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SAKARYA UNIVERSITY
MIDDLE EAST INSTITUTE

THE EFFECT OF NATURAL GAS ON THE RUSSIAN-ISRAELI RELATIONS FROM 2000 TO 2015

MASTER'S THESIS

Guzel NURIEVA

Department: Middle Eastern Studies

Thesis Advisor: Assoc. Prof. Dr. Phillipp O. AMOUR

JULY – 2017

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APPROVAL PAGE

Master degree thesis "The Effect of Natural Gas on the Russian-Israeli Relations from 2000 to 2015" prepared by GUZEL NURIEVA, was adopted on July 21, 2017 by the following jury in majority vote.

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Approval

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DECLARATION

I hereby declare that the elaboration of this thesis complies with scientific ethics, and refers to the appropriate scientific standards in case of utilization of others' works, as there has not been any tampering of the quoted data. This thesis is my original work and any part of this thesis has never been presented as another thesis in this university or any other university.

I hereby state that I have read and understood this declaration.

Guzel NURIEVA

21.07.2017

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LIST OF ABBREVIATIONS

AGP: Arab Gas Pipeline

BTC: Baku-Tbilisi-Ceyhan Oil Pipeline

CIS: Commonwealth of Independent States

EEU: Eurasian Economic Union

EU: European Union

GDP: Gross Domestic Product

GUAM: GUAM Organization for Democracy and Economic Development

IGP: Islamic Gas Pipeline

LNG: Liquefied Natural Gas

RIBC: Russian-Israeli Business Council

SCGPL: South Caucasus Gas Pipeline

TAP: Trans-Arabian Pipeline

UN: United Nations Organization

bcm: billion cubic meters

mcm: million cubic meters

tcm: trillion cubic meters

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Sakarya University, Middle East Institute **Abstract of Master Thesis**

Title of the Thesis: The Effect of Natural Gas on the Russian-Israeli Relations from 2000 to 2015

Author: Guzel NURIEVA **Supervisor:** Assoc. Prof. Philipp O. AMOUR

Date: **Nu. of pages**: x (pre text) + 80 (main body) + 4 (App.)

Department: Middle East Studies **Subfield:**

Nowadays there is a challenge in world policy when states tend to take economic and political decisions based on their strategic interests in energy sphere, especially in natural gas sector. Natural gas became a new element of intergovernmental relationship between Russia and Israel, who has recently changed its energy status into potential natural gas exporter by discovering huge offshore fields in the East Mediterranean. Gas from new fields is planned to be export to European markets which are highly dependent from energy supplies from Russia.

In this context, Russia, as a major natural gas exporter to Europe, is interested in strengthening relations with Israel in order to prevent economically unfavourable supply projects and to preserve its current position in European market.

The study focuses on the effect of developments in natural gas sphere in the Middle East and the East Mediterranean regions (such as discoveries of new offshore and onshore fields and international projects on natural gas production and transportation) on Russian-Israeli political and economic relations. Analysis of natural gas role in bilateral relations between Russia and Israel provides a fundamental basis for the deeper understanding the geopolitics of natural gas.

Keywords: Natural Gas, Russian Federation, Israel, Energy Security, Geopolitics, Neorealism

SAÜ, Orta Doğu Enstitüsü **Yükses Lisans Tez Özeti**

Tezin Başlığı: 2000 - 2015 Yıllarındaki Rus - İsrail İlişkilerine Doğal Gazın Etkisi

Tezin Yazarı: Guzel NURIEVA **Danışman:** Assoc. Prof. Philipp O. AMOUR

Kabul Tarihi: **Sayfa Sayısı**: x (ön kısım) + 80 (tez) + 4 (ek)

Anabilimdalı: Orta Doğu Çalışmaları **Bilimdalı:**

Bugünlerde ülkeler enerji sektöründe ve özellikle doğal gaz alandaki stratejik ilgilerine bağlı olarak ekonomik ve siyasal kararlar alırken bir çekişme içerisinde oluyorlar. Doğu Akdeniz bölgesinde açık denizlerdeki doğal gaz alanları keşfedilerek İsrail'in doğal gaz ithalatçısı konumundan potansiyel doğal gaz ihracatçısı konumuna geçtiğinden beri doğal gaz, Rusya ve İsrail arasındaki enerji ilişkilerinde yeni bir unsuru haline geldi. Yeni keşfedilen alanlardan gelen gazın, Rusya'nın enerji kaynaklarına büyük ölçüde bağımlı olan Avrupa pazarlarına ihraç edilmesi planlanmaktadır.

Bu bağlamda, Avrupa'ya önemli bir doğal gaz ihracatçısı olan Rusya, ekonomik açıdan olumsuz arz projelerini önlemek ve Avrupa pazarındaki mevcut konumunu korumak için İsrail'le olan ilişkilerini güçlendirmekle ilgilenmektedir.

Tez, Rus-İsrail siyasi ve ekonomik ilişkilerine, Orta Doğu ve Doğu Akdeniz bölgelerindeki doğal gaz alanındaki gelişmelerin (örneğin, açık denizlerdeki ve kıyıya yakın yerlerdeki yeni alanların keşifleri ve doğal gaz üretimi ve transferi üzerine yapılan uluslararası projeler) etkisine odaklanıyor. Rusya ve İsrail arasındaki ilişkilerin doğal gazın önemini analiz etmesi, doğal gazın jeopolitiğini daha derinlemesine kavramak için temel ilkeleri sağlıyor.

Anahtar Kelimeler: Doğal Gaz, Rusya Federasyonu, İsrail, Enerji Güvenliği, Jeopolitik, Neorealizm

INRTODUCTION

From the very beginning of the State of Israel creation on May 14, 1948 the history of Russian-Israeli relations has its rises and falls. In spite of the Soviet Union was one of the states supported the creation of Israel diplomatic relations between the two states were broken on February 11, 1953, only one month after the “Doctors’ Plot” was announced in Moscow. Moreover, Israel is the only state with which the Soviet Union, during its existence, broke diplomatic relations twice.[1]

After almost a quarter century of absence of any official relations between two states, Russian-Israeli relationship revitalized in the beginning of the 21st century under Vladimir Putin’s presidency. From the beginning of the millennium, relations between Russia and Israel have definitely strengthened. Here it is worth to mention Vladimir Putin's visit to Israel in 2005 - the first official visit of a Russian President within Israel’s existence – which became a significant milestone in development of relations between the two states.[2]

At the same time, since the oil factor didn’t lost its significance in launching armed conflicts and foreign policies of states in the 20th century, the importance of natural gas not only in world economy but also in world policy has been rapidly increasing from the beginning of 21st century. A series of political crises in Ukraine, launched in 2004, led to a deterioration of relations between Russia and Ukraine and the 2013-2015 Ukrainian civil war, as well as to disruptions in natural gas supplies to the Eastern and Western European market through Ukraine. In parallel, Russia and EU members signed several agreements on construction of natural gas pipeline but cancelled them further (South Stream disputes). In 2014 Russia and Turkey signed an agreement on construction of TurkStream gas pipeline under the Black Sea.[3] All these events put natural gas issue on the top most urgent and debated topics in international politics in the beginning of the

[1] “The second break in diplomatic relations between Israel and the Soviet Union was happened on 10 June 1967 within the Six Day War.” // Bar-Noi Uri, “The Soviet Union and the Six-Day War: Revelations From The Polish Archives” (2011, July 7), from the Woodrow Wilson International Center for Scholars: https://www.wilsoncenter.org/publication/the-soviet-union-and-the-six-day-war-revelations-the-polish-archives#sthash.gKEtVNz7.dpuf

[2] “Президент прибыл в Израиль с рабочим визитом” (2005, April 27), from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/33243

[3] “TurkStream”, Gazprom Export Company official website: http://www.gazpromexport.ru/en/projects/6/

21st century. By affecting states' foreign policies, natural gas factor became an indicator of political and economic cooperation level between different world players. The Russian-Israel relations are not an exception.

Russia as one of the major natural gas exporters in the world has to provide its energy security by maintaining energy strategy in relations with major energy-importers and by using different diplomatic methods in international cooperation with main energy-exporters. As for Israel, within the last 7 years the state has evolved from a modest importer of natural gas into a potentially powerful gas exporter by discovering new gas offshore fields on the shelf in the Mediterranean Sea and beginning of its production in 2013. All these developments in natural gas sphere redesigned Russian-Israeli relationship by adding into it a new dimension – natural gas politics.

Statement of the Problem

In the beginning of the 21st century the impact of natural gas on intergovernmental relations between states became significant. There is a challenge when states tend to make decisions not only on economic but also on political and social levels based on their interests in natural gas sector. Developments in natural gas sphere such as discoveries of natural gas offshore and onshore fields, international projects on natural gas production and transportation, intergovernmental agreements on natural gas supplies began to affect also Russian-Israeli relations since Israel has recently changed its status of natural gas importer into potential powerful natural gas exporter. Now natural gas factor came to be a new element of Russian-Israeli relations.

The research question of the study is: "What is the effect of natural gas factor on Russian-Israeli relations from 2000 to 2015?" Based on the research question the thesis aims to reveal how natural gas factor influenced on economic relations between Russia and Israel from 2000 to 2015 and to determine the influence of natural gas factor on political relations between Russia and Israel from 2000 to 2015.

I hypothesized that natural gas factor has contributed to strengthen economic relations between Russia and Israel in energy sphere in 2000-2015 and became a new component of political dialog between the states. The dependent variable of the study is intergovernmental relations between Russia and Israel in 2000-2015. The first independent variable is recent natural gas offshore and onshore discoveries in the Eastern Mediterranean region made by Israel and their further operationalization. The second independent variable is international projects on production and transportation of natural gas in the Middle East and the East Mediterranean regions.

