Emerging Powers in a Changing World

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Figure 1 The 10-meter-high Salavat Yulayev statue in Ufa, the Russian city where the 7th BRICS summit will be held.
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Introduction

This is the second collective effort from the Center for Euro-Atlantic Studies to address global issues that are largely unfamiliar to the Greek international affairs community. Last year we dealt with the new challenges that will likely have an impact on European Security in the near future. This year we decided to extend our scope beyond Greece’s neighborhood and examine different countries that are collectively called as ‘Rising Powers’. Selectively, we decided to pick and examine the topics we considered as the most important for this year from each of the following six countries: China, Russia, India, Brazil, South Africa and Mexico.

Studying the emerging powers of our time is a challenging and tricky task. The ‘BRICS’ term was originated 13 years ago and the international system is since changing. Many more acronyms were invented by scholars according to their appetite and their arguments. We partly disagree with this approach considering even the ‘BRICS’ term misleading in some cases. All five countries have the common aspiration to increase their share of global power and influence but are very different in almost everything else. Some of them rely on exports while other on imports. Some face almost inevitable decline while others sluggish growth.

Many have not solved the poverty problem of their population. Some have long-standing bilateral conflicts or issues while others are located in the world’s periphery. Therefore, classification by acronyms should be replaced with classification by economic or other variables. In this collective volume we decided to focus on challenges we deem of crucial importance for these countries in this time period.

Starting from Brazil, Haralambos Triantafilopoulos brings the spotlight to Brazil’s security strategy in the South Atlantic area. Recent and future weapons acquisition coupled with naval modernization and trans-regional cooperation indicate that Brazilian authorities aim to establish themselves as a serious regional player. A country similar to Brazil but positioned to a very dangerous region, India, which is also the world’s largest arms importer, tries not only to modernize its Navy and Air Force through acquisitions but also to built a reliable defense industry that will limit its reliance on third countries as Theodora Varela argues.

In the foreign policy section, Vasiliki Pechlivani puts under her microscope the underlying reasons that led to the ongoing Ukrainian crisis and its impact on both EU-Russia and US-Russia strained relations. On the other hand, Alexandra Ktisti’s analysis unfolds the aspects of China’s soft power and how it is exported regionally and globally. From there, Fotini Pantopikou delivers a critical analysis on the reform of Mexico’s energy policy which will be a game changer for the country and the
region should the Enrique Peña Nieto’s government succeed in its efforts.

On a similar level, Eleni Darema offers a unique perspective on China’s ‘dirty’ economic growth and how the Xi Jinping’s administration plans to tackle this immediate problem. Vassilios Chountis dissects South Africa’s National Development Plan unanimously agreed and adopted with main targets the economic growth and prosperity of the African state and the sustainable development that will enable the country to accelerate its rise in the African continent. Lastly, economy is also the center of Iris Chatzidaki-Pefani’s work on how Vladimir Putin reformed and breathed new life in the dying Russian economy.

We firmly believe that the time you will invest in reading this volume will be time well spent and it shall reward you.

Stamatis Zachariadis

Research Associate

Head of the ‘Rising Powers’ Working Group
New Brazilian Strategy for the South Atlantic

By Haralampos Triantafilopoulos

Introduction

Although the North Atlantic Ocean has long been of strategic importance to Brazil, the geopolitical space of the South Atlantic Ocean has gained importance in Brazilian defense thinking over the past half-decade. For Brazil, who possesses the longest coastline (7,491 km), the discovery of significant deposits of oil and gas off the Brazilian coast has altered totally the Atlantic dynamics and has therefore generated new interests and concerns. In order to ensure its sovereignty claims to these and other future resources, the Brazilian government has launched a transition in its national security thinking over the last five years. This strategy, which is reflected in recently published military doctrine documents, such as the 2008 National Defense Strategy\(^1\) and the 2012 Defense White Paper\(^2\), combines unilateral initiatives – naval build-up, and international legal moves – with a vastly expanded international defense cooperation programme that covers nearly the entire South Atlantic perimeter.

The South Atlantic has always been important to Brazil, but not among defense priorities, due to the fact that major perceived threats to Brazilian sovereignty lay elsewhere, mainly in the difficult to patrol region of the Amazon and the river Plate region, where historic rivalry with Argentina included a brief nuclear arms race during the 1970s and 1980s.

However, Brazilian defense thinking on the South Atlantic began to change under the administration of President Luiz Inácio Lula da Silva. The South Atlantic gained importance for two key reasons:

- Brazil’s foreign trade is conducted almost entirely through South Atlantic sea routes
- The country’s oil reserves are located offshore in the South Atlantic

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\(^2\) The White Paper provides details as to how the armed forces will implement Brazil’s 2008 National Defense Strategy, which laid the groundwork for more open, transparent communication of the country’s defense and security objectives.
The change can be summed up along three key elements: security build-up, international legal strategies, and South-South military cooperation.

**Security build-up**

Despite beginning from a low base, Brazil’s military spending has until recently risen significantly. Brazil’s annual defence expenditure is predicted to reach US$48.2b by 2015 of which the country is forecast to spend US$13.4b on arms procurements. The country is in the process of undergoing a major recapitalization of its three armed services with a raft of new equipment procurement and upgrade initiatives. These procurements include the acquisition of fighter jets and components for the indigenous development of transport aircraft, submarines, and satellite-based imaging systems for the protection of the Amazon region.

According to the government, the discovery of large oil and gas reserves, demands new capacity to patrol the South Atlantic and deter potential enemies. For this purpose the armed forces, and especially the Navy, are in the process of implementing a long-term modernization plan, having increased spending the most,

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3 Brazil has the most advanced military manufacturing industry and largest military forces in Latin America, with 327,710 active-duty troops and officers. The Brazilian military forces are divided into three branches: Army, Navy and Air Force. The Military Police (State Police) and the Military Firefighters Corps are described as an ancillary and reserve force of the Army. The Brazilian Navy is the oldest of the Brazilian Armed Forces and includes the Brazilian Marine Corps and the Brazilian Naval Aviation. All military branches are part of the Ministry of Defence (http://www.defesa.gov.br).

4 According to The Brazilian Defense Industry Market Opportunities and Entry Strategies Analyses and Forecasts to 2017 published by SDI “The total Brazilian defense expenditure is expected to grow at a CAGR of 6.6% during the forecast period. The country is expected to spend 1.5% of its gross domestic product (GDP)

with several priority projects to be implemented by 2031\textsuperscript{6}. The most important include:

- **Navy Modernization Program**: This is an extensive program that includes the gradual replacement of naval air and sea combat platforms. Some of the projects include:
  - *PROSUB*: program to develop non-nuclear submarines. Also cooperation with France on the development of a nuclear-propulsion attack submarine. The government points to the nuclear submarine’s speed and ability to patrol long distances without having to surface frequently
  - *PROSUPER* (Programa de Obtenção de Meios de Superfície): a surface vessel procurement program for five 1,800-ton ocean patrol vessels, five 6,000-ton frigates and a single support vessel, all of which are to be built locally in cooperation with Brazilian companies according to Brazilian law and offset requirements.

- **Amazon Blue Management System (SisGAAz)**: This is the Navy’s program for the surveillance and monitoring of Brazilian waters. It will also increase efficiency of search and rescue operations developed in conjunction with the police. Full implementation is scheduled to occur by 2024.

- **Navigation Safety**: This project foresees the expansion of the Brazilian Navy presence in the Amazon and Midwest region as well as surveillance in border areas and large river basins.

**Embraer and KC-390 Program**

The KC-390 program is a US$1.3b Brazilian Air Force contract signed with Embraer in April 2009. It is the biggest aircraft to be manufactured by the Brazilian aerospace industry and will set new standards in the medium-lift market in terms of performance, cargo capacity, flexibility, and life cycle costs.

The Brazilian Defence Ministry aims to develop and use more than twenty defence systems, which will provide troop and cargo transport, tactical air assault, airborne release of cargo, search and rescue, and aerial refueling.

On 26 June 2012, Boeing and Embraer announced an agreement to collaborate on the KC-390 aircraft program. Under this agreement, Boeing and Embraer will share some specific technical knowledge and evaluate markets where they can join their sales efforts for medium-lift military transport opportunities


Emerging Powers in a Changing World
Protection Program – Satellite-based Radar Imaging Systems

The Amazon Protection System Program, which was established to monitor over 1 million square kilometers of the Amazon region, is expected to drive acquisition of Satellite-based Radar Imaging Systems in order to image the entire region and monitor drug trafficking, illegal mining and deforestation activities. In addition, the Program is expected to drive demand for processing systems that will assist in the analysis of the images obtained.

Acquisition Programs

- Fighter Jet – FX2
- KC-X2 (Cargo and Tanker)
- Advanced Training Jet
- Geostationary Satellite
- Ground Control Station
- KC-390 Program
- Aircraft Modernization programs

Manufacturing Sector

Brazil’s defence policy has led to improved domestic defence capabilities and reduced the reliance on arms supplied by foreign OEMs. The country has an established aircraft manufacturing sector which caters to the needs of the air force, with the exception of high-end fighter jets.

Brazil has a diversified industry which produces a wide variety of defence equipment and supplies, ranging from small arms to aircraft. Below is a list of some of key domestic Brazilian defence firms:

- Embraer – producer of civil aircraft and parts, military training aircraft (Tucano and Super Tucano)
- Imbel – explosives and small arms, communication equipment and munitions
- Helibras – helicopters, components
- Forjas Taurus – small arms manufacturer
- Avibras – rockets and launching systems, explosives, and aerospace engineering
- Engesa – armoured vehicles

Brazil has a policy of acquiring technology from foreign OEMs and manufacturing the systems indigenously. Brazilian companies are willing to enter into joint ventures and/or strategic partnerships with foreign OEMs to procure technology.
International Legal Moves

Except from increased naval spending, Brazil has established institutional efforts to promote its claims in the South Atlantic. The Blue Amazon project, in addition to monitor the Brazilian waters, was created to call the attention to the immense riches of the oceanic area under the Brazilian jurisdiction. This area covers an Exclusive Economic Zone of 200 nautical miles, with a surface of 3,539,919 km², while the Continental Shelf is up to 350 nautical miles, corresponding to 960,000 km². If added, they cover 4,499,919 km², or almost 4.5 million km², which aggregate a maritime area equivalent to more than 50% of the total area of Brazil. That area is distributed mainly in the North (North ridge and Amazonas fan region), Southeast (Vitória-Trindade ridge and São Paulo plateau) and South (Santa Catarina plateau and Rio Grande fan region).

Although the Brazilian government has retreated its initial proposal to the United Nations Convention on the Law of the Sea (UNCLOS), which was filed in June 2004 and allowed coastal states to claim sovereign rights over the living and non-living resources of the sea and seabed in an exclusive economic zone extending up to 200 nautical miles from their coastal baselines, or from their continental shelves, has continued its efforts to refine the definition of the continental shelf with several maritime research programmes, which aim to increase control over the exploration and exploitation of natural resources.

Brazil also works to retrieve its Antarctic research programme, by building a new, improved Antarctic base immediately after the 2012 fire, which destroyed most of Estação Comandante Almirante Ferraz, reflecting the strategic importance of the South Atlantic zone for Brazil.

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8 Alexandre Pereira da Silva, BRAZILIAN EFFORTS TO EXTEND ITS CONTINENTAL SHELF AND THE VERY DEEP UNDERWATER OIL DISCOVERIES

9 Argentina and Chile helped Brazil to continue its Antarctic research programme after the 2012 fire at the Brazilian base.


**Defense Cooperation**

The third top priority for Brazil outlined by in the new security strategy for the South Atlantic includes defense co-operation mainly with South American neighbors, and latterly with countries along the west coast of Africa. Brazilian officials frequently adopt the rhetoric of South–South cooperation, which underlines connection with
other Portuguese speaking states, and generally ties to other South Hemisphere states. Brazil has been signing a series of agreements with African countries, especially those located on the western coast of the continent. In addition to the economic, political and technological areas, cooperation is also taking place in the field of security and defense. Security arrangements in the South Atlantic Ocean and consolidating multilateral platforms such as the South Atlantic Peace and Cooperation Zone (ZOPACAS), the India–Brazil–South Africa Dialogue Forum (IBSA), the Community of Portuguese-Speaking Countries (CPLP) and the Africa–South America Summit (ASA) provides a common denominator through southern countries can establish and enhance their security interests for mutual benefit.11

Within IBSA12, defense is one of the areas of cooperation and there have already been Navy joint exercises between the three countries. Brazil also wants to cooperate with other African countries, especially the Western ones, and those rich in oil, such as Angola, which currently produces about 6% of world oil. The Brazilian Government would like these countries to take steps to protect their exclusive economic zones and, if applicable, their continental shelves. It also wants to encourage and assist these countries to submit their demands for recognition to the UN Commission on the Limits of the Continental Shelf.13

Also cooperation agreements in the area of defense were signed with Cape Verde in 1994, South Africa in 2003, Guinea-Bissau in 2006, Mozambique and Namibia in 2009, Nigeria, Senegal, Angola and Equatorial Guinea in 2010. In general, they intended to promote cooperation in research and development, give logistics support in the acquisition of defense products and services, share knowledge and experiences in the field of operations, in the use of military equipment of domestic and foreign origin and in the compliance with international peacekeeping operations, share knowledge in science and technology to promote joint military training and education, joint military exercises, and the corresponding exchange of information, and collaborate on issues related to military equipment and systems.

