0)	Box 4 13 attempts Average score = 1.73 (vs. expected 1.0)

Success rate for significant concessions **15/39 = 38%**

**Using Drezner's coding of gaps, conflict expectations and results from the 90s. Drezner put Belarus and Kazakhstan in Box 1, Georgia, Moldova, and Ukraine in Box 2, Armenia, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in Box 3, and Azerbaijan, Estonia, Latvia, and Lithuania in Box 4.*

We regard these results as important because they suggest that economic sanctions can and have been successful, far more successful than Pape, for one, suggested. We also regard the results as positive in terms of the model, the Drezner Conflict Expectations Model did a reasonably good job of predicting the outcomes of the sanctions.

Despite these successful examples of economic coercion, Russia fell far short of achieving its broader foreign policy goals in the 1990s, it simply didn't have the power. As Trenin puts it, "Russia had no resources to back up its ritual claims that the CIS constituted a prime interest of its foreign policy."¹² During the 90s, after all, Russia was coping with high inflation, economic restructuring, a debt crisis, and an oil shock.¹³ The new states were able to establish sovereignty and "entered into all sorts of relations with both their neighbors and outside powers"¹⁴ much to the annoyance of Russia.

Russian Economic Coercion in the 2000s

Drezner stopped his record of Russia's economic coercion in 1997, but Russia's foreign policy goals in the NIS did not diminish and coercion efforts did not stop. By the end of the 1990s, according to Adam Stulberg, "even pro-Western reform minded Russian politicians looked to energy diplomacy as the crutch for forcibly reintegrating the former Soviet space under the aegis of a 'liberal Russian empire.'"¹⁵ From his election in 2000, President Vladimir Putin aggressively sought to centralize the Russian energy industry and to influence if not acquire energy resources and infrastructure in the NIS.^{16 17}

Russia, in the first 13 years of the new century used its economic power over the NIS for several purposes including (1) to create a sphere of "influence" or "interests", and (2) to extract the maximum amount of economic rent possible from the production and transportation of energy resources within Eurasia. By 2003, with soaring world oil prices and a strong global economy, it was in a more powerful economic position than

¹² Dmitri Trenin, "Russia's Sphere's of Interest, Not Influence." *The Washington Quarterly*, Vol. 32, No. 4 (Autumn, 2009), pg. 9.

¹³ Celeste A. Wallander, "Russia's Transimperialism and Its Implications," *The Washington Quarterly*, Vol. 30, No. 2 (Spring, 2007), pp. 107-122.

¹⁴ Trenin, 2009, pg. 9.

¹⁵ Stulberg, 2007, pg. 14.

¹⁶ Henry Balzer, "The Putin Thesis and Russian Energy Policy," *Post-Soviet Affairs*, Vol. 1, No. 3 (July-September, 2005), pp 210-225.

¹⁷ Stulberg, 2007, pg. 136

it had been in the 1990s. In addition, Russia's ability to influence the NIS through remittances had also increased since the 1990s¹⁸. On the other hand, many of the NIS had sharply cut their trade and/or energy dependence (Table 3) on Russia and had enjoyed a decade of sovereignty.

Russia in the 2000s was an economic giant compared to its neighbors, and was relentless in pursuing economic re-integration – perhaps not reconstituting the Soviet Union as Moscow constantly reiterates – but something much more integrated than 15 independent states. In 2003 the call was to form a “common economic space” among Russia, Belarus, Kazakhstan, and Ukraine. In 2009 this effort transformed into The Eurasian Economic Community's (EurAsEC) Customs Union, without Ukraine. The Customs Union was widely seen as a means through which Moscow can extend its political and economic influence in the post-Soviet sphere. Now forming a single economic space, these three countries have free movement of goods, services, capital, and labor. Russia clearly intends to expand the customs union to other states in the region. Kyrgyzstan and Tajikistan have already pledged their commitment to union accession, while Ukraine is being pressured by Russia to follow suit. Although the promise of free labor movement is an attractive option to poor countries whose economies rely on remittances sent from Russia, there are clear drawbacks to joining. Aside from the Russian-favored structure of EurAsEC, which mandates that voting power is weighted by the size of a state's economy, Russia's World Trade Organization (WTO) membership has created an influx of cheap, foreign-made goods within the Customs Union that significantly hurt domestic production in member states with weaker economies.

¹⁸ Fahad Alturki, Jaime Espinosa-Bowen, and Nadeem Illahi, “How Russia Affects the Neighborhood: Trade, Financial and Remittance Channels”. (Washington, DC: International Monetary Fund, Working Paper, WP/09/277, December, 2009.

Table 3: Trade Dependency

	Trade with Russia as Share of Total Trade		Membership in WTO	Membership in Eurasian Customs Union
	1994	2011		
Armenia	49.7%	18.4%	2003	
Azerbaijan	18.2%	7.4%		
Belarus	69.1%	44.4%		2009
Estonia	19.3%	13.6%	1999	
Georgia	22.0%	5.2%	2000	
Kazakhstan	62.6%	10.0%		2009
Kyrgyzstan	47.6%	16.9%	1998	
Latvia	25.5%	11.3%	1999	
Lithuania	34.4%	23.2%	2001	
Moldova	64.9%	17.3%	2001	
Tajikistan	41.0%	13.7%	2013	
Turkmenistan	17.1%	7.9%		
Ukraine	54.2%	28.9%	2008	
Uzbekistan	46.6%	21.1%		

Sources: 1994 Trade from Drezner, pg 143, based on International Monetary Fund, *Direction of Trade Annual, 1994*. 2011 Trade from CIA *World Factbook*, online, Jan 18, 2013. WTO membership: WTO.org, 1 May, 2013. Eurasian Customs Union: various sources.

Note: China is now a much larger trading partner for Kazakhstan (25%), Kyrgyzstan (40%), Tajikistan (33%), and Turkmenistan (40%). Also note that Russia joined the Eurasian Customs Union in 2009 and joined the WTO in 2012.

In 2011, a new effort was launched to create a Eurasian Union, a grand design that, Putin said, could eventually resemble the European Union or even the United States in terms of its economic cohesion and geopolitical power. Membership would be voluntary he said, but he also said it was inevitable. In late 2012, President Putin increased pressure by suggesting that residents of countries that are not members of the Customs Union would soon no longer be able to use their domestic passports for entry into Russia.

Testing the Conflict Expectations Model in the 2000s

The authors identified 27 examples of economic coercion from Russia to the NIS between 2001 and 2012 (see Table 4). They include such things as launching a cyber attack on Estonia, cutting imports of Georgian wine, threatening to shift Russia's space launch operations from Kazakhstan, and the old favorites of raising the price of natural gas—or cutting gas supplies altogether—in Ukraine and Belarus. We have used these case studies to make a post-sample test of the Drezner methodology to examine whether the Conflict Expectations Model works as well as it did in the 1990s and to see whether it sheds any new light on the sanctions debate itself. These 27 cases are described in detail in the appendix.

To test the model fairly, we had to decide where the bilateral relations between Russia and the target country stood before the coercion attempts in the 2000s, as Drezner did before using his methodology to think about coercion successes and failures in the 1990s. We started with the coding Drezner used—whether a target country was in Box 1 (low expectations of conflict, large gap in opportunity costs), or elsewhere. Most of the coding Drezner made in the 1990s still seemed appropriate to us, but we made three changes based on changing circumstances. We moved Kazakhstan from Box 1 to Box 3, because since 1997 that country steadily diversified its transport routes and was, in the 2000s, not nearly so dependent on Russian pipelines and markets, thus narrowing the gap in opportunity costs. We moved Kyrgyzstan from Box 3 to Box 4 because after 2000 and before the coercion attempts began Kyrgyzstan suffered severe internal instability which led to leadership that was both weaker and less friendly to Russia¹⁹. We moved Lithuania from Box 4 to Box 2 mainly because accordance with EU energy regulations left it almost entirely dependent on Russian energy sources, thus increasing Russia's leverage. We considered moving Georgia from Box 2 to 4 because of decreased trade and energy dependence, but we decided that that change came after the sanctions attempts and the brief war, rather than before it.

¹⁹ Drezner said that, in the 1990s, 7 of the 14 countries had high conflict expectations and could be considered adversaries rather than allies. We don't think things changed much in the 2000s. Kyrgyzstan briefly became less friendly to Russia, as noted above, but we would judge that it has since moved back to the low conflict expectations camp.

The Drezner model predicts the pattern of coercion attempts as well as the success of coercion. It suggests that fewer coercion attempts will be made against allies than adversaries, and fewest against allies with whom there is only a small gap in opportunity costs. In the 1990s, Drezner's results conformed to those expectations and that result was repeated in the 2000s (Table 4). In the 1990s there were 2.1 coercion attempts per country against 7 allied countries vs. 3.4 coercion attempts per country against 7 adversary countries. The 2000s showed fewer attempts over a longer period, but much the same pattern as in the 1990s: more attempts against adversaries than allies.

Table 4: Pattern of Coercion Attempts, 1992-1997 and 2001-2012

	Low Expectations of Conflict	High Expectations of Conflict
Large Gap in Opportunity Costs	Box 1 8 attempts in 90s against 2 countries 3 attempts in 2000s against 1 country =4 attempts per country, 90s = 3 attempts per country, 2000s	Box 2 11 attempts in 90s against 3 countries 11 attempts in 2000s against 4 countries =3.7 attempts per country, 90s =2.75 attempts per country, 2000s
Moderate/Small Gap in Opportunity Costs	Box 3 7 attempts in 90s against 5 countries 5 attempts in 2000s against 5 countries =1.4 attempts per country, 90s =1 attempt per country, 2000s	Box 4 13 attempts in 90s againsts 4 countries 8 attempts in 2000s against 4 countries =3.3 attempts per country, 90s =2 attempts per country, 2000s

Source: 1990s from Drezner, pg 237; 2000s from authors' coding: Box 1-Belarus; Box 2-Georgia, Lithuania, Moldova, Ukraine; Box 3-Armenia, Kazakhstan, Tajikistan, Uzbekistan, Turkmenistan; Box 4-Azerbaijan, Kyrgyzstan, Latvia, Estonia.

More importantly, the Drezner model also predicts the extent of concessions based on conflict expectations and the gap in opportunity costs. We have characterized the results of the 27 coercion attempts in terms of their success or failure in achieving Russia's objectives (see Table 5). The country studies in the appendix discuss the individual coercion attempts, Russia's apparent objectives, and the results. We have decided, on

judgmental grounds, to rank each effort either a failure, or achieving minor, moderate, or significant gains for Russia.²⁰

²⁰ We know from the debates between Pape and Hufbauer and Knorr and Baldwin that interpretations of causes and results of coercion attempts can vary widely among analysts. In this work we accept the Drezner analysis and interpretation of events in Russia in the 1990s and try as closely as possible to use the same framework in the 2000s.