Economic and political relations between Russia and Israel are framed by neorealism theory of international relations. Based on this theory the study focuses on states and their alliances as main actors, and state-own companies as their representatives. Since natural gas factor as a new component of current world policy directly links to "energy security" concept, the study pays attention to energy policy of the state which aims to protect energy security and maintain the status quo in energy chain. Hence, states conduct their energy policies based on national strategic interests what explains "self-help" logic of the neorealism. Existed security dilemma in energy sphere based on lack of trust between states made them to formulate own approach to prevent possible losses of power. Here, energy strategy of Russia, one of the world largest energy exporters, is a good example of such approach.

According to neorealism theory "balance of power" shapes international relations. In energy sphere states balance power in two ways: internal and external. Recent natural gas offshore and onshore discoveries in the Mediterranean Sea made by Israel display the internal balancing of power when a state develop their own capabilities by economic features. External balancing of power presented by political alliances which served for international projects on production and transportation of natural gas in the Middle East and the East Mediterranean regions.

In order to reveal the influence of natural gas factor especially on economic relations between the two states in correct way the study covers fifteen-year time period since 2000 year, when the presidency of Vladimir Putin began and Russian-Israeli relations began to revitalize, till December 2015. The research will not only contribute to academic investigation on Russian – Israeli relations in the beginning of the 21st century but also facilitate the deeper understanding of energy security issues occurring in contemporary world policy. The result of research could be valuable for researches and academicians, who focus on energy security studies, energy policy or contemporary Russian-Israeli relations.

Review of the Literature

To fulfill theoretical background of researched problem it is worth to pay attention, first of all, to literature on political economy that explains interdependence between political decisions of states and their economic development, and energy security studies which are oriented to regional and global perspectives of energy policy conducted by all types of states in energy supply chain (Upstream, Midstream and Downstream states). New economic, political and technological forces influenced on contemporary economic affairs expertly are analyzed by Robert Gilpin (2001). Gilpin examined such components as economic globalization, multinational corporations and regional integration between states. In order to understand international political order in correct way it could be useful to implicate concepts from different disciplines such as political science and history.

The same idea about importance of implementing several concepts or scientific approaches was found in Keohane and Nye (2012). Considering multidimensional interdependence as a nature of the world order, Keohane and Nye came up with a conclusion that most situations in world policy exist between two theories - realism and complex interdependence. The strong side of the study is an attempt to show political agendas of different states from interdependence perspective.

Research on the Middle East political economy made by Richards and Waterbury (2008) and Sorenson (2008) stand out among studies focused on regional particulars of political economy. Richards and Waterbury (2008) present concrete practices of particular Middle East states within different frames such as regional economic integration and energy resources issues. In a contrast, Sorenson's study as an outstanding example of state-by-state analysis concentrated on most complicated issues of each state like Iran's nuclear program or demographic question in Egypt. While both studies present a huge volume of information included variety of economic indexes, and good constructed analysis of economic developments in different Middle East states, they do not pay enough attention to connections with out-of-region players like Russia or EU states.

Energy security as an important part of contemporary geopolitics creates interconnection between economic institutes of states which are on different position in a global energy supply chain. Also it creates interdependence between political institutions what in result could affect decision – making process. Among energy security literature there are studies devoted to evolution of world energy resources and its influence on political relations between states such as Casertano (2013), Campbell and Price (2008), Hasret Çomak and Caner Sancaktar (2015), Levent Aydın (2014), and Jean-Pierre Favennec (2011).

The cycled character of energy policies has been found out while analyzing energy development from 1945 to nowadays (Casertano, 2013). Energy policies of the Russian Federation, the United States, and China strongly interrelate with their strategic interests in different regions such as the Middle East as one of the world energy hubs, and European Union as one of the most important energy downstream market (Casertano, 2013). At the same time, motivation component of national and international energy companies also affects states' decision-making process (Jean-Pierre Favennec, 2011). As a result, there is a crucial impact of global energy policies on the local energy supplies. In high price conditions on energy resources producers prefer conducting more destructive political agendas (Campbell and Price, 2008). And Russia as one of the largest energy producer in the world is not an exception.

Literature on Russian energy policy, generally, analyses energy resources – oil and natural gas – from the state's economic development perspective by revealing them as a largest item of state's GDP. Due to current improvements in natural gas sphere occurring within last fifteen years, there is a growing body of studies dedicated to the role of Russian natural gas in conducting bilateral relations with different states, especially with European states. Among them are works of Danila Bochkarev (2006), Peter R. Hartley and Kenneth B. Medlock III (2008), Michael Ellman (2006), Erik Berglöf (2003), Sezin İba Gürsoy and Adnan Seyaz (2015).

Within the research it is vital to overview improvements in world natural gas market to find out strategies and particularities that could be implemented on specific case. Hence, literature on development in natural gas market includes studies examined trends in natural gas policies from the regional perspective (Gilardoni, 2008; Fattouh and Stern, 2011), but also in a broader context (Cho, 2010; Kolb, 2013). By putting natural gas in a broader context it becomes obvious that it began to reconstruct the whole geopolitics of energy resources. By presenting detailed analysis of last discoveries in gas sector Kolb (2013) figured out states and regions that can achieve energy independence from current suppliers and can turn into natural gas exporters in near future. Among them the Eastern Mediterranean region stands out to due to its location in world geopolitical map.

Numerous authors (Simone Tagliapietra, 2013; Mugiel Martinez and Hannah Murdock, 2013; Patrick Nopens, 2013) focus on revealing interconnections between new opportunities of Eastern Mediterranean energy market and possible geopolitical risks for the region. The studies of Schaffer (2012), Darbouche (2012), De Micco (2014), Hafner Manfred, Tagliapietra Simone and El Elandaloussi El Habib (2012) examines proved and proposed domestic energy sources and recent explorations in the Eastern Mediterranean region. While existing studies offer valuable empirical and theoretical prospects into development of regional natural gas sector, they also suffer from serious limitations. Studies to date pay a relatively small attention to effects of current discoveries and developments in the Eastern Mediterranean region on energy-exported states which are out of the region especially Russia as one of the largest energy resources exporter. Most studies focus on probable economic and possible political benefits from those discoveries for regional states such as Israel, Cyprus or Jordan.

Among works which made an effort to fill the existed gap it is necessary to allocate studies published by the Institute of the Middle East, one of the most authoritative research centers in Russia. Involvement of the Russian gas monopoly Gazprom into discoveries of natural gas fields made by Israel in the East Mediterranean Sea has been expertly analyzed by Barukh Ben (2013). By presenting Gazprom as "a constant tool of promoting Russian political interests"[4] and Israeli natural gas as a new factor of regional geopolitics author made an attempt to evince an interconnection between these two subjects. Works of Elizaveta Yakimova make a significant contribution to analyze Russian-Israeli relations through the prism of specific political issues such as Syrian

[4] Барух Бен, "Газпром" в Израиле — первый успех или очередная пиар-акция" ("Gazprom in Israel – first success or another PR action") (2013, March 6), from the Institute of the Middle East: http://www.iimes.ru/?p=16966

crisis, armed conflict in Ukraine, the status of Crimea.[5] Author pays attention to how Israel's position in world policy events influences its bilateral ties with Russia.

While studies of Barukh Ben suffer from limitations in prediction the effects of Israel's natural gas on political relations between Russia and Israel, articles of Elizaveta Yakimova are centered on two states' political interconnection without referring to their energy policies. This research is aimed to fulfill that gap existed in academic literature. The research offers an attempt to analyze political and economic interconnections between two particular states in relation to one particular energy resource – natural gas.

Methodology and Research Structure

Methodological part of the study includes two research methods - comparative method of analysis and case study method. I compared key economic indexes between the states appeared within the research period in order to evaluate economic cooperation between Russia and Israel in correct way and to reveal a share of natural gas in this cooperation. I used statistic data prepared by different ministries and agencies of the Russian Federation and the State of Israel such as the Federal Customs Service of the Russian Federation, the Central Bureau of Statistics of Israel, the Ministry of National Infrastructures, Energy and Water Resources of the Israel, the Russian Ministry of Energy. For the broader view, I used data from the World Energy Outlooks prepared by the International Energy Agency (2000-2015 years) and statistics from the Energy Supply Security Emergency Response of IEA States (2014).

Case study method has been applied in analyzing political component of Russian-Israeli relationship and the role of natural gas factor in it. There are two cases used in the research - the 2008 Georgian crisis and the Syrian Civil War started in 2011. In each case Russian-Israeli interaction and the role of natural gas factor are evaluated. Natural gas factor is displayed by developments in natural gas business environment especially

[5] See articles: "К вопросу о межпарламентском диалоге России и Израиля" (2016, February 6), http://www.iimes.ru/?p=27366; "Визит министра иностранных дел Государства Израиль А.Либермана в Москву" (2015, January 1), http://www.iimes.ru/?p=23350; "Военная операция России в Сирии: взгляд из Израиля" (2015, October 10), http://www.iimes.ru/?p=26258; "Визит президента Израиля Р.Ривлина в Москву в свете решения В.В.Путина о начале вывода российских войск из Сирии" (2016, March 18), http://www.iimes.ru/?p=27784; "Последствия нейтралитета Израиля по вопросу ситуации в Украине для отношений государства с США и Россией" (2014, April 14), http://www.iimes.ru/?p=20684; "Позиция Израиля по вопросу Крыма и возможные последствия для внешней политики страны" (2014, March 20), http://www.iimes.ru/?p=20326; "Государство Израиль и политический кризис в Украине" (2014, March 3), http://www.iimes.ru/?p=20155;

international projects on pipeline construction and natural gas transportation. By applying case study method the following resources has been used: Russian-Israeli intergovernmental agreements, reports of the Ministry of Foreign Affairs of the Russian Federation and the Israel Ministry of Foreign Affairs, reports of the Russia-Israel Business Council.