13 Marianne L.Wiesebron, BLUE AMAZON: THINKING THE DEFENSE OF BRAZILIAN MARITIME TERRITORY, Austral: Brazilian Journal of Strategy & International Relations, Jan-Jun 2013
Cooperation would take place through visits of high-level delegations, meetings between defense institutions, exchange of instructors and students of military institutions, participation in theoretical and practical courses, internships, seminars, conferences, debates and symposia held in military entities as well as civil organizations of interest to the defense, visits of warships and military aircraft, cultural and sporting events, trade facilitation initiatives related to materials and services associated with the area of defense, and development and implementation of programs and projects which can be applied to the technology of defense, with the possibility of participation of military and civil entities of strategic interest to the parties.

On the multilateral level, Brazil tries to retrieve ZOPACAS (South Atlantic Peace and Cooperation Zone) by emphasizing on sharing its knowledge in search and rescue operations, maritime surveillance and continental shelf surveys. Finally, although the BRICS grouping do not have a common security agenda, topics such as terrorism, piracy and cyber-security, are expected to monopolize the 6th Summit in July.

**Conclusion**

Brazil’s growing interest in the South Atlantic highlighting by the need to protect Brazilian maritime resources is reflected in all government’s practices mentioned. With all these initiatives Brazil has made a significant effort to establish itself as the major power in South America, using a cooperative approach based on building new regional institutions. Brazil’s growing attention to the South Atlantic represents an opportunity for it to assume a role of trans-regional leadership on matters of defence and security, precisely at a time when NATO’s role in the South Atlantic is becoming more uncertain. These multiple practices have so far allowed Brazil to proceed with its naval modernization programme and more important to expand its defence co-operation programmes with countries all along the South Atlantic region. Brazil’s initiatives are trans-regional, involving the country with ties not only on South America, but also western Africa, reflecting a new degree of intensity in Brazil’s defense relations.

However, its historically reluctance to use hard power questions its ability to prevent or persuade other states in the region. Despite its size and capabilities, it has deliberately avoided using military power in South America to protect its interests or assert its leadership. While its Armed Forces mainly concerned about the defense of sovereignty and borders, a changing ecology of actors indicated by these practices, may create tension and skepticism to its neighbors, especially to those whose

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maritime boundaries are not so clear, or generate an environment of maritime territorialism, testing Brazilian leadership in Latin America.
India: Building on air and sea

By Theodora P. Varela

Figure 2 This map contains important cities/states of India
Introduction

There is a question on the rise for the biggest democracy of the world given the recent elections (first round: 7th of April, 2014): Is India going hardcore? With Modi taking charge of the country, replacing Gandhi and ending centuries of corruption and introversion, the turnover on the military aspect will be great, given his commitment to gain hard power through investments in the military and the nuclear triad especially. The national element is bound to surpass the call for a more democratic, moderate internal and foreign policy as we’ve already witnessed India’s attempts to further build on her military capacities and defence.

India’s ranking as far as the most powerful armies of the world are concerned is number 4. She is considered to be the ‘world’s biggest arms importer’, with the seventh biggest defence budget worldwide and imports that sum up to $3337 million only in 2010. Sadly though, whereas imports remain strong, the Indian military total exports for 2011 reached only a mere US$ 8 million (ranked at number 54).

In 2013, India imported $1.9bn of military kit from the United States. The US took the first place of India’s military suppliers, displacing Russia. Britain, France and Israel follow up as India’s next biggest military suppliers.

In this article, we will examine these emerging revelations of the US-India defence ties and, accordingly, the level of the Russia-India and Israel-India military cooperation. But firstly, we will take a look into the capacities of the Indian army, the latest and future acquisitions in the Naval and the Air force and their meaning for the country's self-reliance and the nuclear triad.

Capacities

(*via GlobalFirepower)

Manpower

Going beyond military equipment totals and perceived fighting strength is the actual manpower that drives a given military. Wars of attrition favor those with more.

- **Total Population: 1,220,800,359**
Available Manpower: 615,201,057
Fit for service: 489,571,520
Reaching Military Age Annually: 22,896,956
Active frontline Personnel: 1,325,000
Active Reserve Personnel: 2,143,000

Landsystems

Tank value includes Main Battle Tanks, light tanks and tank destroyers, either wheeled or tracked. AFV value includes Armored Personnel Carriers (APCs) and Infantry Fighting Vehicles (IFVs).
- **Tanks:** 3,569
- **Armored Fighting Vehicles (AFVs):** 5,085
- **Self Propelled Guns (SPGs):** 290
- **Towed-Artillery:** 6,445
- **Multiple-Launch Rocket Systems:** 292

Airpower

Includes both fixed-wing and rotary-wing aircraft from all branches of service. All aircraft types accounted (UAVs, gunships, special mission, naval carrier, trainers, etc.)
- **Total Aircraft:** 1,785
- **Fighters/ Interceptors:** 535
- **Fixed-Wing Attack Aircraft:** 468
- **Transport Aircraft:** 706
- **Trainer Aircraft:** 237
- **Helicopters:** 504
- **Attack Helicopters:** 20

Naval Power

Aircraft Carrier value does not include dedicated “helicopter carrier” vessels. Total naval strength includes all known auxiliaries as well.
- **Total naval strength:** 184
- **Aircraft Carriers:** 2
- **Frigates:** 15
- Destroyers: 11
- Corvettes: 24
- Submarines: 17
- Coastal Defense Craft: 32
- Mine Warfare: 7

**Resources (petroleum)**

Despite the advances made in battlefield technology, oil remains the lifeblood of any fighting force.

- Oil Production: 897,500 bbl/day
- Oil Consumption: 3,200,000 bbl/day
- Proven Oil Reserves: 5,476,000,000 bbl/day

**Logistical**

War is as much a battle of logistics—moving man and machine from points all over—as it is direct combat. Labor force reflects possible wartime industry strength.

- Labor Force: 482,300,000
- Merchant Marine Strength: 340
- Major Ports and Terminals: 7
- Roadway Coverage: 3,320,410
- Railway Coverage: 63,974
- Serviceable Airports: 346

**Financial (in USD)**

Regardless of military strength in numbers, war is still driven by financing as much as anyone leader or weapon.

- Defense budget: $46,000,000,000
- External Dept: $378,900,000,000
- Reserves of Foreign Exchange and Gold: $297,800,000,000
- Purchasing Power Parity: $4,716,000,000,000

**Geography (in km)**

Geographical values primarily figure into a defensive-minded war (i.e. invasion).

- Square Land Area: 3,287,263 km
- Coastline: 7,000 km
As we can see, India invests the lion's share on the army (49%), whereas the air force receives a 28% of the defence budget. The navy takes the last place, absorbing a mere 18%.\textsuperscript{16} The Indian army is considered to be second to that of China, a significant improvement after years of inferiority and deficits in standard military aspects.

When it comes to numbers, though, the answer to the question whether India could surpass China should they engage in war operations, is disheartening. India lacks in the fields of active forces and reserves, the main battle tanks, the principal surface combatants, the tactical submarines, the combat-capable aircraft and the strategic missiles.\textsuperscript{17} On the other hand, in terms of nuclear weapons, India's arsenal consists of 80 or more warheads and surface-to-surface missiles that, as tests have shown, are able to reach any point in Pakistan and most parts of China.

Problems arise, though, as we will see later on this article, as far as the country's self-reliance and its possibility to manufacture its own, indigenous arms and military vehicles.

State-owned companies undertake the massive share of arms manufacturing deriving from foreign deals, leaving aside the private sector, which has probably more efficient and functioning items to show. As a result, this reluctance to proceed to the reform of the defence-industrial base redounds to the country's dependence on other countries for military modernization. Furthermore, the suspiciousness that characterizes the relationship between the political leadership, the Ministry of Foreign Affairs and the Ministry of Defence and the army, with the later distrusting the effectiveness and knowledge on military issues of the above, has led to a communication inability and, consequently, to the incompetence and mismanagement of the already existing military power. India's power could only

\textsuperscript{16} The statistics concerning the defense budget allocation among the army, the navy and the air force were found in the articles by L.K. Behera, 'India's Defence Budget 2013-14: A Bumpy Road Ahead', The Institute for Defence Studies and Analyses (March 2013), S.Pushkarna, 'Graphic: Defense Budget 2013', StratPost (March 2013) and Dr John Chipman, 'Military Balance 2014 Press Statement', International Institute for Strategic Studies (IISS) (February 2014).

\textsuperscript{17} The comparisons are mentioned in the article from the briefing of the print edition 'India is poised to become one of the four largest military powers of the world by the end of the decade. It needs to think about what that means', The Economist (March 2013).
manifest itself through right-governance and the acquisition of powerful heavy military items, some of which will be mentioned below.

**Latest & Future acquisitions**

In 2013, India expanded its military hardware acquiring technology and militia from abroad while, at the same time, investing in internal production. Those developments have, therefore, a mass significance for the indigenization program of India, the sense of self-reliance and the completion of the nuclear triad.

To begin with, it is important to highlight that, given China's massive concentration of forces at the Sino-Indian borders, in case of war, an Indian response would preferably come from the sea.

For that reason, India's need for the development of the navy was profound in its acquisition of the INS Vikramaditya, a 45,570 tone aircraft carrier that 'will have 24 Mikoyan MiG-29K fighter jets and mix of 10 helicopters that might include Ka-28 helicopters ASW, Ka-31 helicopters AEW, ALH Dhruv choppers and SeaKing helicopters'.\(^{18}\) As an implementation to the Vikramaditya, the country proceeded to the construction of the INS Vikrant, an indigenous aircraft carrier deriving from the joint contribution of both public and private national enterprises, which will be able to operate an aircraft mix of the Russian MiG-29K and LCA (Navy) fighters being developed indigenously by HAL.

As for the helicopter component, it will include the indigenously developed ALH helicopters and the Kamov 31. The Vikrant, being 'the first ever aircraft carrier to be designed by the Directorate of Naval Design of the Indian Navy, the first warship to be built by Cochin Shipyards Limited and the first warship to be built entirely using indigenously produced steel',\(^{19}\) constitutes a landmark of the country's military and shows the ever-growing capabilities of India. After having successfully passed Phase-I is now proceeding to Phase-II (that of outfitting of the ship, fitment of various weapons and sensors etc) and is estimated to be handed over the Indian Navy by around 2016-2017, after having passed the various tests that lie ahead.

Last but not least, all attention has been drawn to INS Arihant, the first indigenous ballistic missile submarine with nuclear propulsion (SSBN) that is estimated to join the Indian Navy by 2015-2016. The Arihant completes India's nuclear triad. However,

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\(^{18}\) The INS Vikramatidtya's capacities are further examined in the article by A.Bhat named 'Top 10 achievements and Developments of Indian Military in 2013', International Business Times (December 2013).

\(^{19}\) See: 'Vikrant'- Navy's First Indigenous Aircraft Carrier Launched', [www.indiannavy.nic.in](http://www.indiannavy.nic.in) (August 2013)](http://www.indiannavy.nic.in) However, India did sign a Civil Nuclear Cooperation Agreement (India-US Agreement for Cooperation concerning Peaceful Uses of Nuclear Energy) or, as it is commonly known, the Indo-US Nuclear Deal that was formed in 2005 and entered into force, under some alterations, in 2008.
the long delay in the sea-acceptance trials of INS Arihant, which was “launched” in July 2009, has itself raised eyebrows. Arihant can only carry four k4 class ballistic missile or 12 k-15 ballistic missiles with range of 750km with 1 tons warhead, something that is in accordance with India’s ‘No First use’ nuclear doctrine. We must not forget that India has not yet signed the Non Proliferation Treaty (NPT) of 1968, along with Pakistan, Israel and South Sudan, a fact that traumatizes its relations with many countries and more importantly, with Japan and the US.