Table 5: Summary of coercion episodes in the former Soviet Union, 2001-2012

	Target Country	Demand	Low expectations of future conflict?	Large gap in costs of coercion?	Threat or use of military force?	Target regime unstable?	Magnitude of target's Concession
1	2001 Armenia	Stake in energy industries	Yes	No	No	No	Significant
2	2005 Armenia	HTPP or stake in Iran gas pipeline	Yes	No	No	No	None
	-- Azerbaijan	N/A	No	No			
3	2004 Belarus	Control of Belarus gas company	Yes	Yes	No	No	None
4	2007 Belarus	Control of Belarus gas company	Yes	Yes	No	No	Significant
5	2010 Belarus	Customs Union agreement	Yes	Yes	No	No	Moderate
6	2007 Estonia	Keep Russian statue in its place	No	No	No	No	None
7	2006 Georgia	Disapproval of pro-West policies	No	Yes	No	No	None
8	2006 Georgia	Release of Russian spies	No	Yes	Yes	No	None
9	2008 Georgia	End to NATO accession talks	No	Yes	Yes	No	None
10	2004 Kazakhstan	Extended lease for Baikonur	Yes	No	No	No	Moderate
11	2009 Kyrgyzstan	Stake in Dastan, removal of US base	No	No	No	Yes	None
12	2010 Kyrgyzstan	Raise oil tariffs 100%	No	No	No	Yes	Significant
13	2011 Kyrgystan	Customs Union accession	No	No	No	Yes	Significant
14	2012 Kyrgyzstan	Ownership of Dastan, Kyrgyzgaz	No	No	No	Yes	Significant
15	2003 Latvia	control of Ventspils port	No	No	No	No	None
16	2006 Latvia	redefined border	No	No	No	No	Minor
17	2011 Latvia	Russian an official language	No	No	No	No	None
18	2003 Lithuania	Stake in Mazeikiai oil company	No	Yes	No	No	Moderate
19	2006 Lithuania	Stake in Mazeikiai oil company	No	Yes	No	No	None
20	2011 Lithuania	Pipeline rights returned to Gazprom	No	Yes	No	No	None
21	2006 Moldova	change in pro-West policies	No	Yes	No	No	None
22	2010 Moldova	Change in anti-Russian policies	No	Yes	No	No	None
23	2008 Tajikistan	debt exchange for equity, Okno	Yes	No	No	No	Moderate
24	2009 Turkmenistan	Influence in Turkmen gas production	Yes	No	No	No	None
25	2005-06 Ukraine	Change in pro-West policies	No	Yes	No	Yes	None
26	2008-09 Ukraine	Basing rights, Black Sea Fleet, pro-Russ govt	No	Yes	No	No	Significant
27	2012 Ukraine	Control of pipelines	No	Yes	No	No	None
	-- Uzbekistan	N/A	Yes	No			

Source: See appendix for case details and sources.

Despite the increase in Russia’s economic power noted by Trenin, Russian coercion attempts had far less success in the latter period. Only 6 out of 27 coercion attempts, (22.2%) yielded significant concessions compared to a 38% success rate in the 1990s (Table 6). This overall success rate, of course, has nothing to do with the Drezner methodology; it merely supports the view that Russia’s economic sanctions in the 2000s were overall less effective than they were in the 1990s.

Table 6: The Conflict Expectations Model: Coercion Attempts And Successes, 2001-2012*

	Low Expectations of Conflict	High Expectations of Conflict	Success rate for Significant Concessions
Large Gap in Opportunity Costs	Box 1 3 coercion attempts Average Result = 1.67 (vs. expected 3.0)	Box 2 11 attempts Average Result = 0.45 (vs. expected 2.0)	2/14 = 14.3%
Moderate/Small Gap in Opportunity Costs	Box 3 5 attempts Average Result = 1.40 (vs. expected 0.0)	Box 4 8 attempts Average Result = 1.25 (vs. expected 1.0)	4/13 = 30.8%
Success rate for Significant Concessions	2/8=25%	4/19=21.0%	6/27 = 22.2 %

**Using Drezner's coding of gaps and conflict expectations from the 90s, adjusted by authors for changes prior to coercion attempts.*

How did the Drezner methodology perform in helping predict the imposition and effectiveness of economic sanctions? Remember that, in the 1990s, the conflict expectations model did quite well in predicting the relative success of coercion efforts separated into the 4 categories of the model. In Table 2 we compared the actual to the average predicted success in each of the four boxes, and showed that only in Box 3 were the

results off the mark. The model did quite a good job of predicting the relative success of the sanctions effort depending on the two conditioning factors stressed by Drezner.

The model did less well in the 2000s. In the cases where Russia had substantial economic leverage (Boxes 1 and 2, Table 6), sanctions efforts met with significant success only 14.3% of the time, and the average result per box was much lower than expected. In the 1990s, against adversarial countries in a weak bargaining position (Box 2 countries), Russian success almost matched model expectations (an average score of 1.73 vs. expected score of 2.0). But in the 2000s, while Russia made the same number of coercion attempts against Box 2 countries, the success score was only 0.45. The success score against Box 2 countries in the 2000s was actually the lowest of the four categories, instead of the model-predicted 2nd highest (Table 7).

Table 7: Comparing Model Forecasts

	Box 1	Box 2
Predicted Score	3	2
Actual Score 1990s	2.75	1.73
Actual Score 2000s	1.67	0.45
	Box 3	Box 4
Predicted Score	0	1
Actual Score 1990s	2.71	1.08
Actual Score 2000s	1.40	1.25

Box 1, where a combination of large gap in opportunity costs and a low expectation of conflict should lead, according to the model, to the greatest likelihood of significant concessions had only a one-in-three (33%) success rate, far lower than the 75% success rate noted by Drezner in the 1990s. In Drezner’s coding, Belarus and Kazakhstan were in Box 1, and they received 8 attempts in the 1990s. We have shifted Kazakhstan to Box 3 in the 2000s, because it has successfully diversified its trade routes and thus reduced the economic leverage Russia had over it. But Belarus, the only remaining country in Box 1—still highly dependent on

Russian trade and energy and closely aligned politically with Russia--nonetheless had the will to successfully resist or at least seriously dilute Russian attempts at economic coercion.

The Drezner approach suggests that more coercion attempts will be performed against less friendly states (high conflict expectations) and that prediction is borne out in our results: 19 out of 27 (70.4%) of the recorded coercion attempts were against Box 2 and 4 countries.

Drezner also tested the coercion efforts against competing theories that say either (1) military force or the threat of military force is usually behind any reported sanction success or (2) sanctions are more often successful against weak or unstable regimes. In *The Sanctions Paradox* Drezner refers to some empirical literature^{21, 22} and his own regression analysis to argue against the idea that military force or threat account for sanctions effectiveness, and he finds the same results in his analysis of the Russian coercion attempts in the 1990s, claiming that Russia's sanctions in the 1990s were more effective when military power was not involved. Similarly, he found that sanctions were more successful against stable rather than unstable regimes.

Our results for the 2000s are not so clear cut. We coded only Kyrgyzstan as a weak/unstable regime and Russia's sanctions against that country were highly successful. Overall, Russia achieved a 75% success rate against unstable regimes in the 2000s vs. a 30% success against the rest. Our results on military threat or force are more consistent with Drezner's. We found that military threats were used only against Georgia in the 2000s, and they resulted in no success at all. Only when actual force was applied in 2008 did Georgia's attitude become amenable to Russian demands. The Conflict Expectations Model

²¹ San Ling Lam, "Economic sanctions and the success of foreign policy goals: a critical evaluation," *Japan and the World Economy*, Vol. 2, No. 3 (September, 1990), pp. 239-248.

²² Kimberly A. Elliott and Peter P. Uimonen, "The effectiveness of economic sanctions with applications to the case of Iraq," *Japan and the World Economy*, Vol. 5, No. 3 (December, 1993), pp. 403-409.

correctly predicted that Russian sanctions efforts would be frequent but it overestimated the degree of concessions Georgia would offer.

Overall these results suggest that Drezner's Conflict Expectations Model, which worked quite well in the period when it was developed in the 1990s, was less successful in the next decade but still offered some useful insights into the imposition and effectiveness of economic sanctions.

Our results suggest that a two-period or dynamic game yields much different results than the first period game. In fact, in this case, the gains to Russia were about half as large as in the first round. This result really isn't very surprising. In the 1990s, Russia came after the NIS with a series of demands and an array of sanctions to coerce the target countries to acquiesce. Russia met with a considerable amount of success and the success rate varied considerably depending on the factors Drezner elucidated in his Conflict Expectations Model. In the 2000s, Russia again came to the NIS countries with a set of similar demands (although this time more concentrated on the energy sector, less so on military and basing issues), and met with considerably less success. Even though Russian absolute economic and military power had advanced considerably due its favorable energy position and the establishment of a strong and competent authoritarian state, most of the NIS, learning from the 1990s, increased their resistance by strengthening political and economic ties with the West and China, by building new pipelines, and by becoming, in some cases, more nationalistic and less Russophile in their attitudes.

Putin still dreams of putting together a Grand Eurasian Union and he has signed up a few members for a union of sorts. But the progressive weakening of Russia's coercive power demonstrated in this paper raises the question of whether a less coercive and a more cooperative posture from the beginning might have served Russia's ambitions better. The untestable counterfactual is whether Russia might have achieved more of its aims by using a strategy of engagement rather than coercion, a point raised by Haass and O'Sullivan (2000) discussing US sanctions efforts in the 1990s.

Drezner's work and, we hope, this article also have important lessons for the economic sanctions literature in general, especially the two debates cited above—between Baldwin and Knorr and between Pape and Hufbauer. Knorr disparaged sanctions (even calling them counterproductive) because in a handful of historically important cases sanctions failed to achieve their truly large political objectives²³ Baldwin, Hufbauer, and the Russian cases show that economic sanctions can and often have been a low-cost way to advance national interests, in the 2000s and before.

Pape's major contention was that any significant result from the sanctions cases that Hufbauer examined really was caused by military intervention or the threat of military intervention, not the economic coercion. In the Russian cases examined over these two decades actual military power seemed to come into play only once, and in that case the target country²⁴ initiated the military action. Russia's use of economic leverage alone was often sufficient to advance—if not completely satisfy-- its foreign policy objectives.

Instead of rejecting the use of sanctions out of hand—as Knorr and Pape recommend--it is more reasonable to use sanctions in cases with more limited foreign policy objectives where they are most likely to be of help. Drezner's Conflict Expectations Model has been shown to be a useful tool for the foreign policy analyst weighing statecraft options in pursuit of national interests.

²³ Such as coercing Japan to withdraw in 1941 from its recent conquests in southeast Asia.

²⁴ Georgia, in 2008.

Appendix

Russian Economic Coercion Attempts from the 1990s to the 2000s

Estonia

Drezner claims that Estonia had a high expectation of future conflict and a moderate gap in opportunity costs with Russia in the 1990s. According to the CEM, he claims, Estonia was the least likely of any CIS country to give in to Russia's demands. There were three objectives in Russia's coercion attempts against Estonia: citizenship rights for ethnic Russians living in Estonia, equity in key Estonian industries in exchange for debt relief, and control of military assets and bases in Estonia. Russia received only minor concessions for its second demand and nothing from the other two. Estonia was heavily dependent on energy sources from Russia and its economy was hit heavily by Russia's coercion measures; however, it was determined to exit Russia's traditional sphere of influence and was willing to suffer economically to do so.

At the turn of the century, Estonia was well on its way to European integration, with plans to join the EU and NATO, which it did in 2004. Having shown its resolve against Russia's coercion attempts, Estonia proved to be a difficult target for Russia. Consequently, Russia has only used economic coercion one time against Estonia since 2000. This happened in 2007, when the Estonian government's decision to move the Bronze Soldier Statue led to a major dispute between Estonians and Russians about the role of the Soviet military in World War II. The statue, erected by the Soviets to recognize the Red Army's liberation of Estonia from Nazi Germany, was understood by Estonians to represent the Soviet occupation of their country for over four decades.²⁵

²⁵ Steven Eke, "Views diverge on Estonia's history," *BBC News*, April 27, 2007.

Russians were outraged after the statue and remains of buried soldiers were relocated to a nearby cemetery and responded to this by demonstrating at and besieging the Estonian embassy in Moscow.²⁶ The Russian government advised all Russian citizens to boycott Estonian products and avoid all travel to Estonia, tantamount to informal sanctions. There were also claims by the Estonian government that it was the target of cyber attacks, which hindered online business and banking operations for several weeks.²⁷ Additionally, Russia shut down a vital railway which transported oil and coal to Estonia.²⁸ Estonia was undeterred in moving the statue, despite Russia's efforts to weaken Estonia economically.