The study is composed of 4 parts. Each of them includes various sub sections in order to analyzing the topic further in depth. First part is the Introduction, which consisted of defining research question of the study and hypothesis, discussing dependent and independent variables, reviewing of the literature, and determination of scientific methods used in the research. The second part of the study is the "Natural Gas Factor in the Russian-Israeli Economic Relations from 2000 to 2015". Here, in analyzing of statistics and economic data between the two states from 2000 to 2015 a comparative method of analysis is applied. This part also will figure out how recent natural gas offshore and onshore discoveries in the Israeli shelf in the Eastern Mediterranean Sea and projects on their operation have affected Russian-Israeli economic partnership in the beginning of the 21st century.

The third part of the study is aimed to analyze Russian-Israeli interaction in the framework of certain critical situations, occurred in world politics from 2000 to 2015, and to identify the effect of natural gas factor on this interaction. The part is expected to reveal an influence of natural gas which resulted by exact geopolitical actions of the states in the frame of the 2008 Georgian Crisis and continued Syrian Civil war. Finally, the conclusion of the study will discuss the effect of natural gas on the Russian-Israeli relationship in 2000-2015. The study will finish by displaying impact of natural gas factor on energy security issues of a state in a broader context.

PART 1: NATURAL GAS FACTOR IN RUSSIAN-ISRAELI ECONOMIC RELATIONS FROM 2000 TO 2015

Chapter 1: Analysis of Economic Cooperation between Russia and Israel from 2000 to 2015

Economic relations between Russia and Israel are based on a long history of intergovernmental contacts. Fundamentals of contemporary economic partnership were created in the late 90s of the 20th century by signing several agreements on trade cooperation.[6] Although Israel is not among the top ten in the ranking of Russian economic partners due to rather small share in total Russian turnover (less than 1%[7]) the two states continue to strengthen trade partnership and develop mutually beneficial cooperation. Functioning of the Russian-Israeli Intergovernmental Committee on Trade and Economic Cooperation demonstrates aspiration of the two states to support an interaction in economic sphere.

1.1. Analysis of Main Indexes of Economic Cooperation between Russia and Israel from 2000 to 2015 (Trade Turnover, Export and Import Values)

From the beginning of full resumption of relations between the two states in 1991 Russian-Israeli trade and economic ties have obtained noticeable development. While in 1991 the trade power between Russia and Israel did not exceed $12 million, in 2000 it came around $1154 million. The Figure 1 shows the rate of Russian-Israeli trade turnover in 2000-2015 years. It displays that a trade turnover between the two states in the period from 2000 till 2008 gradually increased from $1154 million and reached the peak of eight years trading volume by $2768.33 million with the exceptions of moderate declines in 2001 and 2004.

In 2008 the Russian-Israeli trade relations have been affected by global economic crisis. As it can be seen from the Figure 1 the rate of trade turnover experienced the most dramatic fall by over 39% in 2009 (as compared to 2008) and returned closely to performance that had been appeared in 2003. Mainly due to a sharp reduction of

[6]See the Attachment 1, "List of Russian-Israeli Intergovernmental Agreements."
[7]Based on Report on Custom Statistics on Foreign Trade of the Russian Federation by Country, 2015 year", from the Federal Customs Service of the Russian Federation: http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

deliveries of oil and petroleum products to Israel trade turnover decreased to $1680.53 million that year.

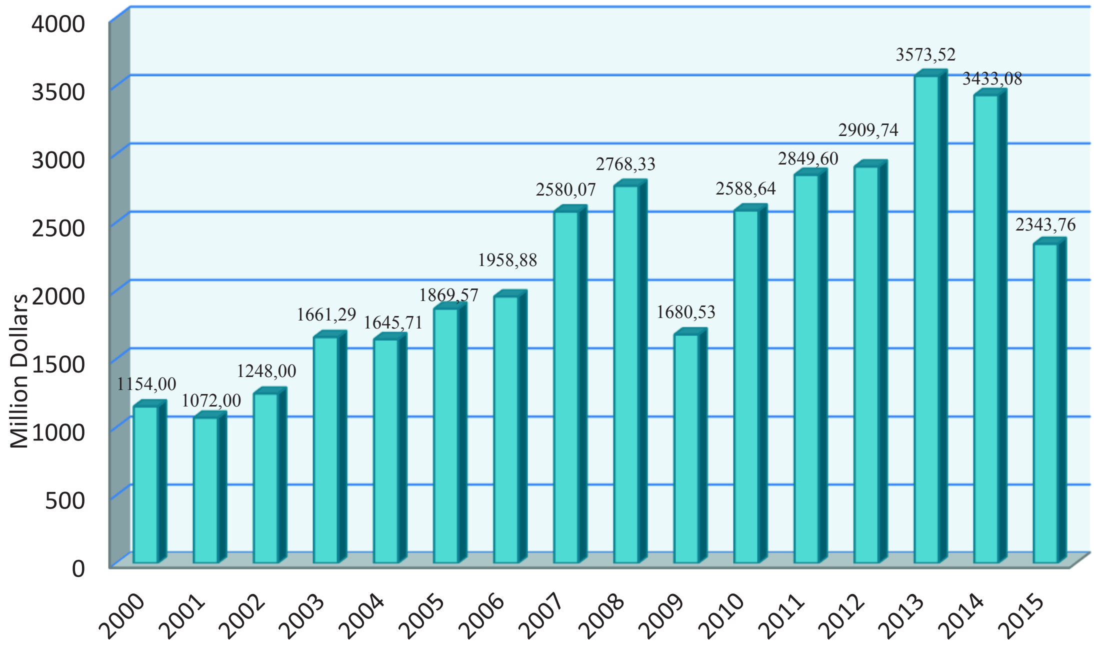

Figure 1. Trade Turnover Rate between Russia and Israel, 2000-2015

Source: Prepared by researcher based on custom statistics on foreign trade of the Federal Customs Service of the Russian Federation (http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO)

According to the Figure 1, after surviving worldwide economic shock the Russian-Israeli trade turnover increased in a very sharp way grown in 1.5 times in 2010, and began to climbing gradually till reached the very peak of $3573.52 million in 2013. This index was the biggest during the whole researched period. After achieving incredible results in 2013 the situation in Russian-Israeli trade turnover gained downward trend proved by slight decline in 2014 of $3433.08 million rate. The second after global financial crisis shock happened in 2015, when the trade turnover between Russia and Israel sharply fell down over by 31% and reached the point of $2343.76 million what even less than in post-crisis year of 2010.

To reveal factors that influenced on trade turnover development and led to such rapid slump in 2015, and to determine other dynamics observed in the Russian-Israeli trade turnover it is necessary to examine main components of export and import between

Russia and Israel in 2000-2015 period. In analyzing export and import rates between the two states it is worth to evaluate not only their measurement in US dollars equivalent but also their distribution among different trade commodity groups. Therefore, within this paragraph, first of all, quantitative trends in Russian export to Israel and Russian import from Israel in 2000-2015 have been estimated. Secondly, export and import distribution by commodity groups as a qualitative component of considered issue has been analyzed.

The Figure 2 presented the value of export and import of the Russian Federation to Israel within 2000-2015 years. According to the graph, Russian exports to Israel in 2009 had slumped almost in half from $2034.07 million to $1043.93 million which caused by 2008 global financial crisis. About the same level of exports has been experienced by Russia and Israel just in 2001, when it dipped to the lowest point within the research period - $943.78 million. Approximately with the same speed as it fell down in 2009 export rate in 2010 soared 1.7 times from previous year.

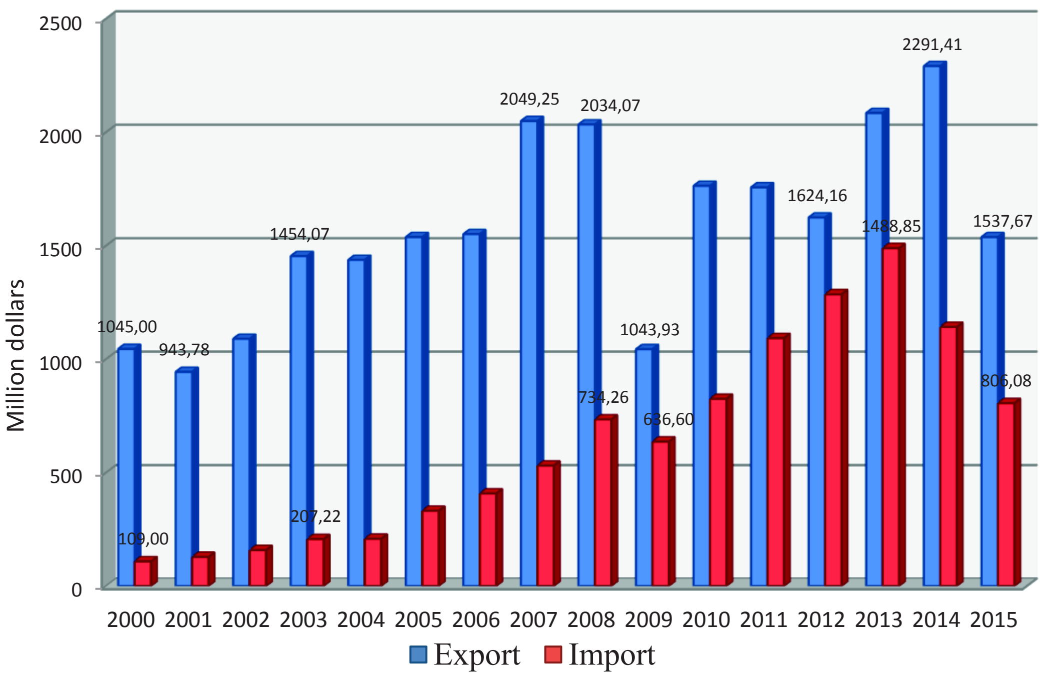

Figure 2. Value of Export and Import of the Russian Federation to Israel, 2000-2015

Source: Prepared by researcher based on custom statistics on foreign trade of the Russian Federation, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

As the Figure 2 shows, next 5 year period was very unstable characterized by moderate decrease of export rate in 2010-2012, and further sudden substantial growth by 41% lasted till 2014. Moreover, in 2014 the rate of Russian export reached in 2014 its maximum by $2291.41 million. After reaching the peak in 2014 the index experienced steep drop by 32% in 2015 and turned back to 10 years old level of exporting. Generally, rate of Russian export to Israel from 2000 to 2015 corresponds to trade turnover dynamics between the two states. Despite of several moderate declines both trade power and export values commonly increased until 2007-2008, at which point they reached the peaks of eight years trading rate, $2768.33 million[8] and $2034.07[9] respectively.