As a supplement to INS Arihant, India constructed a nuclear-capable submarine-launched ballistic missile. The K-15 Sagarika, with a range of 700 kilometers of range and participated in a joint venture with Russia that resulted it the development of a supersonic cruise missile (SLCM), known as BrahMos, that will pave its way to the integration into the Indian navy after it passes the relevant tests. Last but not least, India has ordered eight Boeing P-81 for Long range maritime Reconnaissance and Anti Submarine warfare (LRMRASW).

As for the Indian Air Force, the pleasant news concern the manufacturing of the first indigenous Light Compact Aircraft (LCA) that finally cleared its Initial Operational Clearance and will now move to the completion of the Final Operational Clearance. The aircraft series is named Tejas and constitute four plus generation aircrafts with new technology. They will have features of a stealth fighter and digital fly-by-wire control systems with glass cockpit with real-time information displayed on it.

The DRDO (Defence Research and Development Organization) is already working on an improved version of the aircraft that will have higher capacity and that will be equipped with beyond visual range (BVR) missiles. Apart from that, in 2013 we witnessed the induction of 14 Pilatus PC MKII into the Indian Air Force, that it Swiss-made basic trainer aircrafts for the training of the cadets while 75 more were bought. Moreover, the induction of six C-130J Super Hercules and four C-17 Globemaster III with their ability to land and take-off from semi-prepared runways, gave a boost to the strategic airlift. Finally, the commission of India’s first Advanced Light Helicopter is a fact. Dhruv, as it is named, is a 5-ton multirole helicopter used for reconnaissance, transport, utility and medical evacuation.20 Later on this article we will also see the deals made with Boeing concerning the Indian Air Force.

The modernization of the military does not stop here, though. Scientists from DRDO's various labs have teamed up with the Indian Military for the manufacturing of advanced arms, technology and equipment. Apart from that, India is under

20 All of India’s latest acquisitions are listed in article by A.Bhat, 'Top 10 achievements and Developments of Indian Military in 2013, International Business Times (December 2013).
negotiations for the acquisition of further equipment from its 'partner countries' such as the negotiations with French Dassault to buy 126 Rafale fighters, worth a total amount of over 12 billion dollars. Recently, moreover, the Indian defense minister closed a deal for the procurement of 262 Barak-1 missile at an estimated cost of $143 million from Israel while, currently, the Indian Air Force uses both Israeli-made Searcher II and heron UAVs, from which 100 are deployed along the borders. Talks have reached an advanced stage also as far as the sale of the Japanese ShinMaywa US-2 amphibious aircraft is concerned. Should that be the case, it will be the first Japanese defence export since World War II. A $750 million order from Italian Finmeccanica for helicopters has been put on hold, though, as a bribery scandal emerged.

As for the 'traditional' Indian ally, Russia, the arms trade is undisruptively ongoing. We can see the joint venture between Hindustan Aeronautics Limited (HAL) and the Russian Sukhoi for the development of a fifth generation strike fighter. Plus, India is negotiating, the purchase of six Airbus A330 military tankers and five new airborne early-warning and control aircraft. Generally, however, these acquisitions and the Indian air force system as a whole benefit air defense rather than air support.

India-US defence ties

From India’s actions lately it is quite evident that there is a renewed interest and emphasis given among the army officials and the ministry of foreign affairs and of defence on the Indo-American defence ties and how those are to be strengthened and expanded without awakening Chinese and Pakistani retaliation. Of course, for India the perspective of the expansion of the Chinese 'String of pearls' 21 , that is a series of Chinese centers of influence and economic cooperation in many diverse countries such as Pakistan, Myanmar and Sri Lanka that could ensure China's unhampered access to the , necessary for China's oil supply, seaways of the Indian Ocean. So, as India faces the fear of maritime encirclement and isolation, a turn to the West is inevitable.

As we saw beforehand, the nuclear aspect was hindering the improvement of the Indo-American relations, an obstacle that was surpassed with the Civil Nuclear Cooperation Agreement (India- US Agreement for Co-operation concerning Peaceful

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21 For a further analysis on the strategic importance of the 'String of pearls' for China, see B.Gertz, 'Inside the Ring', The Washington Times (January 2009) and I.Rehman ‘China's String of Pearls and India’s Enduring Tactical Advantage', Institute for Defense Studies and Analyses (IDSA) (June 2010).
Uses of Nuclear Energy) that was signed in 2005. As India is paving her way towards the admittance to the Nuclear Suppliers Group (NSG), the untrammeled establishment of defence ties with the US are now a fact and a priority. Apart from the nuclear energy deal, this strategic partnership is evident in the New Framework for the Defence Agreement, the frequent joint military exercises, the defense sales, the counter-terrorism cooperation, high-tech and economic cooperation, as are stated in the article 'The U.S.-India Strategic Partnership: An Overview of Defense and Nuclear Courtship' (Georgetown Journal of International Affairs).

First and foremost, while India was the 'only country in 2012-2013 to conduct joint drills with all P-5 countries-the permanent members of the UN Security Council' emphasis was given to those co-conducted with the US as the Yudh Abhyas, the naval cooperation during Operation Enduring Freedom in Afghanistan and the four-day joint Naval exercise 'MALABAR 2013' involving Quad group nations (the United States, Japan, Australia and India) in the Bay of Bengal. India invited also Japan to participate in the 2014 version of the MALABAR exercise, accordingly. As a whole, since 2001, India and the US have engaged in more than fifty military operations and combined military operations. Besides those exercises, the US Pacific Command plans to deploy US technical assets on Indian ships for an improvement in the coordination and execution of joint tasks. Those joint ventures and transfer of technology from the US to India will result in attaining the desirable inter-operability of the Indo-American forces, which is their ability to communicate, coordinate and fight together.

With 7,500 kilometres of coastline and three aircraft carriers India is still in need of surveillance aircraft. The facts show that, in the following years, emphasis will be given to the Indian Air Force rather than the army. So this ever-growing defence market seeks for its highest bidders. As we saw, the US companies are currently favoured by India's defence market with Russia coming second. Boeing is estimated to be the biggest provider as the Apache deal, which was officially signed, and the

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22 Under this agreement, India's nuclear activities are to be committed under the IAEA safeguards. For more information on the US-India Civil nuclear cooperation see U.S. - India: Civil Nuclear Cooperation of the U.S. Department of State website (http://www.state.gov/p/sca/c17361.htm).

23 See: N.Gokhale 'India's rising regional military engagement', The Diplomat (February 2014).

24 'Operation Enduring Freedom' is the official name used by the US government for the War in Afghanistan. See: 'The War in Afghanistan', BBC HISTORY.

25 The term 'Quad group nations' is used to indicate the quadrilateral cooperation. See: 'Strategic Asia 2011-12: Asia Responds to Its Rising Powers: China and India', The National Bureau of Asian research.

26 MALABAR is a regularly scheduled bilateral naval field training exercise with the latest to promote matters of mutual strategic interests and multinational maritime relationship. See: 'US-India joint Navy drill begins', Firstpost (November 2013).

27 See R.Bedi, 'India agrees to restart tripartite naval drills with Japan, US', IHS Jane's (January 2014).
Chinook CH-47F, which is still negotiated upon, equal to $2.5 billion alone, with the biggest deal being that the $4 billion deal of 10 C-17 Globemaster III. It also moved to the purchase of ten giant Boeing C-17 transports. Apart from these, other past contracts such as the $2 billion deal for eight P-81s long-range maritime reconnaissance and anti-submarine warfare aircraft clearly show that tables have turned as far as the US-Russia-India relationship is concerned.

These developments constitute an achievement that took typical formation also in the 'Next Steps in Strategic Partnership' (NSSP). This agreement -that focuses on the mutual commitment of the two countries to cooperate on matters of civilian nuclear energy, high-technology trade, civilian space programs and missile defense- led to two major agreements concerning the defense and nuclear ties, the ten-year New Framework for the U.S.-India Defense Relationship and the, already mentioned, US-India civilian nuclear deal.

The ten-year New Framework for the U.S.-India Defense Relationship, which was signed in June 2005, boosted the expansion of the two-way defense trade, the collaboration in multilateral operations, the opportunities for technology transfers, and co-production related to missile defense. Apart from the outsourcing of research to India and the promotion of the long-term bilateral defense industrial ties, this agreement offers India the opportunity to diversify its sources of defense and technology acquisition and military co-production and, consequently, achieve more favorable deals. This addition to India's R&D infrastructure and technology base is definitely bound to further build on the country's modernization and indigenization programs, as the defense technology acquisition has always been one of the major national goals. The ‘Cold Start’ doctrine\(^{28}\), which refers to the capability of inflicting serious damage to a hostile Pakistan without inciting a nuclear attack from its side, is now definitely possible.

**Conclusion**

What about the other ‘BRICS’ countries though? Is there a place for them in the largest defence equipment market in India's defence market? As the economy is nowadays the real game changer in international relations, the thing that could indeed strengthen the rising powers' defence ties would be the exchange of technology and the trade of armament. As India is situated in a rather dangerous region, with two nuclear-armed neighbours, and Russia fighting for the first place, the need and the competition is high. Nonetheless, as India's main aim is to boost internal defence manufacture, priority will be given to technology transfers and R&D.

\(^{28}\) None of the Indian army leaders has admitted that such a ‘Cold Start’ doctrine exists in the Indian Army. Nonetheless, analysts and former officials state otherwise.
rather than A&D (Aerospace& Defense), a sector in which China could contribute significantly.

*via The New Indian Express.

Indian and US army soldiers participate in a drill during a joint military exercise - Yudh Abhyas 2011-12 - in the desert near Bikaner, Rajasthan, Tuesday.
Sides of the Ukrainian crisis

By Vasiliki Pechlivani

The ongoing crisis in Ukraine raises numerous questions concerning not only the global policy and cooperation but at the same time the Russian goals after the end of the Cold War. In this paper we are going to examine as many sides of the crisis as possible in order to delineate the reasons it occurred and analyze the Russian policy as well as how Russia is affected by its moves. Unfortunately our analysis is driven by events that happen from day to day so it is very difficult to say for sure what is going to happen in the future and how this crisis is going to end.

Introduction

Until now the relationship between Russia and Ukraine was more than close. Following the breakup of the Soviet Union, national identities had to be reconstructed or recreated. The majority of the Ukrainian population gravitated towards Russia culturally and linguistically. In Ukraine more than half of the population considers Russian as their native tongue and prefers to use it in day-to-day communication. As a result, from the beginning of the Ukrainian state there were certain sides that kept part of the population together with their Russian past. Neither Ukraine nor Russia has been able to become fully independent from each other. Their relation became more close after Yanukovych was elected as President of Ukraine in 2010 and renounced the NATO membership aspirations of the previous government. Yanukovych decided to keep the country out of all military blocs and in that way he gained Russia’s support. Another very interesting and important issue is that the two countries agreed to extend the stay of the Russian Black Sea fleet in Crimea until 2042 and as an exchange discounted prices for natural gas supplies for 10 years were offered by the Russian government.

As we said before, in Ukraine there is one part of the population that is very close to Russia but there is also another part that believes that the future of Ukraine lies with Europe, while Russia’s European credentials are at best, problematic. Faced with continuing Russian pressure and intervention on issues ranging from minority rights to territory and foreign policy and the economy, the Ukrainian political elite have chosen to move away from Russia and get closer to the West, especially as far as economic reform and security issues are involved. So the main reason of the crisis is whether Ukraine is going to remain loyal to Russia or it will turn towards West. Before analyzing the reasons of the crisis it is vital to understand how important Ukraine is for Russia and the connection between those two countries geographically and linguistically. There is a map below that shows in a simplified way how Ukrainian population is divided as far as the language is concerned.
As we can see the Eastern and Southern regions of Crimea have a very high percentage of Russian speaking population and those regions aspired to return to the Russian Federation. Sevastopol is also where the Russian Black Sea naval fleet is based and a spot of major strategic importance.

The strategic importance of Crimea for Russia

The territories of ethnic Russian settlements, Crimea in particular, became a point of contention and Russian legislators repeatedly claimed them as ‘legitimately Russian’ lands. In March, the population of Crimea held a referendum in which they decided to be annexed by Russia. Russia’s willingness to go further in Crimea is driven mostly by Crimea’s strategic role for Russia29, in this chapter we are going to analyze the reasons of Crimea’s importance and how the referendum had an impact on the relation of Russia with Europe and the U.S.A.