As of 2012, Estonia still receives all of its imported gas from Russia, though the government is making efforts to mitigate its dependency on Russia. Under President Toomas Ilves, Estonia has set aside resources and land previously reserved for national defense purposes in order to build a LNG port through which the Baltic states can ship in liquefied natural gas from other countries.²⁹ Estonia on average produces 15 million tons of oil shale, which supports over 90 percent of Estonia's electricity.³⁰ These energy investments cost significantly more than continuing to buy Russian gas, but for Estonia, it is more important to diversify its energy supply away from Russia.

Estonia, like the other Baltic states, has high expectations of future conflict with Russia and the general population strongly resents Russian influence over them. This has prompted Estonia to push toward European integration with great determination and shed itself of any long-term dependency on Russia, despite taking on high costs in the short-term. In the coming years, Estonia's trend of European

<http://news.bbc.co.uk/go/em/fr/-/2/hi/europe/6599145.stm>

²⁶Anonymous, "Estonia shuts consulate in Moscow," *BBC News*, May 2, 2007.

<http://news.bbc.co.uk/go/em/fr/-/2/hi/europe/6615193.stm>

²⁷Ian Trainor, "Russia accused of unleashing cyberwar to disable Estonia," *The Guardian*, May 16, 2007.

<http://www.guardian.co.uk/world/2007/may/17/topstories3.russia>

²⁸Steven Woehrel, "Russian Energy Policy Toward Neighboring Countries," *Congressional Research Service*, March 22, 2010.

²⁹John Daly, "Estonia strives to shake off Soviet energy dependence," *Oilprice.com*, March 11, 2012.

<http://oilprice.com/Energy/General/Estonia-Strives-to-Shake-off-Soviet-Energy-Dependence.html>

³⁰Robin Beckwith, "The Tantalizing Promise of Oil Shale," *Journal of Petroleum Technology*, Vol. 64, No. 1 (January, 2012), pp. 30-36.

integration likely will continue, as it plans to join the Eurozone in 2014. In the 1990s, Russia was hardly effective in achieving its demands from Estonia through coercive means. It will be even more difficult for Russia to do so moving forward.

Latvia

After Latvia's independence in 1991, Russia had three strategic goals that it wanted from the former Soviet republic. First, Russia wanted an extension of basing rights for its military stationed at the Skrunda radar site in Latvia, which, after coercion attempts and negotiations, was returned to Latvian control. Second, Russia wanted Latvia to grant full citizenship to the approximately 700,000 ethnic Russians living in Latvia. Eventually, partial citizenship was eventually granted to ethnic Russians, but after several years and multiple coercion attempts. Finally, Russia pushed for a majority share of Latvia's state-owned gas company, Latvijas Gāze. However, Latvia only sold 16.5% of its shares to Russia, balancing its concessions by selling an additional 16.5% to two German utility companies. In sum, Russia received only minor gains from its three coercion attempts on Latvia. This matches the predictions of Drezner's CEM, which codes Latvia as having high expectations of conflict and a moderate gap in opportunity costs with Russia.

Since the late 1990s, Latvia has diversified its trade partners, largely by becoming a member of the EU in 2004. However, Latvia still relies almost entirely on Russian energy supplies, since it has no domestic gas or oil production. It also joined NATO, which has helped assuage fear of Russian military coercion among Latvian citizens. Latvia remains a country with high expectations of conflict and moderate opportunity costs with Russia. According to the CEM, Latvia should continue to concede only minor losses to Russia.

Three coercion attempts have been used against Latvia since 2000. The first happened in 2003, when the Russian state-owned company Transneft tried to gain control of the oil terminal in Latvia's

port city of Ventspils. The oil terminal was owned by Ventspils Nafta, a quasi-state owned Latvian company which Russia hoped would be privatized.³¹ When Latvia decided not to sell Ventspils Nafta to Transneft, Russia responded by redirecting all of its oil shipments from Ventspils to a newly built Russian port city, Primorsk. The city of Ventspils and especially Ventspils Nafta were severely hurt from the lack of commerce, but the Latvian government did not give in to Russia's demands. Although many observers expected Latvia to capitulate, the economy of Ventspils experienced a huge turnaround in the months after by bringing in greater oil shipments from Yukos, a privately-owned Russian oil company which sought to circumvent Russia's boycott.³²

The second attempt occurred in 2006, when a prolonged border dispute between Latvia and Russia over the Pytalovo district culminated in protests and nationalist rhetoric on both sides. Russia placed a ban on all Latvian fish and meat exports, a large majority of which were sold in Russia.³³ Within months, Latvia signed a treaty which ceded Pytalovo to the Russians. Though Latvia gave in to Russia's demands, this does not present itself to be more than a minor concession for Latvia, since the district technically belonged to Russia beforehand. The Latvian parliament had prolonged ratifying the agreement to cede the land to Russia for decades.

Russia's most recent coercion attempt happened in 2011, an attempt to aid a domestic movement within Latvia to make Russian an official language. The Latvian government feared that appeasing the ethnic Russian faction of the population would worsen the cultural and ethnic divide in the country (Latvia's population consists of more than 30% ethnic Russians).³⁴ On the other hand, there was widespread support among the Latvian people for making Russian an official language. The Russian

³¹ Valentinas Mite, "Russia: Moscow halts oil exports to Latvia's Ventspils, seeks ownership," *Radio Free Europe/Radio Liberty*, January 10, 2003. <http://www.rferl.org/content/article/1101862.html>

³² Michael Lelyveld, "Latvia: Riga fights to maintain control of oil port," *Radio Free Europe/Radio Liberty*, March 7, 2003, <http://www.rferl.org/content/article/1102452.html>

³³ Anonymous, "Russia slaps food import bans," *RiaNovosti*, May 16, 2007. <http://en.rian.ru/russia/20070516/65597324.html>

³⁴ Anonymous, "Activists want Russian language to have official status in Latvia," *Rt.com*, March 23, 2011. <https://rt.com/politics/russians-latvia-language-status/>

government supported the movement by placing a ban on Latvian pork in an effort to influence Latvia and achieve its goal.³⁵ Latvian voters overwhelmingly rejected the concept in February 2012 so the coercion attempt can be considered a failure.

Russia's coercion attempts against Latvia have been even less successful in this century than in the 1990s. A large reason for this is Latvia's diversified trade as a result of its EU membership. Current president Andris Berzins, in power since 2011, has been less than cordial in his relations with Russia, creating higher expectations of conflict between it and Latvia. Like Estonia and Lithuania, Latvia could benefit extremely well from a LNG port, which would shift their energy consumption away from Russian supply. Diversifying energy imports will only help Latvia's leverage against Russia in the future.

Lithuania

Drezner's CEM characterizes Lithuania as a country with high expectations of conflict and a moderate gap in opportunity costs with Russia, which predicts that it gives up only minor concessions from coercion. Russia had two demands of Lithuania in the 1990s: ownership of key Lithuanian industries and a military transit route to Kaliningrad. The first demand was partially granted to Russia, but the second was not. From the results of these coercion measures, it shows that Russia had a fairly low rate of success against Lithuania.

Since the 1990s, Lithuania has joined the EU and NATO and largely become integrated with Europe's economy, diversifying its trading partners while doing so. However, Russia is still its biggest trading partner, accounting for 30-40% of Latvia's imports and consuming 17% of its exports in 2011.³⁶ Although much has changed in the two countries' relations over the past decade, Russia's main goal in Lithuania has remained the same: gaining control of strategic Lithuanian industries.

³⁵ Vladislav Vorotnikov, "Latvia could face pork crisis due to Russian import ban," *GlobalMeatNews*, April 12, 2012. <http://www.globalmeatnews.com/Industry-Markets/Latvia-could-face-pork-crisis-due-to-Russian-import-ban>

³⁶ Anonymous, "External trade of Lithuania," *BalticExport.com*, <http://balticexport.com/?article=lietuvas-areja-tirdznieciba&lang=en> (no date given, data shown through 2011).

Russia's push for control of Lithuania's energy industries continued into the twenty first century. In 1999, Lithuania decided to privatize its primary oil refinery, Mazeikiai Nafta, for financial reasons. For lack of willing buyers in the West, Lithuania was forced to sell to Yukos, a then-privatized Russian oil company, in 2003. Lukoil, Russia's primary state-owned oil company, still pushed for control of Mazeikiai Nafta for years after this sale. After both Lithuania and Yukos resisted letting Lukoil gain a majority of stakes, Russia shut down the Druzhba oil pipeline to Lithuania in 2003, claiming there were "technical difficulties."³⁷ This act of coercion hurt Yukos' revenue and forced it to sell the company, with the help of Lithuania's government, to a Polish firm, PKN Orlen. Russia continued to tamper with the pipeline in 2006 in order to hurt investors and eventually be in a position to acquire a majority stakes in Mazeikiai Nafta. Though Lukoil has not gained control of the company, it has been successful in disrupting oil shipments and forcing changes in investment.

In accordance with EU bylaws, in 2004 Lithuania was required to privatize Kaunas, one of its largest power plants, and Lietuvos Dujos, a major natural gas producer, selling a 34% stake of both companies to Gazprom.³⁸ Lithuania also was required to shut down its nuclear power plant, Ignalina, since it lacked the proper safety measures for EU standards. Both these developments have reduced Lithuania's energy supply diversity and caused it to rely much more on Russia's energy sources than it did in the 1990s. Interestingly, Lithuania seems to be the only Baltic country that is more vulnerable to Russia now than it was in the previous decade.

In 2011, Lithuania passed legislation prohibiting any natural gas supplier from owning or operating gas pipelines. This is in accordance with the EU's energy security plans, though Lithuania is the

³⁷ Vladimir Socor, "Russia completing Baltic Pipeline System construction, reducing Druzhba Pipeline flow," *Jamestown Foundation*, February 24, 2012.

[http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=39055](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=39055)

³⁸ Peter Zahev, "Russian investments in Lithuania—politics, business, corporate culture," *Pan-European Institute* (October 2004), pp. 1-39.

first country to put this law into effect.³⁹ After passing this resolution, the Lithuanian government seized control of Gazprom's gas pipeline in order to de-monopolize Russia's gas network. Russia responded by using price discrimination to drive a wedge between Lithuania and its Baltic neighbors, offering Estonia and Latvia price discounts.⁴⁰ Developments of this feud continue to unfold, with Lithuania bringing a lawsuit against Gazprom in October 2012 for its monopolistic behavior violating Lithuanian and EU law.⁴¹

Since joining the EU, Lithuania has had to give up an enormous amount of energy security due to the shutting down of its Ignalina nuclear plant and forced privatization of its oil production sector. Since 2000, Lithuania has conceded moderate gains to Russia, allowing Russian-owned companies to gain control of several key energy industries. An increased reliance on Russian energy supplies has shifted Lithuania's place on Drezner's CEM from a moderate gap in opportunity costs to a large gap. The cost of Lithuania resisting Russia's coercion attempts is much greater than it was from 1991 to 1999.

There have been efforts to once again diversify Lithuania's energy supply, with ideas ranging from constructing a LNG port in Klaipėdos to exploring shale gas production. Russia has taken steps to prevent Lithuania from producing domestic energy sources, allegedly bankrolling environmentalist groups in Europe that oppose fracking.⁴² As of 2012, though, none of these ideas have seen significant progress in being realized. Lithuania is still almost entirely dependent on Russian energy, likely leaving it more vulnerable to Russian economic coercion in the future.