Figures 3 and 4 provide Russian export values to Israel by commodity groups in 2003 and 2015 years respectively. Figure 3 includes top 6 groups by export value and an “Other Groups” category comprised of smaller commodities and other products ,each of whose accounted lower than 1% of total export value. Of the $1454.07 million in exports in 2003, $756.11 million were associated with the 6 groups of commodity, and the remaining $697.95 million were associated with other smaller groups.[10]

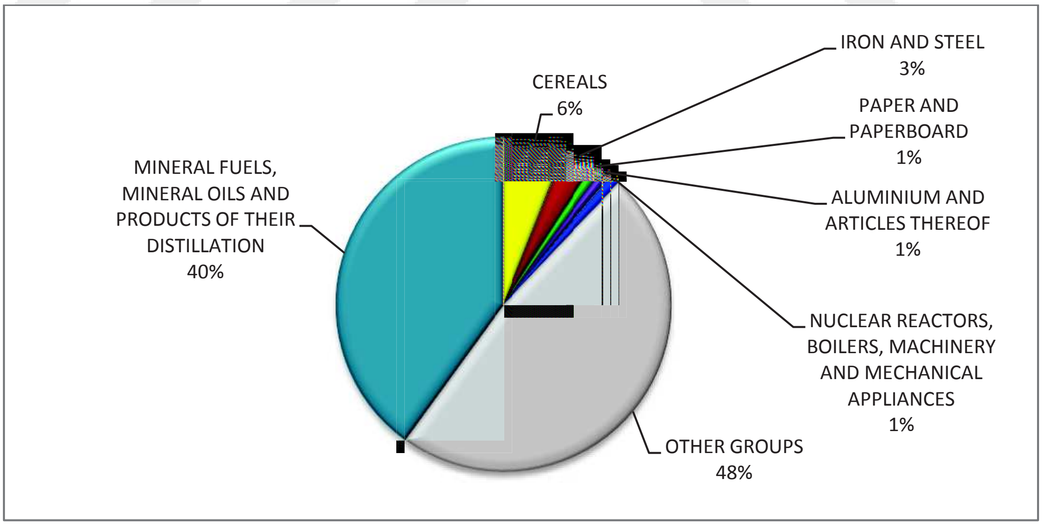

Figure 3. Russian Export Value to Israel by Commodity Group, 2003

Source: Prepared by researcher based on custom statistics on foreign trade of the Russian Federation by Commodity and by States, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

[8] See “Figure 1. Trade Turnover Rate between Russia and Israel, 2000-2015”
[9] See “Figure 2. Value of Export and Import of the Russian Federation to Israel, 2000-2015.”
[10] “Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2003 year” (TCBT_P_2003_16.pdf), http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

According to the Figure 3, in 2003 the list of top commodity groups included mineral fuels, mineral oils and products of their distillation, cereals, iron and steel, paper and paperboard, aluminium and articles thereof, and nuclear reactors and machinery. The last three groups were almost equal and each of them accounted by 1% of the total Russian export to Israel in 2003. Except paper and paperboard commodity group, nuclear reactor and machinery and aluminium groups have left the top list till 2015 by accounting less than 1% of the total export value.

The leadership in export value in 2003 belonged to mineral oils and products of their distillation, which accounted 40% of total export value. As it can be seen from the Figure 4 this commodity group strengthened its leadership within 12 year period and accounted around 43% of the total export value in 2015. Cereals showed stable percentage ratio in export value in 12 year period, while iron and steel decreased it from 3% to 2%.

Figure 4 displays Russian export values to Israel by commodity groups in 2015. In researched period the top 6 commodity groups as a main body of total export value have undergone considerable change. As Figure 4 shows, in 2015 there were five new commodity groups in the top list - precious or semi-precious stones; salt, sulphur, earths and stone; other base metals and cermet; fertilizers, and wood and articles of wood. Precious or semi-precious stones which accounted by 37% of total export values in 2015 took the second place after mineral oils group.

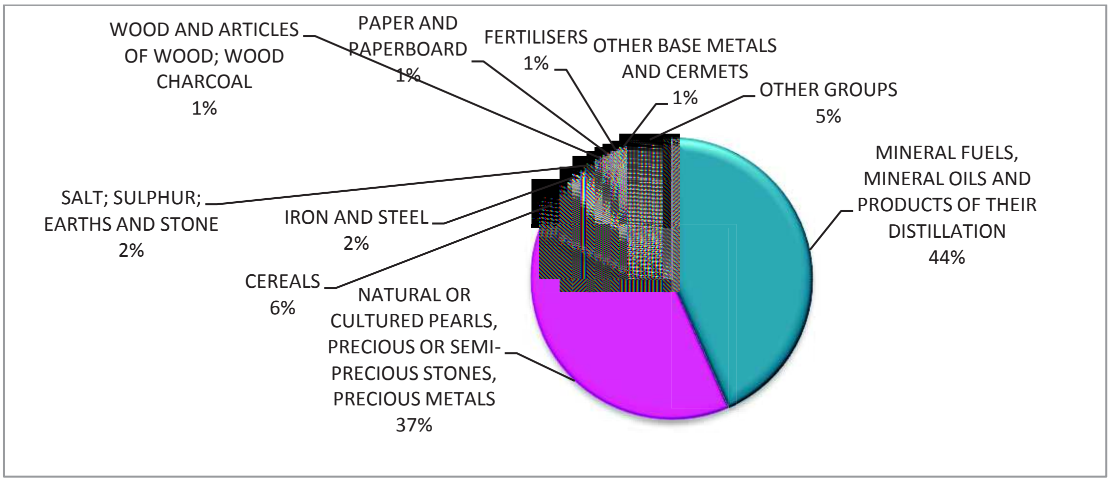

Figure 4. Russian Export Value to Israel by Commodity Group, 2015

Source: Prepared by researcher based on custom statistics on foreign trade of the Russian Federation by Commodity and by States in 2015, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

Within 12-year period percentage ratio of precious or semi-precious stones in total export value has exceeded ratio of mineral oils in 2004-2007. Moreover, in 2005 precious or semi-precious stones accounted by 53% of export value which means covering more than half of total Russian exports to Israel. However, after 2007 mineral oils and products of their distillation carried the palm in export value which continued till 2015.[11]

The second group which became new in export chart in 2015 was salt, sulphur, earths and stone. According to the Figure 4, the export value of this commodity group was around $24.2 million which accounted by 2% in total export value. The third group which entered export top list in 2015 was wood and articles of wood. This commodity group had not surpassed 1% level till 2005, but in 2005 the export value of the group was approximately $16.65 million which accounted by 1.08% in total export value $ 1539.5 million.[12] Another important modification in the commodity structure of Russian export to Israel is dropping nuclear reactors and machinery out from the top list. In 2015 nuclear reactors and machinery accounted just $2.1 million which was 0.1% of total export value.[13]

Second part of trade turnover between Russia and Israel is value of Russian imports from Israel. According to the Figure 2, import value has gradually increased from 2000 till 2008. Within eight year period total Russian import from Israel increased 7 times from $109 million to $734.26 million, which was the peak of the following period. In contrast to significant slump of Russian export in 2009 caused by global financial crisis, the value of Russian import from Israel in 2009 has reduced slightly and accounted around $636 million. Next 4 year period was characterized by very rapid growth until 2013 at which point it reached the peak of $1488.85 million, began to decline and had rapidly dropped to $806.08 million by 2015. That index turned back import value to 5 years old level.

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[11] Based on Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2005, 2007 and 2015 years, Federal Customs Service of the Russian Federation, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

[12] Source: “Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2005 year” (TCBT_P_2005_16.pdf), Federal Customs Service of the Russian Federation, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

[13] Source: “Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2015 year” (TCBT_P_2015_16.xsl), Federal Customs Service of the Russian Federation, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

It can be summarized from the Figure 2 that the value of Russian import from Israel generally increased from the very beginning of 2000s till 2013 with exception of moderate decline in 2008 as a side effect of global financial crisis. The common upward tendency ended in 2013, followed by a sharp fall till 2015.

Figures 5 and 6 provide Russian import values from Israel by commodity group in 2003 and 2015 years respectively. Both charts include top 7 groups by import value and an "Other Groups" category comprised of smaller commodities and other products, each of whose accounted lower than 4% of total import value. Of the $207.2 million in Russian imports from Israel in 2003, $153.4 million were associated with the 6 groups of commodity, and the remaining $53.8 million were associated with other smaller groups.[14]

According to the Figure 5, in 2003 the list of top commodity groups in Russian import value from Israel included electrical machinery and equipment; nuclear reactors and machinery; optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; plastics and articles thereof; pharmaceutical products and miscellaneous chemical products.