29 www.foreignaffair.com/articles/141210/jeffrey-mankoff/russian-latest-land-grab
Except for Crimea’s historical and cultural connection with Russia, Crimea is vital to Russia’s naval power in the Mediterranean as we have already noticed. Vladimir Putin has called Sevastopol a key factor for regional security. Till now the base has been used during the 2008 war with Georgia for amphibious landings, in the Libya crisis and for anti-piracy missions in the Indian Ocean. It also has 15,000 personnel stationed there under an agreement with Ukraine that permits a maximum of 25,000 Russian military personnel. Additionally, control of Crimea provides Russia with important strategic defense capabilities. While it may lack modern vessels, the Black Sea Fleet remains capable of addressing naval threats from other states in the region of Russian interests within the Black Sea. Its warships are well equipped with advanced supersonic anti-ship cruise missiles, air defense systems, and torpedoes. Crimea is also home to the BSF 11th Coastal Defense Missile Brigade, which uses the K-300P coastal defense system, armed with the very capable Yakhont anti-ship missile. Moreover, with long-term control assured, Russia is already upgrading Crimea’s air defense capabilities, and will eventually install an integrated air defense system likely based on Russia’s formidable S-400 area defense platform. Together with advanced combat aircraft stationed at Crimea’s Kacha and Gvardeisk air bases, this will significantly enhance Russia’s air defense capabilities on its southern flank.

The annexation of this region was nothing more than a logical continuity of the Ukrainian crisis. By annexing Crimea and threatening deeper intervention in eastern Ukraine, Russia changed the relation with Europe and U.S, which imposed sanctions against Russia and did not accept the referendum as a legal state act according to the Ukrainian constitution and the International law. Russia has imposed sanctions to and a negotiative solution becomes more and more difficult.

**Russian Policy**

Russia has always been claiming that the protection of the Russian minorities, if threatened, is of high importance for the Russian government. This concern was the reason why Russia intervened in Ukraine according to Pr.Putin. Since the beginning of the crisis, which started as a protest over the handling of a trade pact with European Union and escalated to the ousting of Yanukovych, Russia seemed to be very concerned about the areas near her borders. By annexing Crimea, Russia secured the port of Sevastopol but it now confronts a more serious problem to its west. Also Crimea is an area with serious economic problems and Russia is now obligated to offer financial aid but we must not neglect that Russia has already entered a period of stagnation and within the next six months maybe a decline. Although, it is very unlikely that Moscow will return the control of the region to Kiev.

31 http://csis.org/blog/crimeas-strategic-value-russia
Putin believes that the cooperation with EU and U.S is less beneficial than the open confrontation for the next two reasons:

- Consolidation of his political position
- Boosting Moscow’s international status.

As far as Putin’s political position is concerned we should refer that his public acceptance before the Ukrainian crisis was 60% and after the annexation of Crimea went to 80%.

There are many analysts that fear that Russia may use the same tactics as it has done in the past and repeat the events of Transnistria in Moldova and South Ossetia. Until now Russia has been using other kind of measures in order to pressure Kiev such as trade sanctions against Ukrainian imports and military presence along the borders of Russia with Ukraine.

Nowadays, our attention is focused in Donetsk and Lugansk. These two areas have many similarities with Crimea and the last few days the majority of the population asks for referendum. It is a very crucial moment to see, not only how Russia will respond to this act, but also if a referendum is held and we have the same results with Crimea, how West is going to react. Russia should be very careful with the planning of her policy because a wrong move could affect not only the relationship with E.U and U.S but could also lead to an isolationist regime, if more sanctions are imposed.

At this point we would like to mention an agreement that Russia made with China. Russia rejecting and rejected by Europe and U.S is in need of a strong alternative. Russia and China agreed to a 30-year, $400 billion gas deal on May 21 meeting in Shanghai\(^{32}\). This deal makes it easier for Russia to blackmail Europe and Europe lost a partner and turned him towards a country that we still do not know its goals for sure. Although, the fact that it took ten years for the two countries to come up with the agreement and the fact that the agreement was announced in the last minute, shows how ‘desperate’ Pr.Putin was to show results from his visit and should not concern Europe that much. The Economist used the word ‘frenemies’ to characterize the relation of the two countries and in our opinion it is the most suitable word\(^ {33}\).

To summarize, Russia has played its role very well until now and has used the right excuses in order to legalize its acts, but the relations with the West have received a strong blow and we have to see how the players of that zero-sum situation are going

\(^{32}\) http://socialistworker.org/2014/06/03/russia-and-china-make-a-deal

to handle the rest of the crisis. Is Russia going to deescalate the crisis or a military invasion in Ukraine is inevitable;

**Europe**

The Ukrainian crisis has affected the relations between Europe and Russia a lot, the ideological gap becomes more and more obvious and although the two partners had made some steps towards cooperation, now all forms of collaboration are at risk of being jeopardized. The military exercises have already stopped, also financial and visa restrictions have already been taken as a response to the Crimean annexation. The question is whether we are facing a Russian-West Cold War and how this crisis will affect the relationship of the two parties.

Russia is the main supplier of gas for Europe but after the annexation of Crimea and the fact that EU imposed economic sanctions to Russia, a reorientation of EU priorities and a diversification of gas suppliers is of very high importance.

As we see in the map, a major percentage of gas, comes from Russia, those strong trade links are now threatened, but how feasible is for Europe to find other suppliers; The relationship between Europe and Russia as far as the gas is concerned is a relationship of interdependence. Europe needs Russia and Russia needs Europe. We should not neglect the fact that nowadays Europe is in a difficult economic situation and it would not be wise to find other gas suppliers with higher prices.

Secondly the income for Russia from the European imports play a major role to the country’s GDP.

At this point we would like to mention two mistakes of the European policy. The first one has to do with the fact that Baltic countries and Poland were asked to define the agenda of cooperation between Ukraine and Europe. In that specific period elections took place in Germany and France was not able to deal with European policy issues, as a result President Yanukovych had to choose between a customs union with Europe and Russia. As we know, the entrance to a customs union includes the adoption of certain measures which were not easy to be taken from Ukraine, regarding the economic situation. Russia came up, as it was predicted, with a financial package aid so Yanukovych decided not to sign the cooperation agreement with Europe.

The second important mistake of the European policy is that in order to get rid of President Yanukovych, turned a blind eye to extremist elements operating within the country. During this period Europe had a very serious problem with extremist elements, as it is obvious after the European elections. The fact that it did not even reacted to Ukraine’s far right sector speaks volumes. Fortunately, Ukraine’s election results were very embarrassing for the reactionary thinking parts, 1% of the vote for Oleh Tyagnibok of ultra-nationalist Svoboda Party and less than 1% for Dmitry Yarosh of the new Right Sector party that sprung up during the protests.35

To conclude, as far as the crisis is still in progress we cannot be certain how the EU-Russia relations will evolve, but in our opinion Russia cannot cut every link with Europe because we must not forget that Russia faces serious problems as far as the technological expertise in the reproductive process is concerned and until now Europe offered an important aide to Russia. A solution after negotiations would be the best, but if that is not in the agenda they could both agree that they disagree in that issue and continue their cooperation. The EU-Russian relations are very important for the stability in the European area, regarding the fact that the European enlargement has created a common neighborhood. Therefore the two allies should not become adversaries under no condition.

**United States**

Agreement on Syria’s chemical weapons, collaboration in the Middle East and Afghanistan and cooperation against international terrorism are the highlight achievements of U.S-Russian relation. The two countries are the main poles of the international system and their relation should be as stable as possible. The Ukrainian

crisis has affected the two countries a lot and the real question is for how long and how deeply the confrontation will continue.\textsuperscript{36} President Obama and Administration officials tried unsuccessfully to reassure Russia that the United States was not in a geopolitical competition with Moscow over Ukraine.\textsuperscript{37}

Nowadays, the U.S policy towards Russia contains punitive sanctions and sharp criticism of Mr. Putin’s regime. President Barak Obama stands with his European allies against Russia and is strongly against Russia’s integration of Crimea and the military invasion held in the area. President Obama said “the world is largely united in recognizing that the steps Russia has taken are a violation of Ukraine’s sovereignty, Ukraine’s territorial integrity; that they’re a violation of international law...” President Obama acknowledged the Russian ties to Ukraine, adding that “all of those interests I think can be recognized. But what cannot be done is for Russia, with impunity, to put its soldiers on the ground and violate basic principles that are recognized around the world”\textsuperscript{38}. Restrictions on defense-related exports, visa bans and asset freezing of people working in key areas of the Russian economy, are some of the sanctions that U.S administration has already taken. Russia has reacted to these kinds of sanctions by imposing sanctions too. It is obvious that the sanctions already imposed by both sides are not very harmful for their economies and their main goal especially for U.S and Europe is to see Russia’s reaction. At this point we should recognize that for the United States foreign policy, Ukraine is not the first issue to come up and that is the reason why U.S does not seem to play the first role. In addition the cooperation between the two countries will not be sacrificed for Ukraine and despite the extreme international tension, cooperation on transit from Afghanistan through Russia is guaranteed, since it is a commercial project.\textsuperscript{39}

To conclude, besides the fact that the Ukrainian crisis has caused a serious conflict between Russia and West, the relations with the U.S will be soon restored because it is vital for both countries to be allies in every possible length in order to achieve stability and neither Russia nor U.S are ready to enter a second Cold War period. The Ukrainian crisis has still a long way to go and this should not be an obstacle for the two countries to achieve further cooperation.

\textsuperscript{36} http://carnegie.org/us-russia/
\textsuperscript{37} http://www.fas.org/sgp/crs/row/RL33460.pdf
\textsuperscript{38} http://www.fas.org/sgp/crs/row/RL33460.pdf
\textsuperscript{39} http://www.russia-direct.org/content/top-3-geopolitical-challenges-russia-and-nato
Conclusion

There are indeed lessons to be learned from the Ukrainian crisis. A world of cooperation should not be taken for granted; there is still rivalry between the states especially the ones that fight to rule in the international system.

The solution lies between a federalized Ukraine and the commitment made in its original Declaration of Independence to its status as a “permanently neutral state, which does not participate in military blocs.” As such, it would be independent, militarily neutral and thus, not a member of NATO or a Russian-led counterpart. Ukraine has to try very hard in order to overcome the economic and political crisis; it should de-escalate the crisis and build the relation with Europe and Russia under a more neutral point of view. Ukraine needs both the EU and Russia in order to survive; the adoption of a policy that pushes away one of the two partners should harm the state a lot. Fortunately, some steps towards a solution were taken.

At a D-Day in France the two leaders (Pr.Putin, Pr.Poroshenko) had their first discussion since Poroshenko’s election, both Putin and Poroshenko called for a quick end to the bloodshed in south-eastern Ukraine, and also to military activity by both sides", said Kremlin aide Dmitry Peskov. At this point, we would like to add that Poroshenko is a personality that could help the de-escalation of the crisis. He is already trying to approach both EU and Russia and ha has already gained the recognition of Pr.Putin. In addition a ceasefire between Pro-Russian rebels and government forces in Ukraine was signed on September 5th in Minsk. Although the agreement does not refer to the status of Donetsk and Luhansk regions, it is a step towards ending the conflict that has cost the life to more than 2000 people. At this point we should mention that the sanctions posed by EU will not be dropped until the agreement ‘is properly implemented’.

If EU, Russia, Ukraine and the U.S achieve a workable solution it will be very promising for the future of diplomacy and the stability of the international system. Hopefully the leaders will come to that result. If not, the implications for the stability and especially the relations between Russia and the U.S could lead to a hostile international environment that could benefit no one, also a frozen conflict in the Ukrainian area may harm the cooperation between the states in important issues such as the terrorism.

42 www.cityam.com
China's Soft Power

By Alexandra Ktisti

About the Soft Power
The basics of soft power according to Joseph Nye are concentrated to the below essential features. Soft power is the result of being liked, respected, trusted, or admired. It’s a kind of magnetism: countries are attractive when they have it, and repellent when they don’t. Soft power is all in the mind, unlike hard power, which is all about tangible assets. Country A possesses soft power if people in Country B have positive ideas about it – if they regard Country A as likeable, respectable, trustworthy or admirable. Since likeability is in the eye of the beholder, no country can acquire soft power directly, or force people or states to like it. But a state can make itself more likeable and more comprehensible through its behavior. Context is king. Soft power only accrues when the conditions are right. Efforts to make yourself more likeable may succeed in one country and fail in another, as dictated by the many cultural, political and historical factors in play. 43

Soft power, however, can be perceived through two aspects: who you are, and how you behave. Soft power links domestic politics and foreign policies, but fundamentally it is about who you are: the quality of being a successful great power. In Joseph Nye’s words, “true soft power comes from the story of being successful.” Therefore, in the long term, soft power is not merely about how many Confucius Institutes China has built around the world and how many energy and natural resource projects China has poured money into on other continents. Instead, soft power is determined by how successful China will be as a stable, prosperous, and peaceful country that abides by its great power responsibilities. 44

It’s also important to ask what soft power is to China. If we say that China has soft power, that means states and individuals do things China wants without any compulsion or inducement. So what is it that China wants them to do? We can safely assume that China’s soft-power aims including being given face on the international stage: being shown respect, and being treated like a great country. It wants its policies and actions to be viewed sympathetically, and to conduct its affairs without foreign interference. It wants to draw less criticism and suspicion than it tends to today, and to attract more friendly support on issues it cares about. It wants less bad

43 The Diplomat, Soft Power? China Has Plenty http://thediplomat.com/2013/06/soft-power-china-has-plenty/
44 The Diplomat, What Kind of Power Does a Rising China Need? What Kind of Power Does a Rising China Need?
press. And, of course, it wants to open up overseas markets for Chinese products and have freer access to commercial opportunities abroad.  