³⁹ Anonymous, "Lithuania bars Gazprom from operating pipelines," *Pipeline & Gas Journal*, Vol. 238, No. 8 (August 2011). <http://www.pipelineandgasjournal.com/lithuania-bars-gazprom-operating-pipelines>

⁴⁰ Vladimir Socor, "Lithuania decides to unbundle pipelines from Gazprom's control," *Jamestown Foundation*, July 7, 2011. [http://www.jamestown.org/programs/edm/single/?tx_ttnews\[tt_news\]=38144&cHash=6d228fb90db5795ba67a5bf99f7f2146](http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=38144&cHash=6d228fb90db5795ba67a5bf99f7f2146)

⁴¹ Anonymous, "Gazprom sued for \$2bn by Lithuania for high gas prices," *BBC News*, October 3, 2012. <http://www.bbc.co.uk/news/business-19819487>

⁴² Kevin Begos, "Natural gas boom in U.S. Is Russia the big loser?" *The Christian Science Monitor*, October 1, 2012. http://www.csmonitor.com/Environment/Latest-News-Wires/2012/1001/Natural-gas-boom-in-US.-Is-Russia-the-big-loser?cmpid=addthis_email#.UXgiejAtb_k.email

Belarus

Of any CIS country, Belarus has shared perhaps the best relations with Russia since the 1990s. Belarus greatly depends on trade and economic cooperation with Russia. In 2011, trade with Russia accounted for 38.6 billion dollars, almost half of Belarus's total trade, which amounted to 86 billion dollars.⁴³ Russia, in turn, needs cooperation with Belarus to ensure consistent gas flows through Belarusian pipelines to Europe. Due to Belarus's very low expectation of conflict with Russia and its dependence on the Russian economy, Drezner's CEM predicts that Belarus should give significant concessions to Russia. Indeed, in all three instances where Russia used economic coercion in the 1990s, Belarus gave in to Russia's demands, returning its nuclear weapon stockpiles, granting basing rights and handing over ownership of key energy industries.

Similar to Uzbekistan and Kazakhstan, there has not been a change in political leadership in Belarus since it became independent. President Lukashenko has remained in power for over twenty years, which helps explain why its conflict expectations with Russia have remained the same. The Belarusian economy is still largely dependent on Russian trade and gas imports, also suggesting that Belarus will continue to give moderate concessions to Russia in the twenty first century. Russia has attempted to use economic coercion against Belarus three times since the turn of the century.

In 2004, Gazprom attempted to buy a majority share of Belarus's transit network, Beltransgaz, for 500-600 million dollars. Belarus at first seemed willing to sell Beltransgaz, but it eventually refused Gazprom's initial offer after it was announced that gas prices would rise. In response to Belarus's rejection of the deal, Russia ceased its gas shipments through Belarusian pipelines.⁴⁴ Lukashenko's

⁴³ Anonymous, "Belarus, Russia increase trade by 38% in 2011," *RiaNovosti*, January 31, 2012. <http://en.rian.ru/business/20120131/171055994.html>

⁴⁴ Anonymous, "Russia cuts off gas to Belarus," *Radio Free Europe/Radio Liberty*, February 18, 2004. <http://www.rferl.org/content/article/1051580.html>

government resisted Russia's pressure to sell Beltransgaz, complaining that the amount of the deal was far too low.⁴⁵

Three years later, in 2007, Russia demanded an increase in transit fees and prices of gas for Belarus, from 47 to 105 dollars per 1,000 cubic meters, due to the latter's accumulated debt of 456 million dollars.⁴⁶ In addition, it offered to purchase a 50% share Beltransgaz, this time for 2.5 billion dollars. Belarus once again balked at Gazprom's initial offer. Tensions escalated between the two sides so much that Russia once again cut off gas exports to Belarus for three days, from January 8 to 10, until a deal was agreed upon. Belarus eventually agreed to sell a 50% stake of Beltransgaz, but showed considerable resolve to resist Russia's coercion attempts and was able to get more out of its deal with Gazprom than it would have in 2004. The remaining 50% stake was sold to Russia in 2011 in exchange for lower gas prices.⁴⁷

In response to Gazprom reducing gas supplies to Belarus in an effort to collect \$200 million of debt in 2010, Lukashenko declared that Belarus would shut down all gas transit routes from Russia to Europe, claiming that Gazprom had not paid approximately \$260 million of transit fees in over six months.⁴⁸ The situation was quickly resolved, with Belarus agreeing to pay a fraction of its debt to Gazprom. Similar disputes with Ukraine, which controls several of Russian transit routes to Europe as well, prompted Russia to construct the Nord Stream Pipeline, which transports gas directly from Russia to Germany through the Baltic Sea. The completion of Nord Stream in 2011 now allows Russia to bypass Belarusian territory as a transit route to Europe. For Belarus, Nord Stream means less leverage against Russia and more susceptibility to being cut off from gas shipments without much ability to retaliate.

⁴⁵ Valeria Korchagina and Catherine Belton, "Belarus agrees to pay more after gas cut off," *St. Petersburg Times*, February 20, 2004. http://www.sptimesrussia.com/index.php?action_id=2&story_id=12344

⁴⁶ Anonymous, "Russia-Belarus gas deal reached," *BBC News*, December 31, 2006. <http://news.bbc.co.uk/2/hi/europe/6221835.stm>

⁴⁷ Anonymous, "Russia's Gas Giant to Become Full Owner of Belarus' Beltransgaz," *Xinhua News*, November 26, 2011. http://news.xinhuanet.com/english2010/business/2011-11/26/c_131270242.htm

⁴⁸ Michael Schwartz, "Belarus escalates dispute with Russians over gas," *New York Times*, June 22, 2010. https://www.nytimes.com/2010/06/23/world/europe/23belarus.html?_r=1

So long as Lukashenko remains president, Belarus will continue to rely on Russia as a strategic and economic partner, and by doing so make itself extremely vulnerable to Russia in further attempts of economic coercion. The success rate of Russia's economic coercion attempts since 2000 is fairly high. Though it resisted Russian coercion in 2004, Belarus conceded to Russia's demands in 2007 and 2010. Drezner's model held up fairly well from 2000 to 2012 and in all likelihood will continue to do so. The only foreseeable change in this dynamic is if Lukashenko is replaced by a leader that does not depend on Russia's political support and is determined to move out of its sphere of influence. For the time being, Lukashenko is content getting the short end of the stick in deals with Russia, so long as Russia supports his government.

Moldova

In the 1990s, Moldova had a large gap in opportunity costs of coercion and high expectations of future conflict with Russia, placing it in box 2 of Drezner's CEM. This coding would predict that Moldova give moderate concessions to Russia, which held true until 2000. Drezner states that Russia had four explicit demands of Moldova during this time period: 1) CIS membership, 2) autonomy for Transnistria, 3) acquisition of Moldovan industries, and 4) basing rights. The first demand was fulfilled when Moldova joined the CIS in 1991. The second was only partially fulfilled as Transnistria was granted semi-autonomy from the Moldovan state. The third demand was fully satisfied, with Gazprom receiving equity in Moldova's key energy companies. Basing rights, however, were never granted to Russia. Accurately following Drezner's CEM, Moldova conceded moderate losses to Russia in these four cases.

Since Drezner's book was published, there have been two more attempts of economic coercion against Moldova. In 2006, under President Vladimir Voronin, Moldova was slapped with a wine embargo by Russia, which claimed that it had found traces of metals and pesticides in Moldovan wine (this

corresponded with the Georgian wine ban of the same year).⁴⁹ In addition, Moldova was forced to accept an increase in gas prices along with the rest of the CIS. The wine embargo was a retaliatory attempt by Russia against Moldova's plans for EU accession.⁵⁰ Like in Georgia, Russia's wine embargo was particularly devastating to Moldova's economy, as approximately 20% of GDP was made up by wine production, half of which was sold to Russia.⁵¹ Although the ban on wine exports and higher gas prices really hurt its economy, Moldova resisted Russia's efforts to pull them back into its area of influence. Fortunately for Moldova, its WTO status gave it leverage against Russia, as it threatened to use Russia's imports ban as a reason to vote against Russia's accession into the WTO. Russia withdrew its ban on Moldovan wine and mineral water by the end of the year.

The second attempt came in 2010, when Russia once again tried to punish Moldova for anti-Russian domestic policies. During the summer, President Mihai Ghimpu declared June 28 "Soviet Occupation Day," referring to Russians' brutal treatment of Moldovans during the Soviet period.⁵² Moldova had also continued to reorient itself toward the West by creating an Alliance for European Integration which has held the government since 2009. Russia placed a wine embargo against Moldova a second time to punish these pro-Western policies, but Moldova once again resisted Russia's coercive efforts.

Moldova's opportunity costs of coercion and expectations of future conflict with Russia both remain very high, but Drezner's CEM has not accurately predicted Moldova's behavior since 2000. In fact, Russia failed to gain any sort of concessions from Moldova in either of the most recent coercion attempts. Moldova's WTO accession in 2001 certainly helped it gain some leverage against Russia. The

⁴⁹ Anonymous, "Russian wine move draws protests," *BBC News*, March 30, 2006.
<http://news.bbc.co.uk/2/hi/europe/4860454.stm>

⁵⁰ C. J. Chivers, "A Russian 'wine blockade' against Georgia and Moldova," *New York Times*, April 6, 2006.
<https://www.nytimes.com/2006/04/06/world/europe/06russia.html>

⁵¹ Anonymous, "Russia introduces an embargo on Russian wine," *Centre for Eastern Studies*, August 18, 2010.
<http://www.osw.waw.pl/en/publikacje/eastweek/2010-08-18/russia-introduces-embargo-moldovan-wine>

⁵² Steve Gutterman, "Russia rejects Moldovan wine amid history dispute," Reuters online, July 7, 2010.
<http://in.reuters.com/article/2010/07/06/idINIndia-49925720100706>

country has also been so determined to integrate with the EU that it has been willing to accept short-term economic losses in order to realize its long-term goals.

Moving forward, Moldova will continue to integrate into Europe's economic and political system, distancing itself even further from Russia. As evidence of Russia's fading coercive influence over Moldova, it is currently offering an incentive to continue buying gas from Gazprom, rather than accept the EU's energy plan.⁵³ This is a markedly different move for Russia, which prefers to coerce—instead of induce—its neighbors and is further evidence that Russia will have very little, if any, success in coercing Moldova in future attempts.

Ukraine

Coming out of the Soviet Union's dissolution, Ukraine, very dependent on Russia's economy and political support, was the target of Russian economic coercion five times from 1991 to 1999, according to Drezner. In all five instances, Russia got all, or at least part of what it wanted. Ukraine's high expectations of conflict and large gap in opportunity costs with Russia place it in box 3, according to which it predictably conceded moderate losses to Russia. Most notably among these coercion attempts, Russia succeeded in acquiring equity in Ukraine's key energy companies and securing control of the Black Sea fleet at Sevastopol, much to the ire of most Ukrainians. Drezner's CEM more or less accurately depicts what happened in with Ukraine in the 1990s.

Ukrainian-Russian relations vastly improved under the presidency of Leonid Kuchma ('97-'05), though this led to a decline in his popularity back home. As a result, Kuchma began to rely on Russia for political support, and in so doing became involved in several corruption scandals which drew the

⁵³ Anonymous, "Russia sets Moldova gas ultimatum amid EU price row," EU Business online, September 12, 2012. <http://www.eubusiness.com/news-eu/russia-moldova-gas.ic0>

outrage of Ukrainian citizens.⁵⁴ In late 2004, thousands of Ukrainians began to protest against run-off elections which were claimed to be marred by corruption and voter intimidation. These protests, which demanded the resignation of Kuchma, lasted for months and came to be known as the Orange Revolution. In early 2005, the movement succeeded in removing Kuchma from power as Victor Yushchenko, a Western-leaning politician, assumed the presidency.