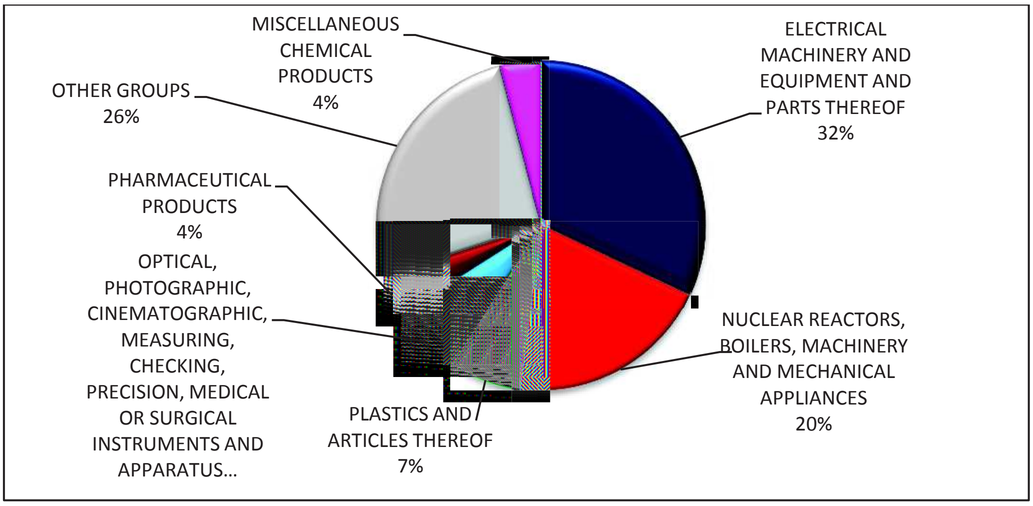

Figure 5. Value of Russian Import from Israel by Commodity Group, 2003

Source: Prepared by researcher based on custom statistics on foreign trade of the Russian Federation by Commodity and by States in 2003, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

[14] See the Attachment 2, "Volume of Foreign Trade of the Russian Federation with Israel, 2000-2015".

Figure 5 shows that the leadership in import value in 2003 belonged to two groups – electrical machinery and nuclear reactors, which were accounted by 32% and 20% of the total import value respectively. In coupe with optical, medical etc. instruments group as other example of technological products these top three groups comprised 59% of total import value in 2003. The other groups in the list were almost equal and each of them accounted by 4% of the total Russian import from Israel in 2003. Except optical, medical etc. instruments group, which has fluctuated around 7% of total import value, and miscellaneous chemical products group which has left the top list till 2015 by accounting less than 1%, rest of groups experienced substantial changing in percentage ratio in import value within 12 years period.

As it can be seen from Figure 6, within the 12 year period electrical machinery and nuclear reactors groups have significantly reduced their presence in import chart by dropping percentage ratio to 12% and 7% respectively, but kept staying in the top seven. Plastics and articles thereof also decreased its ratio within 12 years, but more moderately than two previous groups. In 2015 plastics and articles thereof accounted by 4% of total import value.

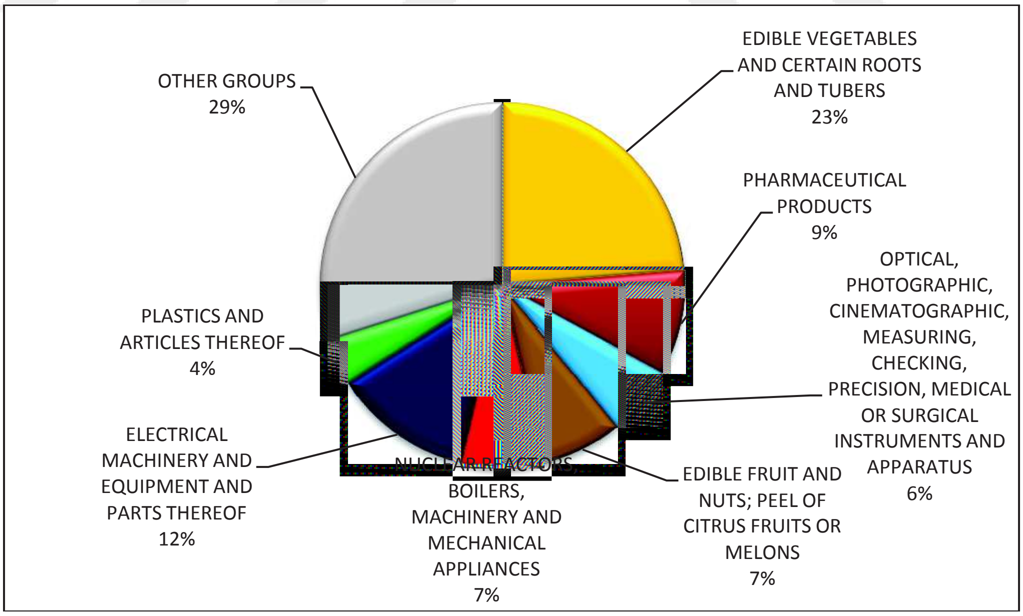

Figure 6. Value of Russian Import from Israel by Commodity Group, 2015

Source: Prepared by researcher based on custom statistics on foreign trade of the Russian Federation by Commodity and by States in 2015, http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

Comparison between Figure 5 and Figure 6 led to conclusion that pharmaceutical products have showed considerable growth from 4% in 2003 to 9% in 2015 that made this group the third in the 2015 top list. Differ from others ratio of optical, medical etc. instruments group has slight decrease from 7% to 6% in 2003-2015. Within 12 years the structure of Russian import from Israel has undergone substantial transformation. In 2015 two new commodity groups have entered in top list - edible vegetables and edible fruit.

The import value of the edible vegetables group was approximately $189.5 million accounted by 23% of total Russian import from Israel in 2015 that gave to the group a leadership within that year. It is worth to mention that import value of the same group in 2003 was around $3.64 million which covered less than 1% of total Russian import from Israel. The second group which became new in 2015 import chart is edible fruit and nuts; peel of citrus fruits or melons. This commodity group hasn't exceeded 2% level in 2003, but in 2015 the import value of the group was approximately $54 million which accounted by 7% in total import value $806.26 million.[15]

Russian import from Israel in researched period has suffered from significant changing. Main tendency was shifting of Russian import orientation from high technological equipment (electrical machinery; nuclear reactors and machinery; optical, medical apparatus etc.) to agricultural products such as vegetables and fruits. Such substantial change was started one year earlier as an effect of Russian Federation respond to economic sanctions applied by some governments in Europe and North America in response to the Crimean crisis. Russian Federation respond included banning on imports of fruits from the European Union states, United States, Norway, Canada and Australia. Because of Israel hasn't joined the international sanctions regime against the Russian Federation, Russian import of agricultural products from Israel increased. More detailed analysis of cooperation between the two states in agricultural sphere is presented in the following paragraphs.

[15]Source: "Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2003 year"; "Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2015 year", from Federal Customs Service of the Russian Federation: http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

1.2. Main Aspects of Intergovernmental Trade and Economy Cooperation between Russian and Israel in 2000-2015

Russian-Israeli economic and trade relations are regulated by an Agreement on Cooperation between Government of the Russian Federation and Government of the State of Israel in Trade and Economy Sphere sighed in April 27, 1994.[16] Particularly, the agreement provides mutual “most favored nation” status between parties and foundation of the Russian-Israeli (Intergovernmental) Commission on Trade and Economic Cooperation. Since its foundation in 1995 the Commission has held 12 meetings, last one was in October, 2015 in Moscow.[17] The Commission plays important role in providing development in main aspects of bilateral cooperation between the two states, which are trade and investment, industrial technology and innovations, agriculture, energy sphere, space research, diamonds industry and tourism.

Cooperation between the two states in agricultural sphere is regulated by an Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Agriculture and Agricultural Industry, singed in April, 1994.[18] In December 2009 Israel and Russia agreed on an initiative to form a permanent joint committee of agricultural cooperation between the two states. The Committee’s responsibility covered trade promotion, strengthening and sharing of agricultural technology between the two states, transfer of information in research, development and training, creation of joint agro-forums for private sector and other exhibitions related to agricultural field.[19]

In agro technical industry there are a number of joint projects between the two states. Since 2000 with participation of Israeli experts several Russian agricultural companies

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[16] “Russian-Israeli Trade and Economy Relations Analytics” (2010, November 17), from Russia-Israel Business Council: http://rus-israel.ru/analytics/news122

[17] “Meeting with Ze'ev Elkin, Minister of Immigration and Absorption, Minister on Jerusalem Affairs and Co-Chair of the Russian-Israeli Commission on Trade and Economic Cooperation” (2015, October 28), from the Ministry of Foreign Affairs of the Russian Federation: http://www.mid.ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/1904650

[18] The whole list of agreements on economic and trade cooperation between Russia and Israel is presented in the Attachment 1.

[19] “Israel and Russia form agricultural cooperation committee” (2009. December 7), from the Israel Ministry of Foreign Affairs: http://mfa.gov.il/MFA/InnovativeIsrael/Economy/Pages/Israel-Russia-form-agricultural-cooperation-agreement-7-Dec-2009.aspx

were reconstructed and modernized.[20] In addition, by means of Israeli modern resource-saving technologies in irritation cooperation on vegetable farming has been effectively developed. Russian export of agricultural products to Israel, particularly wheat and flour, and import of vegetables and fruits, especially citrus, are seen as areas promising to strengthen bilateral trade cooperation. For example, export of cereals in 2010 was just 4% of total Russian export value to Israel, but until 2014 increased and accounted by 7%. At the same time period 2010-2014 import of vegetables and fruits in total volume of Russian import from Israel increased from 23% to 31% respectively.[21]

Due to European boycott against Israel products applied in 2015[22], Israel is strongly interested in opening Russian markets for Israeli poultry products. On the other hand, Russian sanctions imposed against imports of Western products as a respond to European sanctions against Russia applied in 2014 have stimulated the development of relations between Russia and Israel in the field of agriculture. Eventually, intergovernmental cooperation in agricultural sphere allows gaining advantage of combination of Russian natural resources and Israeli numerous experiences of agriculture field.