Soft power refers to a nation winning influence abroad by persuasion and appeal rather than by threats or military force. “People often conflate soft power with investment and economic development, but I define it as culture, education, and diplomacy,” says Elizabeth Economy, CFR senior fellow and director of Asia studies. “The Chinese have historically had a very well-established network for promoting this kind of influence.” But Bruce Gilley, an expert on contemporary Chinese politics and adjunct professor of international affairs at New School University, says China exercises its soft power alongside hard power, including its military threat and its ability to impact other countries’ political or economic security. “China, as a UN Security Council member with a veto, can affect the fate of a lot of states,” he says. “That’s not China being persuasive; it’s China wielding a club.”

Soft power resources refer to both “hard” soft power resources and “soft” soft power resources. “Hard” soft power resources refer to the quantity and quality of traditionally defined as hard capabilities such as economic, military, science, and technology capabilities. “Soft” soft power resources refer to culture, education, governance, values, ideas, and visions. Both the “hard” soft power resources and “soft” soft power resources are necessary but not sufficient conditions of soft power. Soft power utilization capabilities refer to the ability to translate soft power resources into actual soft power. This includes efforts to build up institutions and develop appropriate methods and skills for soft power projection. Soft power effectiveness refers to the actual impact of soft power, that is, whether the projection of soft power actually produces the desired results.

China has many soft power resources, and they are expanding. As an ancient civilization with a long history, China can boast many “soft” soft power resources ranging from art and architecture to food and medicine. As a developing country frequently expressing the views of and defending the interests of developing countries, China also has the affinity and support of many developing countries. And with its sustained rapid economic growth, China has made much progress in terms of “hard” soft power resources ranging from a huge and burgeoning economy to a rapidly modernizing military.

45 The Diplomat, Soft Power? China Has Plenty http://thediplomat.com/2013/06/soft-power-china-has-plenty/
http://thediplomat.com/2013/06/soft-power-china-has-plenty/
46 Council on Foreign Relations, China’s Soft Power Initiative http://www.cfr.org/china/chinas-soft-power-initiative/p10715
47 Brookings, Continuity and Change: China’s Attitude toward Hard Power and Soft Power
How the Chinese Soft Power is expressed in the world

China is steadily increasing its support for cultural exchanges, sending doctors and teachers to work abroad, welcoming students from other nations to study in China, and paying for Chinese-language programs abroad. In 2005, China's education ministry announced a new initiative to boost Chinese-language teaching in American universities and language institutes around the world. Beijing University, China's most prestigious, just announced a visiting-scholars fund to encourage foreign PhDs to study in China. "A decade ago, no Chinese university could support such a program," Economy says. And Chinese cultural influence, already evident in many parts of the world, is spreading. "Right now, your kids wear Chinese clothes and play with Chinese toys. It is not at all inconceivable that their kids will listen to Chinese pop and prefer Chinese movies," John Derbyshire writes in the National Review Online⁶.

Asia

China has also begun to assign more importance to public diplomacy. It has explored various means to present China in a way that is attractive to foreigners, such as staging the Beijing Olympics in 2008, and the Shanghai World Expo and Guangzhou Asian Games in 2010. It has also experimented with hiring foreign news anchors and correspondents to run some overseas programs broadcast by China Central Television (CCTV), China’s national television network. Finally, it has made efforts to develop new and creative ideas for management of international affairs including the “new security concept” to manage international security issues, the term “democratization of international relations” by which to frame international relations, and the idea of a “harmonious world” to represent an ideal state of world affairs that the world should strive for.

When it comes to soft power effectiveness, China has been quite successful in some areas. For example, it has managed to develop peaceful and mutually beneficial relations with most countries in the world despite its rapid rise over the past three decades—no small achievement given the size of China and the accelerating trend toward interaction on a wide range of issues. This is especially the case with China’s relations with Southeast Asian countries. These countries are mostly small in size. In modern history, China’s relationship with these countries was complicated by either war or confrontation. And on top of this, some of these countries have territorial

http://www.brookings.edu/research/opinions/2010/12/china-soft-power-jia

⁶ Brookings, Continuity and Change: China’s Attitude toward Hard Power and Soft Power
http://www.brookings.edu/research/opinions/2010/12/china-soft-power-jia
disputes with China in the South China Sea. Consequently, these countries are particularly sensitive to China's rise and were very concerned with its implications during the 1990s. In part as a result of Chinese efforts, Southeast Asian countries now view China more as an opportunity than as a threat.

**Latin America**

China is increasingly supporting cultural and educational programs in the region that have "a very benevolent patina," says Julia Sweig, CFR senior fellow for Latin American studies. "Chinese influence is seen as benign," she says. "By comparison to the bad spell that Latin America has had with the United States, China's kind of a breath of fresh air." China has two main objectives in the region, Sweig says: securing resources—from steel to soybeans to oil—and trying to convince the many Central and Latin American nations that recognize Taiwan to change their allegiance. "There's a strategic competition between China and Taiwan in Latin America," she says. Taiwan has gained its allies in the region by giving generous aid and trade deals, a strategy China is now employing to its advantage.

Latin American leaders are also happy to turn to Beijing as an alternative to Washington. When Chinese President Hu Jintao toured Latin America in 2004, his "message of greater economic, financial, trade, and technology ties was precisely the sort of engagement that Latin America has long wanted from Washington," said Cynthia Watson, a professor of strategy at the National War College, in Congressional testimony. The Chinese government has negotiated more than 400 trade and investment deals with Latin American countries in the last few years, investing more than $50 billion in the region. But while leaders from Paraguay to Brazil may be encouraging trade with Beijing, "Latin Americans don't see the Chinese Communist [political] model as something they have any intention of emulating," Sweig says.

**Africa**

China has actively pursued a development agenda in Africa, coupled with locking in agreements on energy and commodities. Princeton Lyman, CFR senior fellow for Africa policy studies, says China's soft-power engagement in Africa includes:

- Professing solidarity with Africa in international forums on trade and human rights issues;
- Forgiving more than $1 billion in debt from African countries;

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48Brookings, Continuity and Change: China’s Attitude toward Hard Power and Soft Power

• Training more than 100,000 Africans in Chinese universities and military institutes;

• Sending more than 900 doctors to work across Africa; and

• Making major investments in infrastructure, agriculture, and energy.

China has also intensified its trade and energy ties with Africa. China’s practice of building roads, hospitals, and bridges in countries where it has made substantial energy investments—like Sudan, Angola, and Equatorial Guinea—has drawn both approval from local governments and criticism from human rights groups, which accuse China of propping up dictators and selling arms to authoritarian governments.

On the continent, the reaction to China’s increasing presence is mixed, Lyman says. "People appreciate the fact that the Chinese go into sectors the United States doesn't, and don't attach any political conditions to their involvement," he says. The Chinese have a reputation for finishing infrastructure projects quickly and on budget. On the other hand, Chinese companies bring their own laborers in for projects, raising objections that they should be creating more jobs locally. And Chinese goods are flooding the African market and competing with African products.

How does China’s use of soft power compare with that of the United States?

U.S. culture, advanced through films, books and other media, remains dominant worldwide. But many experts say Washington is losing its ability to win allies through soft power, even as Beijing is building its own. “It’s very difficult for U.S. soft power to compete with our engagement in Iraq,” they say. In addition, she says U.S. and European soft-power efforts are focused on democracy promotion and encouraging good governance abroad, while China’s engagement involves lucrative trade and energy deals and produces tangible results like newly-built roads, hospitals, and schools.

Soft power, on the other hand, influences another’s behavior through attraction, legitimacy or agenda-setting. As the Nye quote above argues, this is usually and perhaps best done through the soft instruments of national power. Yet it is far more common for hard instruments of power to be used for soft power purposes then vice versa.

49 Council on Foreign Relations, China’s Soft Power Initiative
http://www.cfr.org/china/chinas-soft-power-initiative/p10715
In fact, the United States has often used its military power for soft power ends. In rare instances, this is done in sweeping ways such as when the U.S. used its military superiority after WWII to transform Japan and Germany into democratic states. Originally this was done through pure coercion, but eventually the Japanese and German populations came to accept democratic values (and U.S. leadership) as legitimate.

More frequently, the U.S. military is used more subtly for soft power ends. For instance, after the devastating 2004 Indian Ocean tsunami, U.S. naval assets allowed the U.S. to be one of the first organizations on the scene helping in the rescue effort. The same was true after the 3/11 disasters in Japan. This undoubtedly made the U.S. in general and the U.S. military’s presence in the region in particular, more attractive in the eyes of local populations who benefitted significantly from them being there.

Similarly, when the U.S. military is used to fight piracy or uphold freedom of navigation in international waters, it is using both soft and hard power. It is using hard power towards the pirates and whichever party is threatening free navigation, by coercing or forcing them to seize their actions, but it is using soft power towards other populations who view the U.S. military’s presence in their neighborhood as legitimate thanks to these actions, and are attracted to the U.S. for its commitment to uphold freedom of navigation (assuming they are in favor of this.)

**Conclusion**

As a new-comer to the dominant Western system, China’s emergence so far has been relatively different from that of the previous world powers, which acquired their dominant position either directly or indirectly through wars. Since the late 1970s, China has successfully realized its economic growth by merging into the U.S.-led international community. China has become a true rival to the U.S. if measured by total GDP.

Despite its rapid economic expansion, China has yet to convince the international community of its claimed peaceful rise, particularly in the midst of the on-going disputes with some of its neighbors. China may find itself puzzled by these reactions, since a peaceful rise is not only diplomatic propaganda but also what China truly needs to maintain its economic growth and political stability. In the meantime, China has put on a somewhat harder image in recent years. Within Western academia, there is a near-consensus that China lags in upgrading and enhancing its soft power, which is exactly what a rising China should focus on.

**50** The Diplomat, The Hard Side of Soft Power

http://thediplomat.com/2013/07/the-hard-side-of-soft-power/
Soft power, however, can be perceived through two aspects: who you are, and how you behave. Soft power links domestic politics and foreign policies, but fundamentally it is about who you are: the quality of being a successful great power. In Joseph Nye’s words, “true soft power comes from the story of being successful.” Therefore, in the long term, soft power is not merely about how many Confucius Institutes China has built around the world and how many energy and natural resource projects China has poured money into on other continents. Instead, soft power is determined by how successful China will be as a stable, prosperous, and peaceful country that abides by its great power responsibilities.

Economic power alone, as a hard measure, cannot ensure a perpetually peaceful rise. Within its borders, China needs to reform and make a series of changes to its social and political operations. It is in this regard that a rising China particularly needs the sort of power gained through change and reform.

Entering into 2014, Chinese President Xi Jinping took on a new role as the leader to the Central Reform Leading Group. This shows China’s determination to enhance the country’s “great revolution” of reform and opening-up. Usually, such groups would be led by the Premier of the State Council, for example, Li Keqiang. However, this new arrangement does not necessarily indicate any domestic power struggle or Xi Jinping’s personal leadership style. Instead, it proves the Communist Party of China’s determination to push forward reform at a greater scale, in which the Party, rather than the government, obviously takes the decisive role.

There are many reasons why China must further its reform at this point. First and foremost, this is a transitional period. Deng Xiaoping took the courage to reform and open up in the late 1970s, after China had tremendously suffered from the Cultural Revolution. However, so far China’s reforms have not touched upon the deeper part of social and political lives within the nation. Widespread corruption and incidents of social unrest suggest that China’s economic development and social stability face mounting obstacles and pressures from social and political institutions that have remained almost unchanged since the eras of Mao and Deng.

But now, topics that had previously remained taboo have emerged in public discussions, though there are concerns about how far China can let it go. Nevertheless, issues such as abolition of the reeducation through labor system show that China is searching for political credibility and accountability through more people-favored measures. Hence, The Economist pointed out two proposals hidden in the CPC’s recent Third Plenum report that “could change Chinese government”: allowing the development of social organizations, and creating suitable separation of judicial jurisdiction systems from administrative areas.
Whether these measures will finally lead to substantial political reform and then social liberalization is still unclear. A radical political reform is regarded as suicidal by the CPC, given what happened to the Soviet Union in the early 1990s. However, the recent measures strongly indicate the Party’s determination to reform and change at China’s own pace. By their nature, such reforms and changes may gradually help to improve and enhance China’s soft power in international politics, along with restoring confidence in China’s promise of a peaceful rise.  