Russia has used economic coercion against Ukraine three times since this monumental change in Ukrainian politics. The first instance came in late 2005, when Gazprom announced that it would raise the price of gas sold to Ukraine from \$50 to \$230/1,000 cubic meters.⁵⁵ Such a large rise in prices was expectedly rejected by Ukraine, which failed to reach a compromise with Gazprom on future gas prices. As a result, Russia stopped supplying Ukraine with gas on January 1, 2006 in an attempt to pressure Ukraine to sign a new deal for higher prices. The timing of Russia's demand is not coincidental. Russia likely tried to deter Ukraine from pursuing Western alliances under the new government leadership.⁵⁶ To the dismay of European countries, it was reported that Ukraine was illegally siphoning its available gas supplies in order to mitigate some of its losses.⁵⁷ Gas shipment returned four days later, as Russia and Ukraine agreed to a deal that would raise prices to 150 dollars/1,000 cubic meters.

A similar row arose in 2008-09, as Russia once again stopped gas shipments to Ukraine after the two countries could not come to terms with a new pricing agreement. This time, Russia halted shipments through Ukraine for over two weeks, during which period Ukraine lost approximately \$100

⁵⁴ Paul Quinn-Judge and Yuri Zarakhovich "The Orange Revolution," Time Magazine online, November 8, 2004.

<http://www.time.com/time/magazine/article/0,9171,832225,00.html>

⁵⁵ Anonymous, "Ukraine gas row hits EU supplies," *BBC News*, January 1, 2006.

<http://news.bbc.co.uk/2/hi/europe/4573572.stm>

⁵⁶ Nivedita Das Kundu, "The Russia-Ukraine gas dispute," *Institute for Defence Studies and Analyses* (January 13, 2006).

http://www.idsa.in/idsastrategiccomments/TheRussiaUkraineGasDispute_NDKundu_130106

⁵⁷ Anonymous, "Ukraine gas row hits EU supplies," *BBC News*, January 1, 2006,

<http://news.bbc.co.uk/2/hi/europe/4573572.stm>

million in potential transit fees.⁵⁸ Continuing gas disputes with Russia throughout the year and a downturn in the economy caused by these disputes also played a part in the election of current president Victor Yanukovich, who proved to be much friendlier to Russia than the previous administration. Within his first few months in office, Yanukovich signed an agreement which gave Ukraine a discount of \$100/1,000 cubic meters of gas from a new price of \$330 in exchange for renewing Russia's rights to the Sevastopol naval base 25 years after 2017.⁵⁹ Relations between the two countries have greatly improved since Yanukovich took office, consequently distancing Ukraine further from the West.

As recently as 2012, Russia has attempted to take control of Ukraine's transit network, Naftogaz. Gazprom offered to reduce gas prices in order to balance Ukraine's budgets, but this deal would require selling Naftogaz, which Ukraine is unwilling to do.⁶⁰ Perhaps Russia's biggest bargaining chip is the construction of Nord Stream, which would allow it to shift gas shipments away from Ukraine, with the idea of coercing Ukraine into selling its transit network.

Ukraine is in a similar situation to Belarus in that the country has shown it is capable of resisting Russia's coercive measures, but it chooses not to because its leaders want to remain strong partners with Russia.

The success rate of coercion against Ukraine is quite mixed in the post-2000 period. In 2006, coercion failed because the leadership at the time was determined to break from Russia's sphere of control and integrate with Europe. Since 2010, however, Yanukovich's friendliness with Russia has lowered the two countries' expectations of future conflict. Drezner's CEM would predict that Ukraine give moderate concessions to Russia, which, in fact, has happened. Ukraine rejected Russia's 2012 proposal for a Naftogaz takeover, and announced in early 2013 that it intended to replace some of its

⁵⁸ Andrei Nesterov, "Russia-Ukraine 'gas war' damages both economies," *WorldPress*, February 20, 2009. <http://www.worldpress.org/Europe/3307.cfm>

⁵⁹ Anonymous, "Russia and Ukraine sign agreements on Black Sea Fleet and gas price," *TR*, July 1, 2010, <https://rt.com/politics/medvedev-yanukovich-meeting-ukraine/>

⁶⁰ Jacob Gronholt-Pedersen "Pressure builds in Russia-Ukraine pipeline row," *Wall Street Journal*, March 30, 2012. <http://blogs.wsj.com/emergingurope/2012/03/30/pressure-builds-in-russia-ukraine-pipeline-row/>

natural gas imports from Russia with flows from Western Europe so we have categorized the 2012 effort as a failure.⁶¹

Armenia

After the collapse of the Soviet Union in 1991, Armenia and Russia maintained strong political, economic and military relations. In the early 1990s, Armenia lacked a highly developed economy and energy sector and was dependent on Russia for trade—in 1994 Russia’s imports from and exports to Armenia accounted for approximately half of Armenia’s trade.⁶² However, Armenia was relatively independent from Russia in terms of energy production and consumption, relying mostly on Turkmen gas shipped through Azerbaijan and Georgia. Drezner coded 1990s Armenia as a country which had a low expectation of conflict with Russia and a moderate gap in opportunity costs, thereby assessing that Russia would attempt few coercion attempts against Armenia. His assessment was very accurate, as Russia only used economic coercion once from 1991 to 1999.

Since the turn of the twenty first century, Russia has continued this trend, only using economic coercion against Armenia infrequently. In 1999, newly-elected Armenian President Robert Kocharyan ran on a campaign based on reducing dependency on Russia and improving relations with the U.S. and Europe.⁶³ This marked the beginning of strained relations between Russia and Armenia, which was considered one of Russia’s strongest allies and only strategic partner in the Caucasus throughout the 1990s. The resulting strain in relations during Kocharyan’s presidency affects Armenia’s coding in the CEM. The increased expectation of conflict between the two countries is not significant enough to move

⁶¹ Anonymous, “Naftogaz: Ukraine to cut gas purchases from Russia to 20 billion cubic meters of gas in 2013” *Kiev Post*, November 16, 2012. <http://www.kyivpost.com/content/ukraine/naftogaz-ukraine-to-cut-gas-purchases-from-russia-to-20-billion-cubic-meters-import-5-billion-cubic-meters-of-gas-from-europe-in-2013-316217.html>

⁶² Daniel Drezner, 1999, pg. 143.

⁶³ Kamer, Kasim, “Russian - Armenian Relations: A Strategic Partnership or Hegemonic Domination,” *Review of Armenian Studies*, Vol. 2, No. 1 (2002). <http://www.eraren.org/index.php?Lisan=en&Page=Dergilcerik&IcerikNo=97>

Armenia to a different box in the table, but would suggest that Armenia give fewer concessions to Russia, while Russia would still attempt few coercion measures from 2000 on.

As of 2001, Armenia's debt to Russia equaled over 2 billion USD, and approximately 60 percent of its budget revenues came from Russia's low-interest loans.⁶⁴ The two countries signed an agreement later that year, according to which Russia forgave 100 million Armenia's debt in exchange for receiving five non-operating, state-run assets, including four of five blocs of the Hrazdan Thermal Power Plant (HTPP) and the Mars Electronics Factory (a producer of military robotics in the USSR).⁶⁵ Most of the loans which were forgiven by Russia in this deal were the same loans that had been granted to Armenia in the early 1990s in exchange for a 15 percent share of Medzamor.

More recently, Gazprom announced in 2005 that it was going to start charging market prices to members of the CIS. Russia offered to keep gas prices low for Armenia if it agreed to hand over the fifth bloc of HTPP or a large stake in the Iran-Armenian gas pipeline which had begun construction in 2002.⁶⁶ Not only did Armenia refuse to acquiesce to Russia's demands, but the proposal itself led to a major strain in Russian-Armenian relations. Since being elected president in 2008, though, Serzh Sargsyan has improved Armenian-Russian relations, re-enforcing their military partnership and stimulating increased trade between the two countries.

Russia's goal of dominating Armenia's energy production sector has remained the same as it was in the 1990s. Currently, Russian companies own four blocs of HTPP, six hydropower stations at the Sevan-Hrazdan Cascade, 55 percent of ArmRosGazprom, Armenia's sole natural gas operator and

⁶⁴ Gaidz Minassian, "Armenia, a Russian Outpost in the Caucasus?" *IFRI Russia/NIS Center*, February 2008. pp 1-19,

⁶⁵ *Ibid.*

⁶⁶ Haroutiun Khachatryan, "Armenia-Russia Analysis: The Challenge of Economic independence and the Risk of Reliance," *Armenian General Benevolent Union*, April 1, 2006. http://www.agbu.org/publications/article.asp?A_ID=203;

distributor, and operates the nuclear power plant at Medzamor, all of which amount to about 70 percent of the country's energy production.⁶⁷

Armenia fully met the demands of Russia in the first coercion attempt, but balked at the demands of the second. One explanation for this is the economic interest of Iran in Armenia. Rights to construct the Iran-Armenian gas pipeline and to develop the fifth bloc of the HTPP were given to Iranian companies. What's more, the two countries agreed to construct an oil pipeline from Iran to Armenia as recently as 2011.⁶⁸ While this growing development is not enough evidence to consider Armenia economically independent of Russia by any means, it could greatly improve Armenia's prospective economic leverage and geopolitical strength. In turn, this reflects negatively on Russia's future success in economic coercion against Armenia. Drezner's CEM, according to which an increased expectation of conflict between Armenia and Russia would lead Armenia to give fewer concessions to Russia, still accurately predicts the situation from 2000 to the present.

For now, the Armenian economy is still largely dependent on trade with Russia, which currently totals over 1 billion dollars.⁶⁹ A very low expectation of conflict with Armenia and moderate to high opportunity costs for Armenia suggests, according to the CEM, that Russia continue to use economic coercion against Armenia infrequently. The lack of diversity in Armenia's trading partners and the amount of its debt to Russia indicates that Armenia will give minor to significant concessions to Russia in the coming years.

Azerbaijan

⁶⁷ *Ibid.*

⁶⁸ Anonymous, "Armenia, Iran to Build \$240 Million Oil Pipeline," *Oil and Gas Eurasia*, February 1, 2010. <http://www.oilandgaseurasia.com/news/p/0/news/10490>.

⁶⁹ Anonymous, "Volume of trade between Armenia and Russia grew in 2011 by 15.8% totaling about 1 billion US dollars," *EURASEC Anti-Crisis Fund*, February 7, 2012. http://acf.eabr.org/e/about_acf_eng/countries_acf_e/russia_acf_e/news_russia_acf_e/index.php?id_35=17090

The years immediate following independence of the Azerbaijani state were consumed by fighting with Armenia over Nagorno-Karabakh. Russia supported Armenian troops during the war, consequently creating a high expectation of conflict with Azerbaijan. Despite Azerbaijan's abundant gas and oil reserves, it was still dependent on Russia for the transportation of its oil via pipelines to Europe, so there was a moderate gap in opportunity costs of coercion between it and Russia. Azerbaijan was coded in the "minor concessions" table of the CEM, which accurately reflected the success of Russia's economic coercion. Drezner states five instances of coercion from 1991 to 1999, two of which resulted in minor concessions and two others resulting in no concessions whatsoever. According to Drezner, in only one attempt did Russia fully achieve its intended goal.

Having already learned its lesson in the 1990s, Russia realized that Heydar Aliyev, then-current President of Azerbaijan, would not give Russia any significant economic or political concessions which might be used as leverage against his state in the future. Relations between Azerbaijan and Russia have largely improved since the 1990s, which has lowered the expectation of conflict and, in turn, led Russia to use coercion against Azerbaijan less frequently. Drezner's model would suggest that Russia continue to rarely use economic coercion and that Azerbaijan resist its demands or only give minor concessions in return.