In the framework of the very first visit of delegation of the "Russian Corporation of Nanotechnologies" (Rosnano) to Israel in September, 2008 parties agreed to create effective legal platform for bilateral cooperation in technological sphere.[23] Next two years after the visit are considered as a point when Russian-Israeli scientific collaboration came up to a new level. On March 22, 2010 an Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Industrial Research and Development was signed.[24] On the basis of the agreement in coupe with other several memorandums cooperation between

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[20] "Russian-Israeli Trade and Economy Relations Analytics" (2010, November 17), from Russia-Israel Business Council: http://rus-israel.ru/analytics/news122

[21] Source: "Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2010 year"; "Custom statistics on foreign trade of the Russian Federation by Commodity group and by Country, 2015 year", from Federal Customs Service of the Russian Federation: http://stat.customs.ru/apex/f?p=201:7:8002431793688877::NO

[22] European boycott against Israel products expressed in European Commission regulations to label food products, including meat poultry produced in the territory of the Jewish settlements in Judea, Samaria and the Golan heights, published on November 11, 2015.

[23] Меламед Леонид, "Первый визит в Израиль получился успешным" (2008, September 8), from the Press Center of RUSNANO Group: http://www.rusnano.com/about/press-centre/news/74823

[24] "РФ и Израиль подписали Соглашение о двустороннем сотрудничестве в области промышленных научно-исследовательских и опытно-конструкторских работ" (2010, March 22), from the Press Center of RUSNANO Group: http://www.rusnano.com/about/press-centre/news/75463

the two states is launched in the following priority areas: nanotechnology, computer science, engineering, biotechnology, renewable energy and environmental protection, new materials and chemical technologies, medicine and pharmaceuticals.[25]

With the aim to collaborate with Israeli companies in relatively small projects in nanotechnology sphere Rosnano announced the establishment of a $ 100 million joint investment fund with Israeli companies «Catalyst Investments» and «Cukierman & Co» in October, 2011.[26] Cooperation between Russia and Israel in research and technology looks very perspective because it leads to innovative products creation that, in turn, will facilitate a successful commercialization of the results and development of Russian and Israeli companies in global innovative market.

Economic relations between Russia and Israel in diamond industry, which includes diamonds and metals processing and trade in rough, industrial and processed diamonds, have been strengthened from the beginning of the 21 century. After years of very moderate cooperation in diamond sphere, Russia and Israel reached a pivot agreement in supplying rough diamonds in 2005. Israeli diamond companies began to import rough diamonds from Russia on a regular basis and have been invited to 10.8+ carat tenders of the Russia's largest diamond group ALROSA[27] held in Moscow jointly with state precious stones and metals repository.[28]

Export of Russian rough diamonds is one of essential components in Russian-Israeli trade relations. In Israeli import revenues of precious stones and metals fluctuates from 12% to 20% within the research period, while turnover of rough diamonds is generally less in a half than turnover of precious stones and metals. In total value of the Israeli import of rough diamonds the Russian share was 11% in 2007. But after global financial crisis this index was less than 5% of Israeli import of rough diamonds in 2009. In 2008 trade relations between the two states suffered from sharp reduction in rough diamonds

[25]See: "Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Industrial Research and Development" (2010, Mart 22), http://mfa.gov.il/Style%20Library/AmanotPdf/4-27947-9367.pdf

[26] "Израиль. Экономический обзор, октябрь 2011" (2011, November 25), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news552

[27] "ALROSA group produces 97% of the total production of diamonds in Russia, and is a leader in the global diamond industry," http://www.alrosa.ru/

[28] Edahn Golan, "Russia Agrees to Remove Diamond Export Restrictions to Israel" (2005, June 28), http://www.idexonline.com/FullArticle?Id=24246

market. In result, import from Russia decreased by almost 50% accounted nearly $500 million.[29]

After surviving financial crisis shock the trade turnover in rough diamond market between the two states began to enhance its volumes. In 2015 ALROSA and the Israel Diamond Exchange (IDE) signed a Memorandum of Understanding to strengthening the partnership in diamond industry.[30] As it was previously mentioned precious or semi-precious stones were accounted by 34% of the total Russian export value to Israel in 2014. Briefly, diamond industry sector is traditionally among prominent directions of economic cooperation between Russia and Israel. The bilateral collaboration in trading of rough, industrial and processed diamonds increased gradually from 2000 to 2015 with the exception of 2008 year when the whole financial system in the world suffered from dramatic decline.

Two states cooperate in the field of space in the frame of a Memorandum of Understanding between the Russian Space Agency and the Israel Space Agency, singed on August 31, 1994.[31] In December, 2000 a Russian rocket launched Israeli satellite "EROS-A1", in December 2003 - Israeli satellite "Amos-2", in April 2006 - Israeli satellite "EROS-B1"" and in April 2008 - Israeli satellite "Amos-3".[32] From 2010 bilateral relations between Russia and Israel in space field began to develop impressively. Within the short period of time (12 month) the Russian Federal Space Agency and the Israel Space Agency signed two agreements on cooperation in space. As Prime Minister of Israel Benjamin Netanyahu said "the combination of Russia's developed industry and Israel's developed, focused and sophisticated industry would provide major benefits to both states".[33]

In May, 2011 Israel and Russia signed an agreement to establish a center for the development of small satellites. According to General Engineer of the "Gazprom Space Systems" Nikolai Sevastyanov "Russia has lagged behind in geo-information

[29]Бочаров Юрий, "Израиль и Россия: статистика и анализ торговых отношений" (2010, January 29): izrus.co.il/blog-news/article/2010-01-29/8347.html#ixzz48dfyK04i

[30] "ALROSA and IDE sign a memorandum of Understanding", from ALROSA website: http://eng.alrosa.ru/alrosa-and-ide-sign-a-memorandum-of-understanding/

[31] See the Attachment 1. List of Russian-Israeli Intergovernmental Agreements

[32] "Russian-Israeli Trade and Economy Relations Analytics" (2010, November 17), from Russia-Israel Business Council: http://rus-israel.ru/analytics/news122

[33]"Israel and Russia sign space cooperation agreement" (2011, Mart 27), from the Israel Ministry of Foreign Affairs: http://www.mfa.gov.il/mfa/pressroom/2011/pages/israel_russia_space_cooperation_agreement_27-mar-2011.aspx

technology in space, while Israel was one of the world leaders in developing light reconnaissance satellites and other space technologies."[34] Hereby, cooperation between Russia and Israel in space is seen as mutually beneficial by both parties.

In regards to tourism sector, from the beginning of 2000s the flow of Russian tourists in Israel continually grows. Establishing of a visa-free regime between the two states in 2008 played an important role in strengthened Russian-Israeli collaboration in tourism sphere and provided sharp growth in tourist flows between the two states. As a Deputy Prime Minister of Israel Avigdor Lieberman has emphasized during a press conference in Moscow in June, 2009 even global financial crisis and economic downturn did not bring downward tendency to tourism flows between the two states.[35]

According to the Russian Federal Statistics Service the value of Israeli citizens entered in the Russian Federation and Russians entered in Israel with tourism purposes in 2010 increased by 15% and 28% respectively in comparison to the previous year.[36] However, due to the ruble devaluation in 2014-2015 the number of tourists from Russia to Israel has significantly decreased. Statistics of the Russian Federal Tourism Agency show that the value of Russian tourist to Israel in 2015 decreased by about 29% compared to the previous year.[37]

The legal basis of bilateral relations in tourism sphere has been enriched within last three years by two new documents - a framework agreement between Russia and Israel on Cooperation in the Field of Tourism, signed in December, 2012,[38] and a 3 year program on cooperation in tourism sphere, signed in October, 2015 between the Russian Federal Agency for Tourism and the Ministry of Tourism of Israel. Parties agreed to increase tourist traffic and to promote simplification of formalities connected to tourist

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[34] "Израиль. Экономический обзор, май 2011 г." (2011, June 23), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news304

[35] Press conference by Deputy Prime Minister and Minister of Foreign Affairs Avigdor Lieberman at ITAR-TASS Moscow (2009, June 3): http://mfa.gov.il/MFA/PressRoom/2009/Pages/ Press_conference_FM_Liberman_TASS-ITAR_Moscow_3-Jun-2009.aspx

[36] "Подписана Программа Совместных Действий На Период 2010-2012 Годов По Реализации Соглашения Между Правительством Российской Федерации И Правительством Государства Израиль О Сотрудничестве В Области Туризма" (2010, November 23), from the Federal Agency for Tourism of the Russian Federation: http://www.russiatourism.ru/news/1443/?sphrase_id=238824

[37] "Ростуризм и Минтуризма Израиля Подписали Трехлетнюю Программу Сотрудничества" (2015, October 29), from the Federal Agency for Tourism of the Russian Federation: http://www.russiatourism.ru/news/9629/

[38]"Bilateral Russia-Israel intergovernmental economic committee meets in Jerusalem", (2012, December 4) from the Israel Ministry of Foreign Affairs: http://mfa.gov.il/MFA/PressRoom/2012/Pages/Russia-Israel_intergovernmental_economic_committee_4-Dec-2012.aspx

exchange between Israel and Russia. These two contracts demonstrate a strong intention of both states to strengthen cooperation in the tourism sector.

While analyzing cooperation between Russia and Israel in energy sphere in 2000-2015 it is necessary to determine its three main components. The first one is collaboration between the two states in natural gas sector. The second one is supplies of Russian crude oil to Israel. And, the third one is implementation of joint Russian-Israeli projects in energy sector. Since economic relations between Russia and Israel in natural gas sector will be analyzed within the next chapter, only last two components will be examined below.