The Diplomat, What Kind of Power Does a Rising China Need? [link](http://thediplomat.com/2014/01/what-kind-of-power-does-a-rising-china-need)
Mexico’s energy policy: The reforms of Enrique Pena Nieto, a road to development?

By Fotini Pantopikou

November 2013, the Mexican government introduces the energy reform to the Mexican Congress. The reform suggests the alteration of the legal framework concerning the oil and gas production which has been unattached for the past 70 years. What were the challenges PEMEX—the exclusive oil company—faced that lead to the reforms? How these progressive reforms affect the international relations of Mexico?

For the first time since 1938, when Mexico’s oil industry was nationalized, international and Mexico private oil companies may have a share to oil production. Enrique Pena Nieto, Mexico’s president introduced the energy reforms in 2013 placing the country in the center of attention. Since 2013 Mexico is pushing reforms which will alternate the image of the country. PEMEX’s breath to sustainable development is a determinant factor towards this alteration steps.

Brief History of the Mexican energy status

The revolution which struck the political status of the country from 1910 until 1920, followed by the constitutional energy reforms\(^1\) caused a gradual decline of the foreign investment within the oil and gas sectors. The post revolution governments lost powerful allies like the USA, especially when President Cardenas in his 1938 decision denied the further resolution of the oil labor workers and the foreign companies issues, suggesting the outrageous solution of expropriating all US and foreign oil assets in Mexico. PEMEX, as a state-owned oil firm created in 1938 became the center of attention of President Cárdenas’ carrier and of what is later to be PRI. The creation of PEMEX was the result of a non foreign intervention policy established by the governments of Mexico for the past years and the outcome of the 1917 constitutional provisions\(^1\). Oil and the only company producing it, remained deeply tied to Mexican nationalism becoming the symbol of national pride, gaining exclusive control of oil exploration, production and distribution\(^1\). Petroleos Mexicanos remains one of the largest oil firms in the world. Over the last decades, it has continued to grow until reaching its highest production numbers in the early 2000s.
The firm has generated up to $80 billion of revenues per year, but at the present faces serious challenges, which makes PEMEX unable to fund or invest in new technologies, which are essential for deep-water oil and shale gas exploitation\(^1\). PRI’s tactic for the past years has allowed this result, treating the firm as a “cash cow” and “tax collector” capturing over 60% of the company’s revenue in taxes and funding up to 40% of the national budget\(^1\). PEMEX has a high percentage of losses, low worker productivity and in January 2013, 37 people were killed after an explosion at one of the company’s offices in Mexico City causing an even greater demand for repairing the already existing facilities. The close relation, translated as vast control between the government and the firm can also be sustained by the fact that PEMEX’s boss, the Energy Minister and the Finance Minister are always sponsored and chosen by the President, leaving much room for corruption policies\(^1\). As a result, we face now a corporate dept which stand now at over US$60 billion dollars, topping the country’s economic burdens.

The present image of PEMEX includes a system which finances the corrupted workers union, criminal groups illegally tapping into its pipelines, incompetent facilities and technologies to continue to bring productivity back to the firm. Carlos Morales Gill the new General Director of Pemex, has noted that the failure to modernize the company could entail a loss of as much as USD$100 million dollars a day for the country starting in 2014.

**Paving the Path to Energy Reforms**

Enrique Pena Nieto has established the label of the “reformer” since the date of his inauguration. The date, when he announced his new full of reforms agenda, aiming to build the image of the new progressive PRI. The reforms’ main target is to boost the competitiveness\(^1\) the country, by building a kick-starting economy. Among the measures introduced one can meet the energy reforms, which introduce the surprising enabling of private participation in the oil, gas and electricity sectors. In order to achieve the agreement of the other leader parties, PAN and PRD, PRI concluded a ‘Pact for Mexico’\(^1\), which entails an agreement signed by the 3 leader parties of the country towards the reforms introduced by Enrique Pena Nieto. The road to cooperation was hard, full of different party-centered views, but in December 2013 the Congress passed the constitutional reforms on energy by a successful PRI-PAN alliance which led to the PRD to leave the ‘Pact for Mexico’.

In August 2013 the negotiations brought an energy reform different from the initial plan and even more intense. The outcome was finally approved in December by the Congress and by the majority of state legislatures and signed by Enrique Pena Nieto.
The reform bears elements of the proposals of all three parties, but mostly by PAN\(^1\). The PRD opposed from the beginning any private involvement in PEMEX and proposed reforms handling the status of the company itself, for example granting less taxes and budget autonomy\(^1\).

Outlining the key elements of the reforms passed in December 2013 according to Sener (Secretaria de Energia)\(^1\) 8 were highlighted:

The reforms:

1. Consolidate state ownership of subsoil hydrocarbons resources, but allow companies take ownership of those resources once they are extracted and book reserves for accounting purpose. The scheme includes assignments granted to PEMEX contracts signed with PEMEX on its own, with PEMEX associated with private entities, and with private entities on their own [4 types of contracts: service contracts (companies are paid for activities done on behalf of the state), profit-sharing contracts, production sharing contracts, and licenses (enabling a company to obtain ownership of the oil or gas at the wellhead after it has paid taxes)]

2. Reform articles 25, 27 and 28 of the Mexican Constitutions and maintain exploration and extraction of oil and gas, planning and control of national electric power system and the public service of electric power transmission and distribution, which are established as exclusive and strategic State activities.

3. Allow and open competition opportunities and private investments in activities of hydrocarbon refining, transport, storage, natural gas processing, and petrochemical

4. Remove investment barriers in the electric power industry by constitutional protection, establishing a ground of competition elements to all participants interested.

5. Strengthen Mexican Petroleum (PEMEX) and the Federal Electricity Commission(CFE) by turning them into State Productive Enterprises, with technical, management and budgetary autonomy. Both enterprises will aim in increasing Mexico’s income by providing social and environmental equality
and accountability. Furthermore it establishes a new tax regime for PEMEX. PEMEX and CFE will respect labor rights at all times.

6. The four federal entities are strengthened with regulatory roles in the hydrocarbons industry, Ministry of Energy and Finance, the National Hydrocarbons Commission or CNH and the Energy Regulatory Commission. The entities will promote and define better the Mexican energy policy (Ministry of Energy will adjudicate for example assignments to PEMEX and will approve the contracts and the technical guidelines concerning the activities of PEMEX with third parties).

7. Create a National Center of Natural Gas Control

8. Establish a sovereign wealth fund, the Mexican Petroleum Fund for Stabilization and Development, which will be managed by the Central Bank. In detail, it establishes a scheme in order to destine resources for “long-term savings, a universal pension fund system, science and technology, infrastructure for national development, scholarships, amongst others. The fund will be a public trust managed by Mexico’s Central Bank, and its Technical Committee will have 4 independent board members, as well as the Governor of Mexico’s Central Bank, the Secretary of Energy, and the Secretary of Finance whom will act as Chair.”
All steps introduce transparency, accountability and anti corruption mechanisms and prioritize energy in terms of environmental friendly policies. The reforms promote the environmental protection in a sustainable way by establishing obligations for participants\(^1\). On April 30, 2014, President Enrique Peña Nieto introduced to the Mexican Congress the proposed secondary laws and it is expected to be reviewed in a special session during the last half of June 2014\(^1\).

**Understanding the Importance of Energy Reforms for Mexico**

Although the reforms are approved by the Mexican Congress, secondary laws will be of outstanding importance for attracting investors and third parties, in order for the goal of reforms to be accomplished. The secondary laws need a simple majority to be passed and passing them, according to PEMEX will eventually lead to GDP growth. Taking the example of Colombia, which had similar restrictions to those in place in Mexico, the country went from producing 550 thousand barrels per day in 2003, to 1 million barrels per day in 2013 according to the official data of PEMEX. The expectations for Mexico are shown in Figure 2.
Mexico is the world’s largest producer of oil and holds approximately 11.4 billion barrels of oil reserves\(^1\). With these reserves and its potentials in natural gas production, Mexico by taking advantage of the reforms can win the war of resources drop away and possible eliminate the natural gas imports to zero.

Figure 3: Oil production, consumption and exports, data collected by BP Statistical Review of World Energy 2013, June 2013 as illustrated in the report of FAS.

Mexico’s oil production according to Figure 3 has declined by 20% over the last decade due to inefficient infrastructure. Mexico’s oil production is served by the Bay of Campeche, more particularly in Cantarell and Ku-Maloob-Zaap(KMZ). Cantarell as previously noted was a discovery that satisfied Mexico’s needs for the last decades, but faces today pressure problems and nowadays doesn’t produce the same as it used to\(^1\). According to the U.S. Energy Information Administration the Cantarell field produced about 400,000 b/d less in 2012 after the efforts to reverse the situation failed. Mexico’s main focus nowadays is to build a strong PEMEX and an energy sector which could make feasible and trustworthy trade scheme. By achieving the well being of PEMEX, investments can be promoted to deep sea waters which may hide significant resources not yet discovered by Mexico. Such a potential will lead
Mexico to be one of the biggest energy supplier for the years to come.

Figure 4- Map with Mexico’s drilling sites, by National Geographic.

![Map of Mexico's drilling sites](image.png)

The country has taken little steps to discover what is hiding in the rest of the Gulf of Mexico. The US could play an important role in providing with the expertise adopted all these years of oil exploitation in deep sea waters areas.

As far as natural gas is concerned, Mexico’s natural gas production has risen almost 50% since 2000. The demand has increased by 80% (Figure 4), which fails to fulfill satisfaction of this percentage. Exploration of natural gas resources is not sufficient enough due to lacking infrastructure. Opening the road for international companies, which have a history in natural gas exploration, could help raise natural gas production and give a solution to the gap of demand which rises faster than production. Mexico’s imports of natural gas have also increased significantly, making the country dependable on US’s trade. In 2000 Mexico imported 30% of US natural gas exports which accounted to 100% of Mexico’s natural gas imports. In 2006 Mexico started importing liquefied natural gas from Qatar, Nigeria and Peru.

Figure 4: Mexico’s natural gas consumption, production and imports, data collected by BP Statistical Review of World Energy 2013, June 2013 as illustrated in the report of FAS.
Mexico also has substantial shale gas resources that PEMEX left untouched for the past years. There are five promising, geographically disbursed basins in the country, as identified by PEMEX. The two largest of these are in eastern Mexico on or near the border with Texas. Shale deposits in Mexico’s northeastern region are an extension of the Eagle Ford Shale, which has been intensively developed in South Texas over the past few years. Geographical proximity is what makes the areas possible and a great asset. Several states in the Northern Mexico are currently exploring their technological capacity in order to provide the future PEMEX plans with human capital physical infrastructure.

**Mexico’s Reforms creating Opportunities changing the Oil and Gas supply Chain**

Just like any political issue a great ‘if’ is ahead of any speculation to future opportunities. The same goes with Mexico. Energy reforms will reward the country only if the country moves towards a wise cooperation with the USA and Canada, makes a good use of the energy market opening with China and if Mexico makes sure secondary law pass from Congress, bearing in mind that the devil is in details. More importantly, the energy reform must not only be a matter of foreign policy and cash flow. Mexico faces great domestic problems, which if given a positive kick from the energy opportunities to be arisen, may tear down step by step the country’s current challenges concerning domestic competition, caused by the poor educational system, labor market rigidities and institutional inefficiency. It is estimated that the energy reform by assuring for example the energy needs of the country for the upcoming decades and by naming Enrique Pena Nieto the “king” of this success will earn the trust, which will lead to an easier political transition with great domestic reforms. PRI already works and passes various reforms and amendments concerning the above mentioned domestic issues, such as the recent education reform which numbs the function of the corrupted unions.
Boosting oil and gas production will boost economic growth in Mexico and as proven in the last decades PEMEX lacks the capacity to accomplish these goals alone, which simply means that the wisest thing to do was letting private companies in. Mexico’s natural gas production will massively lower expenses on gas US imports and general energy production will create 500,000 new jobs according to today’s government and 2.5 million jobs by 2025. More jobs could result to less illegal immigration, concentrating the interest of the US. GDP growth is estimated by between 1% and 1.5%\(^1\). According to GP Morgan foreign investment will bring 20$ billion per year by 2016 and 2017\(^1\). Having the means, Mexico can make infrastructures which will allow exploration and exploitation of deep sea waters, allowing international companies to help USA can benefit by selling expertise. The energy reforms may also give a push for pipeline infrastructure to move natural gas, oil and oil products, which have been stalled by unprofitable negotiations with the US and Canada. By establishing the long negotiated Trans-Boundary Hydrocarbons Agreement and the Trans Pacific Partnership Agreement Mexico can sell its production under its terms, which will generate even more profits to its economy.