Since 2003, current President Ilham Aliyev has continued to pursue strong relations with the West and Russia, maintaining a lower expectation of conflict with Russia than in the 1990s. However, since 2000, major changes have taken place, which have boosted Azerbaijan's geopolitical standing and economic leverage against Russia. The Baku-Supsa oil pipeline, constructed in 1999, provides Azerbaijan with its first transportation route which bypasses Russian territory. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and South Caucasus gas pipeline, constructed in 2006, have helped Azerbaijan break its dependence on Russian pipelines. Russia tried to prevent these pipelines from coming into existence by putting pressure on Kazakhstan to not supply oil to the project realizing that it would lose an enormous

amount of leverage over Azerbaijan.⁷⁰ Largely because of this realization, Russia has not attempted to use economic coercion against Azerbaijan in the twenty first century.

Plans to construct the Nabucco Pipeline, which would extend the South Caucasus Pipeline to Eastern Europe and significantly decrease Europe's energy dependence on Russia, emerged in the early 2000s. However, the plan was only perceived as a realistic possibility following the Russia-Ukraine gas rows of 2006 and 2009 and the Russian-Georgian War in 2008, from which Europe's dependency on Russian gas pipelines was greatly exposed.⁷¹ Russia has attempted to block the construction of this project as well, which would depend on gas supplies from Turkmenistan, Iraq and possibly Iran, by buying up gas from Azerbaijan and Turkmenistan at above-market prices.⁷² It has also proposed a competing project of its own, Southstream, which would run from the North Caucasus through the Black Sea and into Greece.

The current situation in Azerbaijan is indeed unique for the post-Soviet space. Russia has not only realized that economic coercion will be resisted by Azerbaijan, but also understands that it needs Azerbaijan's cooperation more than Azerbaijan needs cooperation with Russia. Construction of Nabucco would be a massive blow to Russia's economic leverage over Europe, which currently supplies 30% of Europe's gas and could supply up to 55% by 2030.⁷³ Azerbaijan's strategic importance at the center of the pipeline controversy between Russia and Europe likely will protect it from any sort of economic coercion from Russia in the near future.

Georgia

⁷⁰ Khatuna Giorgadze, "Russia: Regional Partner or Aggressor?" *The Regional Review of International Affairs*, Aug-Sept 2002, pp. 64-79.

⁷¹ Saban Kardas, "Turkish-Azerbaijani Energy Cooperation and Nabucco: Testing the Limits of the New Turkish Foreign Policy Rhetoric," *Turkish Studies*, Vol. 6, No. 1 (March, 2011). pp. 55-77.

⁷² *Ibid*, p. 64.

⁷³ Christophe-Alexandre Paillard,, "Russia and Europe's Mutual Energy Dependence" *Journal of International Affairs*, Vol. 63, No. 2 (Spring/Summer 2010) pp. 65-84.

No other country in the former Soviet Union had a high expectation of conflict with Russia than Georgia at the turn of the century. Added to this, according to Drezner, Russia had a large gap in opportunity costs of economic coercion against Georgia, placing Georgia in the “moderate concessions” table of the CEM. Although Georgia itself is not a significant producer of oil and gas, it serves as a vital transit route for energy being transported from Azerbaijan. Drezner states that Russia’s two goals regarding Georgia, CIS membership and military basing rights in Abkhazia and South Ossetia, were fully achieved through coercive means. When economic coercion failed, military force was applied (through support to break-away regions), resulting in large concessions given up by Georgia.

Georgian politics in the beginning of the twenty first century was marked by the Rose Revolution of 2003, a peaceful demonstration against the results of parliamentary elections that were claimed to be fraudulent.⁷⁴ After weeks of protests and negotiations, Eduard Shavardnadze was forced to step down from the presidency. As his successor, Mikheil Saakashvili, has pursued stronger relations with the U.S. and Europe, publicly claiming that Georgia is intent on becoming a member of NATO.⁷⁵ This reorientation in Georgia’s foreign led to an increased expectation of conflict with Russia because Georgia is gravitating toward the Western sphere, but more importantly, because the boundaries of NATO could be extended to Russia’s borders. Georgia holds valuable leverage over Russia in the sense that it has the say whether the extension of NATO to Russia’s borders becomes a reality.

A series of coercion and retaliation attempts known as the Russian-Georgian Crisis arose between Russian and Georgia in 2006. In January of that year, two explosions occurred on the Mozdok-Tbilisi Pipeline, which supplies gas to Georgia. According to Georgian officials, Russia was behind the

⁷⁴ Anonymous, “How the Rose Revolution Happened,” *BBC News*, May 10, 2005.
<http://news.bbc.co.uk/2/hi/4532539.stm>

⁷⁵ Anonymous, “Saakashvili: 'Georgia Has Real Chance to Join NATO in 2014,’” *Civil Georgia*, June 25, 2012.
<http://www.civil.ge/eng/article.php?id=24921>

explosions, attempting to force Georgia to surrender its pipeline to Gazprom.⁷⁶ This can be understood as an act of economic coercion, since Russia tried to disrupt Georgia's economic exchange in order to get Georgia to acquiesce to its demands. Georgia, in this case, retained possession of the pipeline and continued to improve relations with the West, thereby resisting Russia's demands.

Two months later, Russia placed a ban on all Georgian wine imports, citing that it was contaminated with heavy metals and pesticides. This proved to be devastating for the Georgian economy, as Russian consumption made up approximately 70% of its wine exports, which constituted 10% of Georgia's total exports.⁷⁷ Many observers speculate that this trade embargo was an attempt by Russia to condemn Georgia's Western-oriented foreign policy, as these events happened just weeks after Georgia and NATO agreed to hold talks on closer relations.⁷⁸ This embargo has been held up for the past six years, significantly hurting Georgia's economy, but Georgia has resisted Russia's desire for it to stop its reorientation toward the West.

These tensions culminated in the Russian-Georgian War of 2008, during which time the Georgia military fired into a protected zone in South Ossetia, prompting Russian forces to retaliate by invading Georgian territory for three days. The Russian military, it is claimed, tried to bomb the Baku-Supsa Pipeline, which carries 145,000 barrels of oil per day through Georgia to the Black Sea.⁷⁹ The Russian government also allegedly sponsored cyber-attacks on Georgian internet servers, denying access to Georgian web sites for two days. The combination of bombings near Georgia's oil pipeline and cyber-attacks are tantamount to an attempt of economic coercion on Russia's part. Just four months before the war began, Georgia had agreed to NATO's Membership Action Plan, the next stage in accession into

⁷⁶ Anonymous, "Russia blamed for 'gas sabotage,'" *BBC News*, January 22, 2006.

<http://news.bbc.co.uk/2/hi/europe/4637034.stm>

⁷⁷ Mamuka Tsereteli, "Banned in Russia: the Politics of Georgian Wine," *Central Asia-Caucasus Institute* (April 19, 2006). <http://www.cacianalyst.org/publications/analytical-articles/item/10801-analytical-articles-caci-analyst-2006-4-19-art-10801.html>

⁷⁸ Anonymous, "Putin fury at Georgia 'terrorism,'" *BBC News*, October 2, 2006.

<http://news.bbc.co.uk/2/hi/europe/5397102.stm>

⁷⁹ Anonymous, "BP shuts in Georgia links," *Upstreamonline*, August 12, 2008.

<http://www.upstreamonline.com/live/article160951.ece>

NATO. Russia, though not publicly stating its goal, likely was attempting to deter Georgia's shift to the West.

In the period 2000-12, Russia used economic coercion against Georgia three times: twice in 2006 and once in 2008. The goals of each act of coercion were fairly significant, ranging from control of an oil pipeline to a drastic change in Georgia's foreign policy. Drezner's CEM would predict that Georgia give moderate concessions. However, Georgia resisted Russia's demands all three times, despite the large economic costs of these coercion attempts. One explanation for this inaccuracy is the intensity of Georgia's post-2003 government to break free from Russian economic dependence. So far, Saakashvili's government has been willing to pay large costs so as not to concede further demands to Russia.

A few developments over the past decade could greatly influence the effectiveness of Russia's economic coercion of Georgia in the coming years. First, having been admitted as a member of the WTO, Russia's embargo on Georgian wine is now against WTO laws and should be lifted in the next few months.⁸⁰ Being a member of the WTO will somewhat restrain Russia from using trade restrictions on target countries in the future, though not fully prevent it from doing so. Second, the prospect of Georgia becoming a NATO member frightens Russia, prompting it to threaten Georgia and raise their expectation of conflict. Finally, after nearly six years of suffering from the wine embargo, Georgian wine exports reached 54.1 million dollars in 2012, its highest level since 2006. If anything, this shows that Georgian trade is less dependent on Russian consumption, suggesting that future coercion attempts on Georgia will be less effective. Georgia has already shown the resolve to resist Russia's coercion attempts since 2003.

⁸⁰ Nana Mghebrishvili, "Russia's Accession to WTO May Result in Lifting of Embargo on Georgian Products," *Financial*, Aug. 27, 2012.
http://finchannel.com/Main_News/Geo/114781_Russia%E2%80%99s_Accession_to_WTO_May_Result_in_Lifting_of_Embargo_on_Georgian_Products/

Kazakhstan

In the early 1990s, approximately 60% of all Kazakh imports were Russian and 67% of exports were sold to Russia, making Kazakhstan the most dependent on Russian trade of any former Soviet country during this time.⁸¹ Added to this, the Kazakhstan government had very friendly relations with Russia. The combination of a high gap in opportunity costs and low expectation of future conflict with Russia places Kazakhstan in box 1 of Drezner's CEM, which predicts that Kazakhstan to give significant concessions to Russia. This prediction is completely accurate. During the 1990s, Russia had five demands of Kazakhstan: the return of its nuclear weapons, retaining its military basing rights, control of Kazakh energy sources, preventing Western influence and investment, and ensuring rights for ethnic Russians, all of which were fully met by Kazakhstan.

In the 1990s, Kazakhstan was highly dependent on Russian for security and trade. For this reason, it was vulnerable to Russian economic coercion. However, a major development occurred in the late 1990s. In 1997, Kazakhstan, having previously been dependent on Russian pipeline infrastructure for the transport of its oil, agreed to help construct a Kazakh-Chinese oil pipeline.⁸² The first section of the pipeline, Kenkiyak-Atyrau, was completed in 2003, followed by additional sections in 2005, 2007 and 2009.⁸³ The Kazakhstan-China oil pipeline essentially ended Russia's monopoly of Kazakhstan's oil supply transport and severely improved Kazakhstan's leverage against Russian economic coercion. Largely owing to this change in the two countries' relationship dynamic, Russia has been far less aggressive in the twenty first century, using coercion against Kazakhstan only one time.

⁸¹ Daniel Drezner, 1999, p. 143.

⁸² Anonymous, "Kazakhstan-China Oil Pipeline Opens to Operation," *China View*, July 12, 2006.
http://news3.xinhuanet.com/english/2006-07/12/content_4819484.htm

⁸³ Anonymous, "CNPC Announces Kenkiyak-Kumkol Section of Kazakhstan-China Oil Pipeline Becomes Operational," *YourOilandGasNews*, July 15, 2009.
http://www.youroilandgasnews.com/cnpc+announces+kenkiyak-kumkol+section+of+kazakhstan-china+oil+pipeline+becomes+operational_35798.html

Since its independence, Kazakhstan had leased its Baikonur Cosmodrone to Russia at an annual rate of \$115 million.⁸⁴ In 2004, however, the Kazakhstan Parliament refused to ratify a new extension of the lease to Russia, trying to increase the rate which Russian paid for it. In response, Russia threatened to cut all space projects at Baikonur, which employs close to 3,000 Kazakh workers.⁸⁵ This would have been a huge blow to Kazakhstan's economy, though it would have hurt Russia strategically as well. In 2005, the Kazakhstan Parliament ceded to Russia's demands, granting them an extension of the lease until 2050. However, Kazakhstan's parliament has tried to circumvent Russia's leverage by reducing the number of future rocket launches.