With regard to export of Russian crude oil to Israel it is worth to mention the following. Whereas Russian official statistics of foreign trade with Israel presents quantitative information about export of crude oil to Israel, reports of the Israeli Bureau of Statistics classified information on states from which Israel imports petroleum products as a secret. Data on import of petroleum products are given in a separate unit listed all imported energy resources (gas, coal, crude oil etc.) without determination the state-exporter. As it was assumed by Yury Bocharov "the reason for the "secret" lies in the fact that part of all transactions is made via offshore zones, or it is "special" local policies regarding to petroleum exporters."[39] Therefore, it is found rather problematic to rank a position of Russia among all exporters of crude oil to Israel.

Among the last important issues in the energy sphere discussed between the two states is cooperation in the field of motor fuel. As the Deputy Minister of Energy of the Russian Federation Anton Inyutsyn has emphasized "Russia has accumulated considerable experience both in improvement of motor fuel market legal regulation and development of production and distribution infrastructure and technical equipment of its sector. Today, the government of Israel has ambitious plans to transfer transport into gas consumption. In this regard, Russia is ready to become a partner in launching pilot projects in this field."[40]

[39]Бочаров Юрий, "Израиль и Россия: статистика и анализ торговых отношений" (2010, January 29): izrus.co.il/blog-news/article/2010-01-29/8347.html#ixzz48dfyK04i
[40] "Россия и Израиль расширяют сотрудничество в области использования газомоторного топлива" (2015, July 13), from the Russian Ministry of Energy: http://minenergo.gov.ru/node/2365

One of the most important aspects of bilateral cooperation in economic sphere is formation of free trade zone between the two states. Decision on beginning to develop an agreement on free trade zone between Russia and Israel was made within the visit of the Russian President Vladimir Putin to Israel in June, 2012.[41] Negotiations between Russia and Israel towards a free trade zone were officially opened on December 4, 2012 in the meeting of the Russian-Israeli Intergovernmental Committee on Economic Cooperation.[42] The creation of free trade zone will, obviously, stimulate the growth of trade turnover between the two states.

According to analysis prepared by experts of RIBC under the existing conditions in bilateral trade, free trade zone would provide to several commodity groups an opportunity to grow, for example, fishing industry products, mineral fuels; products of straw, esparto or other plaiting materials; cotton and vegetable fibers.[43] Moreover, Israel could become an important partner for Russia in terms of diversification of the geographical structure of Russian foreign trade, which is currently very much dominated by the EU.

At the same time negotiations on forming free trade zone between Israel and the Russia-led Eurasian Economic Union were held. The Russian-Israeli Business Council was actively involved in studying on agreement. Particularly, experts of RIBC evaluated free trade agreement between Israel and EEU as an effective platform for further development of partnership between Russia and Israel.[44]

In a contrast to free trade agreement between Israel and EEU, which includes conditions only in commodity trade due to EEU aims, the design of Russian-Israeli free trade agreement contains service trade and investment component. On the one hand, Russia is looking for expanding its investment in areas such as wholesale and retail trade, logistics services, telecommunications services, financial and insurance services. On the other hand, Israeli investment in technologies in pharmaceutical and medical sphere,

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[41] "Встреча с Премьер-министром Израиля Биньямином Нетаньяху" (2012, June 25), from the Official website of the President of Russia: http://kremlin.ru/events/president/news/15728

[42] "Bilateral Russia-Israel intergovernmental economic committee meets in Jerusalem" (2012, December 4), from the Israel Ministry of Foreign Affairs: http://mfa.gov.il/MFA/PressRoom/2012/Pages/Russia-Israel_intergovernmental_economic_committee_4-Dec-2012.aspx

[43] "Проблемы и перспективы создания Зоны свободной торговли между Россией и Израилем. Аналитическая записка" (2014, July 26), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news751

[44] "Отчёт о деятельности Российско-израильского делового совета в 2015 г." (2015, December 3), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news792

and also in manufacturing and implementation of security systems is very attractive for Russia.[45]

To summarize economic cooperation between Russia and Israel in 2000-2015 several crucial points should be emphasized. First of all, dynamics of trade turnover between the two states generally had upward trend from 2000 to 2015 with main exception in 2008 when not only Russian-Israeli economic relations but the whole financial system in the world suffered from global crisis. In 2009 export rate between the two states has experienced dramatic slump by 49%[46] that in result influenced on bilateral trade turnover which declined in 39%[47]. After economic shock Russian-Israeli trade relations began to revitalize and increase the volume of mutual cooperation.

Secondly, a major part of the Russian export to Israel in research period was covered by revenues from export of raw materials and non-technological products such as oil, rough diamonds, cereals, steel etc. with dominance of mineral oils and products of their distillation. While share of each commodity group in total export value have varied during the 15 year period the nature of Russian export to Israel has not changed that is unlikely for Russian import from Israel.

Third argument is a shifting of orientation of Russian import to Israel from high technological equipment to agricultural products especially vegetables and fruits in researched period. The reason of such sharp changing was lied in adoption of economic sanctions against Russia by some governments in Europe and North America in response to the Crimean crisis in 2014, on the one hand, and Israel's non-alignment to these sanctions, on the other.

And the last point refers to main aspects of trade cooperation between Russia and Israel during 2000-2015. Annual meetings of the Russian-Israeli Intergovernmental Commission on Trade and Economic Cooperation and a large number of joint projects successfully developed in such spheres as industrial technology and innovations, space research, diamonds industry and agriculture demonstrate the mutual interest on both sides in further expansion of collaboration in economic sphere.

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[45] "Проблемы и перспективы создания Зоны свободной торговли между Россией и Израилем. Аналитическая записка" (2014, July 26), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news751
[46] See the Figure 2. Value of Export and Import of the Russian Federation to Israel, 2000-2015
[47] See the Figure 1. Trade Turnover Rate between Russia and Israel, 2000-2015

Chapter 2: Natural Gas as a New Component of Russian-Israeli Economic Relations

Nowadays Russia by virtue of its geographical location is the second-largest producer of dry natural gas and the world's largest producer of crude oil (including lease condensate).[48] At the same time, Israel from the very beginning of its state formation is highly dependent on external energy supplies that make its energy security strategically vulnerable. The state being geographically close to the world largest oil and gas reserves has been isolated from them for years.[49] Only in 1990s warmed relations with Egypt gave an opportunity to Israel receive Egyptian natural gas which was implemented just in the beginning of the 21st century.

However, within the last 5 years due to discovering significant natural gas reserves on the Israeli shelf in the East Mediterranean Sea the situation began to change. It became obvious that changing of Israel's position in world energy supply chain would affect geopolitical situation within the region in near future. While Russia continues to be among the largest supplier of oil to Israel since 2007,[50] economic relations between the two states in energy sphere would probably change too. Relations between Russia and Israel in energy sphere occurred before and after natural gas discoveries on the Israeli shelf; participation of Russian energy companies in exploration of new natural gas fields, and new opportunities and challenges for Israel raised from these discoveries are discussed below.

2.1. Position of Natural Gas in Economic Relations between Russia and Israel till 2009

Until 2004 Israel has had no commercial oil and natural gas resources of its own. Thereby, over the years the state was highly dependent on expensive, long-term oil import contracts with nations like Mexico, Norway, and the United Kingdom, and on natural gas import contracts with Egypt.[51] Recently Israel's oil import revenues have been dominated by Russia, and Kazakhstan. The value of crude oil coming from Russia

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[48] "Russia", International Energy Statistics: https://www.eia.gov/beta/international/country.cfm?iso=RUS
[49] Philipp O. Amour, "Israel, the Arab Spring, and the Unfolding Regional Order in the Middle East: A Strategic Assessment," British Journal of Middle Eastern Studies, May 24, 2016, 1–17, doi:10.1080/13530194.2016.1185696.
[50] Based on the Israel's Foreign Trade materials prepared by the Central Bureau of Statistics // http://www.cbs.gov.il/www/statistical/
[51] Israel Overview, International Energy Statistics, https://www.eia.gov/beta/international/analysis.cfm?iso=ISR

and the CIS reached a peak in 2006, with 88% of total amount of oil imported by Israel.[52] In order to diversify oil supplies and minimalize the risks of energy dependence on Russia the Israeli authorities have taken an interest in the famous Baku-Tbilisi-Ceyhan oil pipeline.

However, in the beginning of 2000s several energy companies have discovered a number of natural gas fields on the Israeli shelf in the East Mediterranean Sea that forced Israeli government to revise its energy strategy by increasing the share of natural gas in its energy mix. Israel's offshore gas reserves belong mainly to two groups: the Yam Thetis Group and a BG partnership with Isramco and others. The two largest offshore fields which have been discovered till 2000 are the Mari-B and the Noa. The important point is that natural gas deliveries from the Mari-B gas field which started in February, 2004 provide oil refinery in Ashdod by 114 mcm of gas per year.[53]

Meanwhile, natural gas export revenues of the Russian Federation in the beginning of 2000s were estimated around 17% of the total value of state's export. As Table 1 shows, revenues from natural gas export within the research period did never decrease below 11% of the Russian total export value. Moreover, in 2001 the income of natural gas export exceeded 18% of total export revenues of Russia that proves the significant impact of this resource on the Russian economy.

These two trends of early 2000s have provided the necessary background to start negotiations between Russia and Israel on cooperation in energy sphere, particularly in natural gas sector. Since Israel intended to implement plans for development of own gas industry by constructing gas transmission pipelines, distribution networks and new power plants worked on gas the government has expressed strong interest in participation of the Russian gas monopoly "Gazprom" as a high-experienced company in this kind of projects.