Reforms to energy sectors have created particular excitement, not only to the country but also to international companies which have laid eyes in the Gulf of Mexico the past years. We can only hope that the secondary laws to come in June, which will determine the details of the actual opportunities created, will not mess up all these efforts.
China’s dirty, unhealthy, fragile growth

By Eleni Darema

China has managed to become the fastest growing economy worldwide with annual GDP growth rates averaging 10% and lift hundreds of millions of its people out of poverty over the past 30 years. China has also emerged as the most important strategic player in the Asia-Pacific region challenging the US influence and interests. However, now it appears rather incapable of controlling the forces of nature that seem to take revenge for its bold rise or in other words to deal with the “nature’s red-light warning against the model of inefficiency and blind development”.

These last words belong to China’s Premier Li Keqiang who declared the “war against pollution” during his first government report at the opening of the annual sessions of the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC). According to Chinese Premier the government is committed to take strong measures against pollution starting by reducing emissions of PM10 and PM2.5 particulate matters, shutting down 50,000 small coal-fired furnaces, removing six million old, high-emission vehicles from the roads and promoting instead cleaner diesel-fueled ones. Zhang Dejiang’s annual work report, chairman of the NPC’s Congress Standing Committee, was on the same wavelength. Drawing the attention at the importance of controlling pollution at the source and holding polluters accountable he stressed that the revision of the Environmental Protection Law and the Air Pollution Prevention and Control Law will be among NPC’s priorities this year. Moreover, CPPCC members submitted 596 proposals, more than one-tenth of the total, expressing their deep concern on the issue.

The above official statements reveal Chinese leadership’s intention to address the serious environmental problem the country faces. Figures are the most suitable way to show the gravity of the situation. Air pollution accounted for 1.2 million premature deaths in the country only in 2010 and it has decreased life expectancy in the north by 5.5 years. World Health Organization’s air quality standards are met by less than 1 percent of its 500 largest cities, while 16 of them belong to the twenty most polluted cities worldwide. According to reports due to water contamination, overuse, bad distribution and waste almost two-thirds of Chinese cities as well as 300 to 500 million people in rural areas suffer severe water shortages. At the same time, 700 million people drink contaminated water with 43 percent of surface water and 57 percent of urban groundwater being heavily polluted. In addition to all these, one quarter of China’s land either has been turned into desert or faces
desertification problems affecting some 400 million people and forcing tens of millions to become environmental refugees. As concerning the Chinese economy 8 to 12 percent of GDP is the price that the country pays annually for the environmental degradation.

All these numbers and world’s records are well explained if we take into consideration that China has more than 2.300 coal-powered plants producing heavily polluted fumes (70% of country’s energy is provided by coal), around 14.000 new vehicles pour into the roads per day (130 millions cars are going to flood in the roads by 2020) and there is a rising middle class whose steadily increased revenue means higher demand for everything. It is worth mentioning that the pace of urbanization is such that the government is planning to relocate about 70 to 75 percent of the population (300 to 400 million people) to newly developed cities between 2000-2030. This means that energy demand will increase even more as urban Chinese consume about three and a half times more compared to rural residents.

The situation is really bad and nobody knows whether the Chinese leadership will manage to reverse the degradation. However, regardless of the pessimist outlook the current Chinese leadership with President Xi Jinping and Premier Li Keqiang at the wheel has the obligation to try by turning economic growth toward a more balanced and sustainable form of development. This depends principally on whether or not they will address the following longstanding issues.

To begin with, there is a wide gap between central government’s mandates and local authorities’ doings. Local officials are characterized by a deep rooted mindset putting high economic growth above everything else. They prefer to use their resources for promoting their economic interests and thus keeping close relations with the businesses of their region rather than enforce the environmental laws and regulations. Therefore, since they are not either used or willing to do the right thing the central government must give them specific orders along with the right economic and political incentives. For example, they could include social and environmental aspects to the officers’ evaluation and provide preferential taxation and financing policies to businesses.

Furthermore, Chinese officials must bring a change to the corrupt and undemocratic political system they feed so many years, and make room for transparent information, official accountability and a less guided legal system. They must let the courts and nongovernmental organizations (NGOs) play a bigger and more effective
role to the protection of the environment by lifting the political restrictions they have imposed on them.¹

Consequently, China’s proposed measures of renewable energy, electric cars and new environmentally friendly technologies must be accompanied by a new political culture, a different way of doing business and the concerted efforts of the leadership and civil society. Although this will meet strong resistance from many sides, the officials should have in mind that the severe pollution that plagues the country affects the lives and health of the people, the Chinese economy and thus the political future of the leadership. It is for the benefit of the CCP to do whatever it is necessary to turn the situation around. Otherwise, the toll will be unbearable.
National Development Plan: A research on the Development Plan presented and adopted by South Africa

By Vasileios Chountis

The aim of this research is to highlight the policy presented from the NDP (National Development Plan), this unanimously agreed plan, especially on the national economy and its function in the global trade. Having as a basis for our research the official text of the plan published by the National Planning Commission we analyze its terms, its meanings and in the end its proposed results for the future. This research is enriched with other data containing details as well as criticism and different opinions. Our main text, in which we will be analyzing South Africa’s national economy, is divided in four parts, each one specializing in a certain field. We approach what needs to be done in order to face the challenges that influence the South African economy. In addition to the above, we will examine the potentials of national growth and after that how the state must act to ensure both energy security and sustainable development. Finally, our last important topic for discussion is what the NDP suggests in order for South Africa to increase its trade share and play a bigger role in the global market and the international system.

National Economy Challenges

All the countries in the world face several challenges that may cause severe consequences on their economy. However, South Africa is obliged to overcome some special challenges that may negatively affect its future economic cycle. In the
next few paragraphs, we will analyze these possible challenges and of course, what needs to be done by the South African State.

On the one hand, South Africa, which during the last decades has focused its economy on mineral-exporting, is a very good example of a non-diversified economy. Therefore, it will face severe difficulties during the transformation of its economy. Furthermore, even though South Africa is one of the 30 biggest economies globally, its production is highly energy intensive, unleashing tones of CO₂ and other gas emissions. Thus, a more productive solution must be offered in order to reduce these emissions as well as better utilize its energy and water resources.

Another important challenge is how it will manage to balance the exchange rates, as until now they depend on the commodity prices rather than the sophistication of the country’s economy. What is more, when some of the economies manage to establish a middle-income society, they fail at further expanding, due to the lack of investment in human capital, vocational training and other facilities. This is highly important because in this way, we are able to succeed in both motivating the young people and offering to the majority of them a job in a time when the unemployment rate among young people is extremely high. This problem is highly connected with the future productivity of a country’s society. Considering the gradual and continuing decline of the construction industry in the short and long run, the state should attempt the expansion of its job market into the fields of services, which, during the last years, have become the most profitable worldwide.

On the other hand, except for the aforementioned challenges that several countries are bound to face, South Africa has to overcome specific challenges so as to boost its growth. Until now, the state has managed to create a good core network of infrastructure. Nonetheless, there are major problems within the procedure of efficient and effective maintenance of this network, due to the fact that energy resources and transportation companies are property of the state. Because of the above fact, signs of stagnation, corruption and loss of accountability have lately become apparent and as the field of services cannot be sustained because of its unbearable cost, the private sector is no longer motivated to invest in it.

Therefore, the key to encounter these challenges is the cooperation between the public and the private sector. The outcome of this cooperation should be a larger financial investment in the previously mentioned fields, enhancing transparency and accountability.
National Growth

South Africa, albeit a big country with a large economy, faces extremely social inequality. Despite the government’s efforts, the gap between the higher and the lower social classes still widens\(^1\). For this reason, the NDP\(^1\) includes several policies to eliminate poverty and inequality within the state as well as other policies to boost national economy, encourage employment and revive the country’s economy. The NDP is not a political manifesto by the governing or the main opposition party. The NDP plan is a widely nationally supported plan for the country and the state as a whole\(^1\).

The plan promoting national growth includes several measures. First and foremost, various costs in the economy, which affect employment and business, must be lowered if not eliminated. What is more, the level of earnings must be a resultant of the need of South Africa to be more competitive in the global market and these earnings, salaries etc. must cover at least basic living standards for the employees. GDP will increase from 17 to 30% by 2030\(^1\), as people will be better motivated to put aside more, the FDI and capital inflows will be boosted, as well.

The NDP also mentions the high importance of challenging energy, water, and waste management, improving telecommunications and retaining the environmental standards. This plan also suggests the creation of a new welfare state protecting its citizens and at the same time, providing them with high quality public services. Moreover, focusing on this plan will result in employment promotion, as it will create thousands of new job vacancies, mainly in the services sector, and 90\(^1\)% in the medium and small size enterprises.
Table 1, Indicative scenarios - Employment outcomes by 2030

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2010 Employment in 2010</th>
<th>Scenario 1 mediocre minerals</th>
<th>Scenario 2 solid minerals</th>
<th>Scenario 3 diversified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>627</td>
<td>514</td>
<td>627</td>
<td>804</td>
</tr>
<tr>
<td>Mining</td>
<td>297</td>
<td>269</td>
<td>388</td>
<td>437</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,556</td>
<td>1,880</td>
<td>2,169</td>
<td>2,289</td>
</tr>
<tr>
<td>Leader &amp; high paid services (e.g. finance, transport)</td>
<td>2,025</td>
<td>3,009</td>
<td>3,657</td>
<td>4,188</td>
</tr>
<tr>
<td>Follower services (e.g. retail, personal services)</td>
<td>1,927</td>
<td>4,1801</td>
<td>4,875</td>
<td>4,967</td>
</tr>
<tr>
<td>Construction &amp; utilities</td>
<td>828</td>
<td>1,054</td>
<td>1,278</td>
<td>1,407</td>
</tr>
<tr>
<td>Informal sector &amp; domestic work; excl EPWP</td>
<td>2,922</td>
<td>4,093</td>
<td>4,604</td>
<td>5,012</td>
</tr>
<tr>
<td>Public sector, private social services &amp; parastatals</td>
<td>2,529</td>
<td>3,278</td>
<td>3,518</td>
<td>4,225</td>
</tr>
<tr>
<td>Expanded Public Works Programme (EPWP)</td>
<td>420</td>
<td>5,483</td>
<td>2,644</td>
<td>431</td>
</tr>
</tbody>
</table>

South Africa aims to financially support public programs for enhancing employment. Reforms on agriculture and tourism will contribute in the more active participation of the rural areas up to 40% by 2030. The NDP refers also to the increase of the export of goods on the one hand and the improvement of its competitiveness on the other. Procurements must be given by the state so as to produce new products, construct economies of scales, supply chains, regional facilities etc. In order for this country to economically succeed, the key is to find its competitive advantage and promote its products to emerging and developing countries.

However, the fulfillment of these goals can only be realized after the complete elimination of the state’s corruption. Increasing the strength of the State to implement its wish by bringing transparency in its procedures is another major obstacle to surmount.

**Energy resources**

South Africa’s energy demands are covered by a variety of resources. Even though coal is the main source of energy production in the country, several other resources are used such as oil, natural gas, green resources and even nuclear power.
Moreover, it must be said that, until now, the government has made great efforts in order for the majority of the population to have access to electricity, whereas other efforts have been made so as to secure energy efficiency.

The NDP suggests three main courses of action concerning energy production and consumption. The first course refers to the investment that needs to be done in the field of energy technology and the facilities within the territory of South Africa. If the state achieves a harmonious cooperation with the private sector, these investments should improve the national energy transmission networks. Improvements in the transportation networks, such as the rail systems, would also be beneficial, because coal mines would connect with each other and the production line will become faster. As far as the second course is concerned, what remains essential for the government, which will apply all these reforms that the NDP mentions, is the need to focus on the local energy production that positively affects national employment.

The third course deals with the people’s access to electricity both in their private and their public life. This does not solely mean bigger transmission networks but also, quality services and mostly affordable tariffs for the poor citizens. Despite the fact that the rise of the prices is inevitable, it is obligatory to systematically control this rise in order to allow the economically weak the right to access electricity. The third course also includes actions which are necessary for ensuring environmental sustainability i.e. an economy less electricity intensive, with even lower percentage of greenhouse gas emissions, like CO₂.