In the mid-2000s, Kazakh President Nursultan Nazarbayev also began discussions to help China construct a gas pipeline, which would transport gas from Kazakhstan, Uzbekistan and Turkmenistan and further decrease their reliance on Russian own pipeline network.⁸⁶ China's presence in Central Asia over the last decade can be viewed in much the same way as partnership with Europe worked to decrease Russia's leverage over the Baltic countries. Kazakhstan's trade with China has also largely expanded in recent years, cutting into Russia's predominance in imports and exports between several Central Asian countries.

Kazakhstan still remains a strategic ally of Russia's and is part of the Eurasian Union, a free-trade zone whose membership Russia hopes to expand beyond just Kazakhstan and Belarus.

However, due to increased trade and energy production partnership with China, Russia has lost the leverage which it held over Kazakhstan in the 1990s. As proven in 2004, Kazakhstan is still susceptible to Russian economic coercion. However, Russia seems to be much less willing to use it against a strategic ally now that China's economic presence in Central Asia rivals that of Russia's.

⁸⁴ Anonymous, "Russia, Kazakhstan Extend Rental of Baikonur Cosmodrome," *Voice of America*, January 10, 2004. <http://www.voanews.com/content/a-13-a-2004-01-10-11-russia/304371.html>

⁸⁵ Anonymous, "Kazakhstan Finally Ratifies Baikonur Rental Deal with Russia," *RiaNovosti*, April 9, 2010. <http://en.rian.ru/world/20100409/158494207.html>

⁸⁶ Anonymous, "China, Kazakhstan Discuss Cross-Border Gas Pipeline," *Audit Storm*, August 25, 2004. <http://www.china.org.cn/english/BAT/105031.htm>

Uzbekistan

Uzbekistan seems to be the anomaly of the group of former Soviet countries, having not been the target of a single coercion attempt by Russia in the 1990s. Drezner gives several explanations for this. First, Uzbekistan did not have a significant amount of debt which needed to be repaid to Russia. It was also self-sufficient in terms of energy production, neither importing nor exporting significant amounts of energy. Therefore, it did not rely on Russia's pipeline transport. Second, Russia's textile industry relied largely on Uzbek cotton. A disruption to cotton imports would have really hurt Russia's economy. Finally, Russia and Uzbekistan saw eye to eye on almost all policies and issues, eliminating the need for the former to coerce the latter to do anything. Given that there was a low expectation of future conflict and a potentially a large opportunity gap in opportunity costs for Russia, there was no need for Russia to use economic coercion against Uzbekistan.

Russia has avoided trying to coerce Uzbekistan since the late 1990s as well. Drezner's explanations as to why Uzbekistan was not a target of Russia's economic coercion still hold in the twenty first century. However, there are new developments which have even further strengthened Uzbekistan's position.

Relations between the two countries got off to a rocky start when Vladimir Putin came to power. Uzbek President Karim Islamov was outraged that Russia, a military ally, did not come to his aid to suppress the 1999 Islamist uprisings which aimed to overthrow him.⁸⁷ When military operations began in Afghanistan in 2001, Uzbekistan leased its Karshi-Khanabad military base to NATO. However, Uzbekistan's relations with both Russian and the West were largely transformed by the uprising in Andijan, Uzbekistan in 2005. The U.S. and Europe placed sanctions on Uzbekistan for its abuse of human rights and violent suppression of protesters in Andijan, while Russia defended Uzbekistan's actions,

⁸⁷ Gulnoza Saidazimova "Is Islamic Movement of Uzbekistan Really Back?" *Radio Free Europe/Radio Liberty*, February 2, 2006. <http://www.rferl.org/content/article/1065364.html>

calling the events in Andijan a terrorist plot.⁸⁸ Reacting to the West's condemnation, Uzbekistan ordered NATO to end the use of its military base and in turn offered Russia the rights to Navoi airbase only a few months later.⁸⁹

Uzbekistan has also been involved in discussions with other Central Asian countries to supply oil and gas through Chinese pipelines. Expanding Uzbekistan's energy market to China would leave Russia with less leverage over the transport of Uzbek energy and could hurt its plans to prevent construction of the Nabucco Pipeline. In recent years, Russia has been buying up large amounts of gas from Turkmenistan, Azerbaijan, Uzbekistan and Kazakhstan at higher prices in order to foil plans for the construction of Nabucco, through which Europe could import large amounts and completely bypass Russian territory.⁹⁰

Several recent developments have led to a severe strain in Russian-Uzbek relations. In July 2012, Uzbekistan withdrew from the Collective Security Treaty Organization. Though it did not give an official reason for doing so, many observers believe it is moving closer to the U.S., which has promised substantial financial and military aid in exchange for providing an exit route out of Afghanistan in 2014.⁹¹ Tensions with Russia were further exacerbated in September 2012, when Russia pledged to help fund hydro-electric dams in Tajikistan and Kyrgyzstan. The construction of these dams would reduce Uzbekistan's downstream water supply and consequently hurt the country's cotton production.⁹² Russia

⁸⁸ Anonymous, "Sentences Ranging from 14 to 20 Years for Andijan 'terrorists'," *AsiaNews*, November 15, 2005. <http://www.asianews.it/news-en/Sentences-ranging-from-14-to-20-years-for-Andijan-terrorists-4631.html>

⁸⁹ Deirdre Tynan, "Uzbekistan: Karimov Gives Washington the Air Base it Needs for Afghan Operations," *EurasiaNet*, May 10, 2009, <http://www.eurasianet.org/departments/insightb/articles/eav051109a.shtml>

⁹⁰ Vladimir Socor, "Azerbaijan-Russia Gas Agreement: Implications for Nabucco Project," *Jamestown Foundation*, October 15, 2009.

[http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[swords\]=8fd5893941d69d0be3f378576261ae3e&tx_ttnews\[any_of_the_words\]=PKK&tx_ttnews\[pointer\]=3&tx_ttnews\[tt_news\]=35615&tx_ttnews\[backPid\]=7&cHash=48b4642cf5](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[swords]=8fd5893941d69d0be3f378576261ae3e&tx_ttnews[any_of_the_words]=PKK&tx_ttnews[pointer]=3&tx_ttnews[tt_news]=35615&tx_ttnews[backPid]=7&cHash=48b4642cf5)

⁹¹ James Kilmer, "Uzbekistan Withdraws from Russia-led Military Alliance," *The Telegraph*, July 2, 2012.

<http://www.telegraph.co.uk/news/worldnews/asia/uzbekistan/9369392/Uzbekistan-withdraws-from-Russia-lead-military-alliance.html>

⁹² Stephen Blank, "Rogun Dam Project Epitomizes Central Asian Security Dilemmas," *Jamestown Foundation*, September 17, 2012. [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=39852](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=39852)

likely will support whichever side suits its interests the most, though for now Uzbekistan is the loser in this battle.

Uzbekistan, having avoided Russian economic coercion measures for over twenty years, has improved its leverage against Russia over the past twelve years. Rights to its military bases and the prospect of new oil and gas pipelines have increased Uzbekistan's potential to work with other countries and rely less on Russia. With large amounts of gas and oil and high demand from both Europe and China, Uzbekistan's geopolitical position will continue to strengthen in the coming years.

Kyrgyzstan

Kyrgyzstan had a moderate gap in opportunity costs and low expectations of conflict with Russia in the 1990s, placing it in Box 3 of the CEM. Drezner predicted that a target country in this category would face few coercion attempts, which is true of Kyrgyzstan. Russia only used economic coercion once against Kyrgyzstan in the 1990s, but fulfilled its goal—acquiring ownership of strategic industries. Russia for the most part did not need to use coercion, as Kyrgyzstan depended on Russia's military to keep stability in the country. Kyrgyzstan voluntarily joined the Eurasian Economic Community in 2001 and Collective Security Treaty Organization (now the Shanghai Cooperation Organization) a year later. When needed, Russia tried to use inducements to get what it wanted from Kyrgyzstan. In 2003, Russia also offered to pay for basing rights at the Kant airbase, which was agreed to by the Kyrgyz government.

Since the turn of the century, there have been four coercion attempts against Kyrgyzstan. A major explanation for the change in Russia's behavior toward Kyrgyzstan is the latter's recent political upheaval, which has produced four different leaders since 2005, none of which have had as friendly of relations with Russia as Akayev had.

In the first years of the twenty first century, Akayev was viewed more and more by his people as corrupt and authoritative.⁹³ In 2005, Kyrgyz citizens became outraged by the results of the presidential election, which Akayev won after already being in power fifteen years. Protests turned into revolution, as anti-government demonstrators clashed with security forces in several Kyrgyz cities. After several months of fighting, Akayev stepped down and was replaced by Kurmanbek Bakiyev.

Relations with Russia slowly deteriorated over the years of Bakiyev's presidency. In 2009, Russia demanded that Kyrgyzstan end the lease of its Manas airbase to U.S. and NATO forces and hand over a 48% stake in the Dastan torpedo factory, and offered a package of \$2 billion in debt forgiveness and development assistance in return. The U.S. response was to increase its annual rent of Manas from 17.4 million to 60 million, as well as to promise tens of millions dollars in airport renovations and economic assistance.⁹⁴ Bakiyev's acceptance of the U.S. offer just after agreeing with Russia to close Manas outraged the Russian government and further strained their relations, which affected political events one year later.

In early 2010, Russia raised its petroleum tariffs to Kyrgyzstan to 100%, causing overall gasoline prices to rise by 20%. Dan Drezner, among many other observers, point to this as one of the main reasons for the downfall of Bakiyev's government later that year.⁹⁵ With widespread public outrage for Bakiyev, who proved to be every bit as corrupt as his predecessor, Kyrgyzstan spiraled into another revolution which was more violent than the one in 2005. Russia, hoping for the removal of Bakiyev, refrained from getting involved in the conflict.

Facing the threat of losing shipments to its two major export markets, Russia and Kazakhstan, and losing Russian investment in its hydroelectric energy sector, Kyrgyzstan agreed to step up its efforts

⁹³ Anonymous, "Kyrgyz Protestors Take Over Town," *BBC News*, March 21, 2005.
<http://news.bbc.co.uk/2/hi/asia-pacific/4365945.stm>

⁹⁴ Gregory Gleason, "Kyrgyzstan's Multivector Foreign Policy Unravels," *Radio Free Europe/Radio Liberty*, February 11, 2009. http://www.rferl.org/content/Kyrgyzstans_Multivector_Foreign_Policy_Unravels/1491581.html

⁹⁵ Donald Drezner, "The Dumb Sanctions That Toppled Kyrgyzstan's Regime," *Foreign Policy*, April 13, 2010.
http://drezner.foreignpolicy.com/posts/2010/04/12/the_dumb_sanctions_that_toppled_kyrgyzstans_regime

to join the EurAsEC's Customs Union at Russia's behest in 2011. Many analysts posit that accession to the Customs Union will lead to steep price increases and hurt domestic production within Kyrgyzstan. However, among the benefits of joining are the promise of free flow of labor (very important for Kyrgyzstan's migrant worker force in Russia) and an agreement for Russia to help clean its nuclear waste sites.⁹⁶ Kyrgyzstan plans to become a member in 2015 which will make Kyrgyzstan more reliant on Russian trade. This should give Russia even more leverage over Kyrgyzstan in future economic coercion.

Finally, in 2012, Russia tried to pressure Kyrgyzstan into giving Russia majority stakes in Kyrgyzstan's key industries in exchange for debt forgiveness and economic assistance. Russia offered to forgive \$180 million of Kyrgyzstan's foreign debt in exchange for a 75% stake in both Kyrgyzgaz, the country's main gas producer, and Dastan.⁹⁷ Current president Almazbek Atambayev agreed to the proposal, realizing the necessity to keep good relations with Russia

In sum, Russia has used economic coercion against Kyrgyzstan four times since 1999. Though the first attempt, a debt-for-equity proposal, did not work, the other three attempts have worked well, with the result of a change in Kyrgyz leadership in 2010, an agreement for Kyrgyzstan to join the EurAsEC Customs Union in 2011, and the acquisition of two key Kyrgyz industries in 2012. The average of these four outcomes gives Russia a fairly significant success rate for its coercion measures against Kyrgyzstan. Although the case of Kyrgyzstan does not seem to match the predictions of Drezner, perhaps there are some explanations to explain why this is.

The fact that four different presidents have been in power in Kyrgyzstan over the last eight years, each with their own political agenda and attitude toward Russia, means that Kyrgyzstan's conflict expectations with Russia have fluctuated largely with each leader. Realizing the political instability of

⁹⁶ Anonymous, "Kyrgyzstan steps up efforts to join Customs Union," *Voice of Russia*, November 28, 2012. http://english.ruvr.ru/2012_11_28/Kyrgyzstan-steps-up-efforts-to-join-Customs-Union/

⁹⁷ Myles G. Smith, "Kyrgyz-Russian Relations Salvaged, as Gazprom Weighs Another Buyout," *Jamestown Foundation*, May 4, 2012, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=39336&tx_ttnews\[backPid\]=7&cHash=43ded82f0dedb885884fcd5b95dbfd07](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=39336&tx_ttnews[backPid]=7&cHash=43ded82f0dedb885884fcd5b95dbfd07)

Kyrgyzstan could have been a motivating factor for Kyrgyzstan's political leaders to forge stronger relations with Russia and give in to Russia's demands when faced with coercion. Already a target of four coercion attempts in 12 years, Kyrgyzstan will probably become even more vulnerable to Russia's coercion attempts in the coming years. Kyrgyzstan's political instability will also work against the Kyrgyz government if it tries to minimize its military and economic dependence on Russia.

Turkmenistan

In the 1990s, Turkmenistan was considered a strategic partner of Russia, having a large ethnic Russian population and energy supplies which were transported through Russian pipelines. Russia had three objectives in coercing Turkmenistan: securing citizenship rights for ethnic Russians, acquiring basing rights for its military, and gaining majority stakes in key Turkmen energy industries. Russia fully achieved its goals in Turkmenistan in each of its three coercion attempts. This seems to go slightly against Drezner's CEM predictions, which state that a country in Box 3 would be subject to few coercion attempts.

A partial explanation for the deviation from the norm is that Turkmenistan relied so heavily on cooperation with Russia that it could not afford to worsen their relations. Russia historically has proved to be willing and able to shut down energy exports from former Soviet countries when coercing them. Along with cotton, gas made up over 40% of Turkmenistan's GDP, all of which was transported through Russian pipelines. Added to this, President Niyazov had developed strong relations with Russia and was content to rely on Russia's pipeline "monopoly."

In the following decade, Russia continued to try to dominate Turkmenistan by barring it from direct trade with European markets and purchasing Turkmen gas at well below world market price to sell to other countries at a substantially higher price. Suspicious of foreigners undermining his rule, Niyazov made a controversial decision in 2003 to overturn the dual citizenship concession to ethnic

Russians which was made in the early 1990s. Though Russians were outraged by this decision, the issue was smoothed over with a new gas supply deal which guaranteed that Turkmenistan supply 200 billion cubic meters (bcm) per year to Russia for 25 years.⁹⁸ Turkmenistan had also demanded an increase in Gazprom's payments from \$40 to \$65 per 1,000 cubic meters. Russia agreed to the new deal, realizing that it could not fully meet the demands of its European customers without Turkmenistan's large gas reserves.⁹⁹

After Niyazov's death in 2006, relations between the countries changed dramatically. Within a few short months of becoming president, Gurbanguly Berdimuhamedow agreed with China to construct a gas pipeline which would connect the two countries. In addition, new discoveries of natural gas helped Turkmenistan more than double its proven gas reserves. Interest in potential pipeline projects was also shown from Europe and Iran. These developments gave Turkmenistan greater leverage in negotiating price agreements with Russia. From 2006 to 2009, Turkmenistan was able to raise the price Russia paid for its gas from \$65 to the European price of \$200-\$300 per 1,000 cubic meters.

Just before completion of the Turkmen-Chinese gas pipeline in April 2009, Gazprom announced that it was cutting its imports of Turkmen gas by 75%, which as a way to retain some control over Turkmenistan's energy sector.¹⁰⁰ Turkmenistan, refusing to concede to Russia's demands, continued to pump gas through Russia until an explosion occurred in the Central Asia-Tsentr-4 gas pipeline. Russia claimed that Turkmenistan had been lying about the true number of its proven reserves and subsequently reduced its annual purchasing commitment by three quarters. In the same year, China

⁹⁸ Sergei Blagov, "Russia's Gas Dreams," *Asia Times*, January 13, 2005.

http://www.atimes.com/atimes/Central_Asia/GA13Ag01.html

⁹⁹ Sergei Blagov, "Russia Bows to Turkmenistan's Gas Pricing Demand," *Eurasianet*, September 5, 2006.

<http://www.eurasianet.org/departments/business/articles/eav090606.shtml>

¹⁰⁰ Elnur Ataguly, "Russia Plans to Cut Turkmen Gas Imports by 75 Percent," *Central Asia Online*, November 30, 2009. http://centralasiaonline.com/en_GB/articles/caii/features/2009/11/30/feature-04

increased its Turkmen gas imports to 40 bcm annually, helping Turkmenistan offset its losses to Russia.¹⁰¹

Turkmenistan has been the target of one coercion attempt by Russia since 1999, which was unsuccessful for Russia. This is largely due to Turkmenistan's discovery of new energy reserves and diversification of energy consumers. Since 2009, Turkmenistan's energy exports to China and Iran have increased while Russia has realized that it needs cooperation with Turkmenistan to meet European gas demands. This has given Turkmenistan an incredible advantage over Russia, as Russia is now trying to purchase a greater supply of Turkmen gas in order to prevent Europe's Nabucco pipeline project from being realized. President Berdimuhamedow has done very well to diversify his country's energy exports and has significantly strengthened Turkmenistan's geopolitical standing. Russia, along with China and Europe, all seek its cooperation to meet their energy demands. Moving forward, Turkmenistan should continue to exercise its new-found leverage over Russia and likely will not be a target of Russian coercion in the near future.

Tajikistan

Of the former Soviet countries, Tajikistan was perhaps the most in need of good relations with Russia. Ravaged by a civil war for much of the 1990s, Tajikistan gladly accepted Russian military assistance to help settle a peace agreement and achieve stability in the late 1990s. Tajikistan also suffers from low economic growth, with over half its population living below the world poverty line on less than \$1 a day.¹⁰² As such, Tajikistan had low expectations of conflict and a moderate gap in opportunity costs with Russia. It was the target of two coercion attempts by Russia, one of which—ownership of strategic

¹⁰¹ Vladimir Socor, "China to Increase Gas Imports from 'Economically Complementary' Turkmenistan," *Jamestown Foundation*, June 30, 2009. [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=35194](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35194)

¹⁰² John C. K. Daly, "Russia Dominates Tajikistan's Energy Sector," *Jamestown Foundation*, November 7, 2008. [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=34106](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=34106); hereafter cited as "Russia Dominates Tajikistan's Energy Sector."

industries—returned significant gains to Russia, the other of which—a ceasefire with opposition forces—returned moderate gains. Drezner’s CEM accurately predicted the relationship between Russia and Tajikistan in the 1990s.

In the following decade, Russia has worked to bring stability to Tajikistan, though Tajik leadership has been disappointed with Russia’s lack of economic development plans for the country.¹⁰³ In 2007, in large part due to frustration with Russia’s lack of progress investing in Tajikistan’s energy infrastructure, President Emomali Rakhmonov removed the Slavic “-ov” ending from his last name and outlawed families from using Russian endings in Tajikistan.¹⁰⁴ Interestingly, Russia did not react with any punitive or coercive measures to Tajikistan’s anti-Russian legislation, though a devastating drought and subsequent energy crisis in late 2007 forced Tajikistan to develop friendlier relations with Russia.

In 2008, Russia used its only coercion measure against Tajikistan. Having suffered through a cold winter exacerbated by an inability to pay for energy supplies a year before, Tajikistan agreed to hand over its Okno space tracking station in exchange for a \$242 million write-off of debt to Russia.¹⁰⁵ The two countries have continued to work on investment projects in Tajikistan’s energy sector, most notably in the Rogun Dam project and other hydroelectric plants. This comes as a major relief to Tajik citizens, who were subject to as much as a 40% increase in electricity prices in early 2008.¹⁰⁶

Over twenty years since independence, Tajikistan still heavily relies on Russian military and economic assistance. Russia has taken advantage of opportunities to invest in Tajikistan’s energy sector, though a low rate of coercion attempts is likely due to the fact that Tajikistan does not have much to give to Russia in return. Economic coercion could be also be counterproductive to Russia, since it would

¹⁰³ Lena Jonson, *Tajikistan in the New Central Asia: Geopolitics, Great Power Rivalry and Radical Islam*, (London: I.B. Taurus, 2006), p 61.

¹⁰⁴ Konstantin Parshin, “Tajikistan: Language Row Riles Russians,” *Eurasianet*, Aug. 25, 2009. <http://www.eurasianet.org/departments/insightb/articles/eav082609a.shtml>

¹⁰⁵ Anonymous, “Russian Gets Tajik Tracking Station,” *The Moscow News*, July 18, 2008. <http://themoscownews.com/news/20080718/55338401.html>

¹⁰⁶ “Russia Dominates Tajikistan’s Energy Sector.”

create further instability in that is struggling to keep Islamist opposition groups at bay. Maintaining stability in Tajikistan, rather than political gains through coercion, seems to be a more important objective for Russia.

Tajikistan is still a country whose economy relies largely on worker remittances. Over 40 percent of Tajikistan's working-age population is employed in Russia, with the rest of the population relying heavily on their remittances.¹⁰⁷ With such dire economic conditions, Tajikistan will continue to cooperate with Russia to increase the amount of capital which flows into the country, though this is not to say that relations will be very strong between the two countries. In 2012, Tajikistan demanded that Russia start paying 250 million annually for military bases which it has rented practically for free since 2004. Though Tajikistan had no leverage to force Russia to pay, this behavior shows that it will not always be content with whatever assistance Russia offers. Due to a low expectation of future conflict and moderate gap in opportunity costs with Russia, Tajikistan will remain in Box 3 of the CEM. Therefore, it will likely be subject to few coercion attempts, as it has been in the past. However, it will assuredly comply with most of Russia's demands, such as the recent attempt to persuade Tajikistan to join the Customs Union with Belarus and Kazakhstan.

¹⁰⁷ Kambiz Arman, "President Attempts to Give Tajikistan a Cultural Makeover," *Refworld*, April 10, 2007. <http://www.unhcr.org/refworld/publisher,EURASIANET,,TJK,46f36fda1f,0.html>