Table 2, Scenarios about employment
All these actions can be presented as such:

- **Balance domestic coal supply with its growth in exports.**
- **Consider gas as a viable alternative to coal (and nuclear power).**
- **Diversify power sources and ownerships in the electricity sector.**
- **Re-assess the desirability of nuclear power investments.**
- **Delay investment plans in a new petroleum refinery.**
- **Leverage cross-sector synergies for integrated energy planning.**
Trade

South Africa can establish itself as a more active participant within the international system and the global market. It has concrete competitive advantages in several sectors that could encourage more intensive exports with better terms of trade. Nevertheless, it is highly advised for the country to concentrate its undivided attention on the full implementation of the reforms suggested by the NDP.

Albeit it is predicted that the annual rate of the global growth will decrease in the future, especially as far as the west countries are concerned, South Africa can direct its efforts to a better global share by entering in the emerging countries’ markets, which seem to steadily grow in the following years i.e. bigger consumption demands.

How can this be fulfilled? By applying simultaneously a combination of measures. On the one hand, exports on products in which South Africa has the competitive advantage, such as mining, constructions, mid-skilled manufacturing, and agriculture should be more than supported. Nonetheless, this means that the South African economy must diversify its production. On the other hand, the country has a quality acquis on the service provision and therefore, it has good potential for the future under the term that there will be successful capital investments in these fields. For instance, telecommunications, banking, logistics, higher education and other business services can pave the way to export increase and higher profits from international trade.

The aforementioned guidance presupposes cooperation among government, firms, business and people in two levels, both nationally and internationally. This is the reason the NDP proposes and encourages the consolidation of partnerships so that
in the future, tariffs and non-tariff barriers between South Africa and its partners will be eliminated as much as possible and the trade among them will be more open and profitable. These partnerships will first and foremost positively affect the efficiency and effectiveness of the customs and the borders, which will operate easier and faster. Furthermore, they will open the path for deeper integration, bigger growth and development.

All these actions premise the improvement of the country’s diplomatic presence, particularly in the emerging countries and in those that South Africa desires to establish better commercial relations. Having negotiations and collaboration in a diplomatic level promotes trade as well as tourism, the latter being another sector where South Africa can advance its competitive advantage against its “enemies”. Diplomatic negotiations and cooperation within the African continent can promote regional partnership and extensive collaboration which will benefit all the African states and South Africa itself. For instance, the “Tripartite Free Trade Area” follows this course of action. Last but not least, we have to mention that the NDP in all its length highly recommends investments in infrastructure projects like the transportation systems (highways, railways and ports), attracting new investors, customers and tourists, etc and in the human capital which should obtain vocational training and be highly skilled in order for the country to successfully fulfill its goals.

**Conclusion**

South Africa is still a new republic with a brief history of only twenty years. Despite the existence of socially fatal problems like poverty and the gap between the poor and the rich is still wide, the nation seems to have the political will to face them all. The National Development Plan is a widely accepted initiative and “…offers a long-term perspective. It defines a desired destination and identifies the role different sectors of society need to play in reaching that goal…”

This Plan is not merely a government manifesto. Its primary aim is to socially awaken the South African society in order to participate in this broad change. Critical minds mention that there are several fallacies in this Plan, but it was the National Planning Commission who, after the publication of its plan, mentioned that even though there may be inaccuracies in it, it is society’s faith in this project that will mainly consolidate its success.

All these years, as far as the national economy is concerned, South Africa has not made use of its entire available means of power to improve it. However, this Plan
declares specific and necessary actions that must be taken into account in order for its economy to become more competitive with high annual growth rates while respecting and caring for the environment and the security of the country’s energy sufficiency. As we saw, there is also great potential for South Africa to advance its trade with other international players and gain a larger share in the global market, focusing on the needs and demands of the emerging countries that will continue to develop more than the West.

The road to success is long and full of obstacles. Corruption and poor accountability within the state, and particularly because of the governors themselves, make the destination appear more distant than it actually is. This National Development plan is not another Missal How but a plan which meticulously considered the already taken actions of the government along with other researches and papers from international nongovernmental organizations and think tanks in order to present specific terms and conditions which will add the last stone to this pyramid of success.
Russia’s economy transformation under Putin

By Iris Chatzidaki-Pefani

Introduction

During the period between the October Revolution and the 1991, the Russian economy was organized and operated according to the system of central planning. Not only the means of production were state property but also there was state control over the decisions concerning the allocation of productive resources. Yet, the system of central planning showed structural and functional problems and in the late 1980 collapsed, despite the efforts to resolve them.

The premiere causes were, a) the waste of productive resources, b) the low productivity, c) the imbalance between surpluses and deficits in various sectors of the economy, d) and a chronic investment over-financing at the expense of consumption. The internal economic crisis in Russia, caused by the communist regime and the subsequent dissolution of the Soviet Union in 1991, initiated a period characterized by intense efforts to transform and reconstruct the economic system. The reform program included the rapid privatization of state enterprises, the liberalization of prices, the introduction of a progressive tax system and finally the pursuit of macroeconomic stabilization by reducing budget deficits. Gradually, though Russia has encountered several difficulties, managed to claim in a relatively short period of time, a place among the most powerful economies and to compete with them efficiently.

Putin’s presidency

The name of Vladimir Putin has been linked with progress. He first claimed the presidential title at 2000 and again at 2012. During his presidency, he received approval for taxation of personal income by a percentage of 13%, while corporate profit tax decreased from 35 % to 24%. Also, he took measures so that the small and medium-sized businesses would receive extra help in order to grow. As a result, the number of enterprises started increasing and by 2006 it reached almost 5 million. In 2003, Putin ordered state enterprises to buy successful private companies in order to secure control over them. Though that measure had an immediate and negative impact on the Russian economy it didn’t provoke an economical crisis. On the contrary, most macroeconomic indicators show that there was a significant development in the Russian economy. Putin’s economical achievements are, an
increase in the GDP to 70%, in the average wage from 2,200 rubles to 12,500 rubles (in the last 8 years), and in the industrial growth which reached 6.3%. Furthermore, state controls over the energy sector and its revenues led Russia to become an energy superpower.

These government controls made the fuel and energy companies open and transparent to investments therefore attracting many foreign investors and individuals. Putin’s economical policy also included an efficient management of oil revenues, from which the debts of the Soviet Union were repaid. Also, payments from the fuel and energy exports, accounted for almost half of the revenues of the federal budget. Other then energy, the export sector was mostly consisted of raw materials and fertilizers. In 2005, Putin initiated an industry consolidation program as well as another program, with goal to strengthen and develop technological activity. Another positive development was the increase in foreign direct investment around 94 billion dollars.

Though Putin has succeeded in some fields of the economy he has failed in others. Despite the president’s attempts to keep consumer prices at a low level, in 2000 they rose by 20.2%. In 2013 they were at a lower level (6.5%) but considering the current rate of growth of the Russian economy, inflation still remains at a high level. Moreover, Russia is characterized as a commodities-based economy. That indicates the dependence of the Russian economical growth to the export revenues. Any potential decrease in demand of Russian exports, would affect the economy. Another problem that failed to be solved was the high dependence on food imports. Instead of taking measures to encourage agriculture so that the country may be autonomous, Russia increased imports by 40%. Food imports were mainly products from the meat and the dairy sector. Also, the Russian economy is based on foreign investments, apart from the domestic ones. This is due to the fact that a large percentage of the Russian population (70%) has no savings, while the rest keep their savings in the form of cash, avoiding depositing them in banks. Consequently only 4% of the population invests in the stock market. Lastly, although the average wage and pension grew significantly, the gap among the population grew as well. Only a small group of people received the average wage of 12,500 rubles, while the rest of the population received a slightly better wage. As a result, the living standards of the first group (the wealthy) increased remarkably, while for the second were lifted above the poverty line.

During his presidency, Putin initiated many economical reforms with two main goals in mind. Firstly, to get the country back on track, since his two predecessors failed to secure any form of stability. Secondly, help the country reach its full potential. In just a few years time, not only was the economy restored but it also grew rapidly.
Despite the positive impact that most of the economical reforms had in the country, problems have surfaced that require immediate attention. These problems constitute automatically disadvantages in the state’s effort to become independent from the West. They also affect the country’s influence and power. However, contemporary Russia has many vital elements to offer to the West and other foreign countries, which ensures room for maneuver and promotion of political objectives. Putin has managed to restore Russia’s dignity, allowing it to compete on equal terms with the largest economic power, and to influence effectively the international stage and the outcome of international issues and crises.

New challenges

The Russian economy has grown substantially over the last years, making it one of the largest and most respectable developing countries. This was achieved due to the country’s advantages. More specifically, the country’s large size plays an important role keeping the levels of consumption high, thus making it appealing for foreign exports. Russia’s main trading partners are China, the U.S. and EU. The main imports from those countries are in the form of high added value products, machinery, equipment, food, agricultural and chemical products, as well as metals. If commercial activities with these countries are reduced, the Russian consumption market will face problems since the quantity and quality of imports with these partners can’t be completely replaced by other trading partners. Moreover, Western trading partners holding a large proportion of Russian investments and assets while at the same time they are important investors. Their investments are focused on the financial sector as well as the privet, the industrial and the technological sectors.

Russia owes its technological progress to the transferred technical knowledge and technology from abroad. In any case, any potential act of freezing Russian assets, any reduction or cessation of cooperation between the Russian and Western financial institutions, any removal of Western companies from the country or termination of the commercial activities of Western companies with the Russian, will have a large and direct impact on the development of the Russian economy. The results would be a rapid increase of unemployment, consumption possibilities would be limited and there would be a significant drop in living standards. In addition, another reason that contributed to the rise of the Russian economy was the adoption of the rules laid down by the free market. But if the international institutions that also follow these rules decide to take measures in order to isolate Russia, then not before long, the country will come to a standstill and its growth rate will be reduced. Despite the fact that the country depends on its prosperity and economic growth on international players, mostly western, due to its geological

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wealth it is able to influence international developments and to respond effectively to any attempt to limit its sovereignty and power. Russia is a major exporter of oil and natural gas worldwide.

As energy is a very important product for all countries, many who do not owe their own reserves, depend on Russia to provide them. The main recipients of the Russian energy products are the EU countries, some countries in Asia and America. The degree of dependence of these exports on the European Union is high, since the countries that compose it have no energy reserves to serve their needs as well as have no other alternatives. As a result, the energy supply is often used in diplomacy in order for the Russia to achieve its political objectives while for Europe is an obstacle to the efforts to limit Russian power and influence. Regarding Asia, although the degree of dependence compared to the European Union is less because some Asian countries are able to produce their own petroleum products, they continue to seek good relations with Russia in order to ensure their energy.

Finally, the only country that is not in direct dependence although prefers energy imports from Russia, is the USA. The American continent has oil reserves to cover the needs but USA chooses to secure them, so that they are not used up, and therefore prefers to import energy from Russia. It is estimated that the disposal of U.S. oil reserves on the open market would throw the barrel price under $ 100 and will cause problems for the corresponding Russian exports. While America may be competing with Russia in this sector, Russia’s contribution in international affairs is in some cases necessary and catalytic. In particular, Russia has offered the West significant levels of military and political assistance to a number of international issues, from Syria and Iran, to tackling with Islamic terrorism. Therefore every attempt of the West to restrict politically, military and economically Russia stumbles on the need for Russian assistance in various issues. Consequently, since Russia is aware of the situation, tries to shape the international environment to its benefit and to improve its position with the least possible cost.

Conclusion

Russia, after the collapsing of the Soviet Union, faced hardship and many problems till its economic recovery. The current chairman undertook a series of reforms and changes with the goal to bring Russia to the same level of the countries which were distinguished for their strong, stable and developed economy. During Putin’s presidency, the country gained important advantages, which allowed not only to compete with the major world powers, but also to place Russia as one of the guarantors of world peace. Significant contribution to the Russian revenues was
given by the exports of natural energy products. Depending on the international prices of these resources the participation of the revenue from the exports of the oil and the natural gas in the total export revenue in Russian ranges between 50% and 75%. Alongside, using energy as an instrument of foreign policy, Russia is trying to increase its influence in the former Soviet republics. With leverage the energy, it seeks their economic dependence in order to achieve the objectives of its foreign policy\(^1\). Although the influence and power is comparatively smaller than those of the West, resulting sometimes to a forced compromise with them, however, Russia has managed to establish energy dependence links between Russia and the western countries.

In case a political issue arises (e.g. energy crises with Ukraine in the past) it would affect the energy export to the EU. Any attempt to limit Russia (e.g. economic sanctions) will have a direct impact within countries that depend on Russian energy resources and the countries that have invested in Russia. Regarding the above issue, there will be also complications in the resolvement of international problems. As Russia's economy relies heavily on exports of energy products, this means that it is vulnerable to any change in international prices. The majority of European countries is aware of this and has been developing actions in order to active progressively rehabilitation and diversification of supply. On the other hand, if Russia wants, in the long run, to continue being one of the major economic powers of the world, it then must reconsider the structure of its economy.
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