[52] Bourtman Ilya, "Putin and Russia's Middle Eastern Policy", The Middle East Review of International Affairs, Volume 10, No. 2 (June 2006): http://www.rubincenter.org/meria/2006/06/Bourtman.pdf

[53] "Российско-израильские торгово-экономические отношения" (2010, November 17), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news122

Table 1. Natural Gas Export of the Russian Federation in 2000-2015

Year	Amount of natural gas, in bcm	Value in million US dollars	% in total Russian export
2000	193.9	16644.1	16,7
2001	180.9	17770.0	18,5
2002	185.5	15897.3	15,5
2003	189.4	19980.9	15,5
2004	200.4	21853.2	12,2
2005	209.2	31670.5	13,1
2006	202.2	43806.2	14,7
2007	191.9	44837.4	12,9
2008	195.4	69107.1	14,8
2009	168.4	41971.4	14,1
2010	177.8	47739.3	12,1
2011	189.7	64290.1	12,4
2012	178.7	62253.3	11,8
2013	196.4	67232.3	12,8
2014	174.3	55240.3	11,1
2015	185.5	41844.3	12,2

Source: based on data published by the Central Bank of the Russian Federation, http://www.cbr.ru/statistics/credit_statistics/trade/gas.xls

Negotiation process between the two states on the issue began in June, 2004 with the visit of the Gazprom delegation to Israel. Besides participation of Gazprom in the creation of gas infrastructure in Israel the parties also discussed a possibility of Russian natural gas supply to Israel on the basis of long-term contracts. The option of delivering of Russian gas to Israel across Turkey via "Blue Stream" and constructing of a new offshore gas pipeline across the Mediterranean was discussed. Within the visit parties signed an agreement on establishing a joint Israeli-Russian working group on this project.[54]

Next discussion on prospects for Russian-Israeli cooperation in gas sector was held in 2005 when the Deputy Prime Minister of Israel Ehud Olmert in return visit met with the CEO Chairman of Gazprom Alexey Miller. Main topics of negotiations remained the same as Russian natural gas supplies to Israel; participation of Gazprom in exploration of gas and oil fields in Israel, in planning, construction and management of land-based infrastructure and underground storage facilities, and in construction of gas transportation and gas distribution systems.[55]

In 2007-2008 representatives of the Ministry of National Infrastructures, Energy and Water Resources of the Israel met with Gazprom twice to discuss participation of the Russian monopoly in development of Israeli gas industry.[56] By and large, annual negotiations[57] on export of Russian natural gas to Israel were lasted till 2009 but, in result, did not reach any concrete agreement between the two states. It is clear that despite of being among the most discussed question in Russian-Israeli negotiations conducted in 2000-2009, natural gas could not occupy any niche in economic relations between the two states till 2009.

2.2. Israel's Discoveries of Natural Gas Reserves in the East Mediterranean Sea after 2009 and Their Further Development

From the beginning of the 21st century Israel's consumption of natural gas is gradually growing. According to the Table 2 Israel's natural gas consumption was less than 0.05 bcm in 2000, while in 2014 it reached the rate accounted by 7.6 bcm. Transition of Israeli private companies to natural gas in order to produce electricity in recent years also proved increasing significance of natural gas in Israeli economy.

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[54] "Об итогах визита делегации ОАО «Газпром» в Израиль" (2004, June 1), from the Press Center of Gazprom: www.gazprom.ru/press/news/2004/june/article54928/

[55] "Об итогах рабочей встречи Алексея Миллера и Эхуда Ольмерта" (2005, June 28), from the Gazprom Press Center: http://www.gazprom.ru/press/news/2005/june/article55319/

[56] "Об итогах рабочей встречи Алексея Миллера и Биньямина Бен Элиэзера" (2008, June 23): http://www.gazprom.ru/press/news/2008/june/article56600/; "Об итогах рабочей встречи Алексея Миллера и Биньямина Бен Элиезера" (2007, February 8): http://www.gazprom.ru/press/news/2007/february/article56054/

[57] Gazprom delegation has visited to Israel also in March, 2006. Source: "Об итогах визита делегации ОАО «Газпром» в Израиль" (2006, March 19), the Gazprom Press Center: http://www.gazprom.ru/press/news/2006/march/article55645/

Table 2. Consumption of Natural Gas by Israel in 2000-2014 (in bcm)

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Less than 0.05	Less than 0.05	Less than 0.05	Less than 0.05	1.2	1.7	2.3	2.8	3.8	4.2	5.3	5.0	2.6	7.0	7.6

Source: BP Statistical Review of World Energy, 2015//www.bp.com

In the late 1990s, warmed relations with Egypt gave an opportunity to Israel receive natural gas from this state. Up to the first decade of the 21st century Egypt was the main natural gas supplier to Israel, providing around 40% of total value of consumed gas. Rest 60% of natural gas the state received from offshore gas field Yam Tethys operated by "Noble Energy" and "Delek Group".[58] But in 2011 the situation has dramatically changed.

The overthrow of Hosni Mubarak government has led to total destabilization of natural gas supplies. The new Egyptian authorities skeptically referred to previous agreements with Israel on natural gas supply. Terrorist attacks on infrastructure of gas pipeline system led to disruption of supply in 2011. In January, 2012 gas supply from Egypt was partly restarted but in February and March, 2012 after several undermining of gas pipeline a delivery of natural gas was disrupted again. The end of the struggle over supply of Egyptian gas to Israel became unilateral termination of the contract on gas supply by Egyptian side in April, 2012. Egypt insisted on continuing gas supply to Israel on the basis of a new contract with higher price. Meanwhile, in April, 2012 a gas pipeline in Sinai was blown up by terrorists for the 14th time.[59]

Looking ahead, it is worth to mention transformation of the Israeli-Egypt relations in natural gas sector happened in March, 2015. The consortium operated the Tamar gas field has signed an agreement with the Egyptian company "Dolphinus Holdings" on

[58] "The Natural Gas Sector in Israel", from the Ministry of National Infrastructures, Energy and Water Resources of the Israel // http://energy.gov.il/English/Subjects/Natural%20Gas/Pages/GxmsMniNGEconomy.aspx
[59] Based on overviews of the Israel's economy prepared by the Russia-Israel Business Council, 2011-2012 years // http://rus-israel.ru/analytics

supplying 5 bcm of gas over 3 years.[60] Under the agreement terms natural gas will be carried via the East Mediterranean Gas Company pipeline from Ashkelon to Egypt.

In spite of the high importance of the Egyptian supplies of natural gas to Israel, there is an event significantly affected Israeli energy sector which happened in 2009-2010 period. A consortium led by US private company "Noble Energy" discovered the two biggest natural gas fields in the Israeli shelf in the Mediterranean Sea. The first one named Tamar is located at 90 km distance from the coast. Dated by 2014 the natural gas reserve contains 246 bcm, "a quantity equivalent to Israel's total energy consumption over a 10-year period."[61] Although the field is much closer to Haifa, it was decided to construct a gas pipe to Ashdod where necessary ground infrastructure has already existed. Deliveries of natural gas from Tamar gas field began in March 2013.

With the start of gas deliveries a decision made by the Israel Antitrust Authority in November, 2012 on giving to the Tamar gas field a "monopoly status" came into force.[62] This status means that members of the consortium of the Tamar gas field are required to report on prices, profit structure and rate. Also monopoly status does not allow the consortium members to inflate prices and to refuse customers in selling gas unless serious reasons appeared. In other words, this status is aimed to avoid situation in which a monopolist begins to abuse its market position. The first export contract on natural gas deliveries from the Tamar gas field was signed in February, 2014 between "Noble Energy" and two Jordanian companies. Under the agreement Israel's Tamar gas field will supply Jordan with 1.8 bcm of natural gas over a 15 year period.[63]

The second field discovered by the consortium in 2010 – the Leviathan – is the largest one among proven reserves of natural gas in Israel and located at 130 km distance from the coast. "Noble Energy operates the Leviathan in the Rachel and Amit licenses

[60] Cohen Hedy, "Steinitz approves gas export deal to Egypt" (2015, December 24), from the Globes Israel's Business Arena: www.globes.co.il/en/article-steinitz-approves-gas-export-deal-to-egypt-1001090692
[61] "The Natural Gas Sector in Israel", from the Ministry of National Infrastructures, Energy and Water Resources of the Israel http://energy.gov.il/English/Subjects/Natural%20Gas/Pages/GxmsMniNGEconomy.aspx
[62] "The General Director of Restrictive Trade Practices Declares the Partners in the Natural Gas Reservoir "Tamar" to have a Monopoly on Israel's Natural Gas Supply" (2012, November 13), from the Antitrust Authority of Israel: http://www.antitrust.gov.il/files/32858/Natural%20gas.pdf
[63] "Noble Energy Announces Agreement To Sell Tamar Gas To Multiple Customers In Jordan" (2014, February 19), from the Noble Energy official website: http://investors.nblenergy.com/releasedetail.cfm?releaseid=826568

offshore Israel with a 39.66% working interest."[64] Based on analysis by consultant Netherland Sewall & Associates (NSAI), updated in July 2014, the Leviathan's natural gas reserves are estimated by 620 bcm.[65] The 2014 was the year of signing export contracts on supplying natural gas. The first export contract on natural gas deliveries from the Leviathan was signed in January with the Palestinian power generating company on supplying 4.75 bcm of gas over 20 years.[66] In September an agreement with the Jordanian Electricity Company on supplying 3 bcm of gas per year over 15 years was signed.[67] In June owners of the Leviathan signed a memorandum of understanding with the British company "BG Group" on supplying of 7 bcm of gas per year over 15 years.[68]

One of the crucial obstacles in development and further production of hydrocarbon resources from both gas fields – the Tamar and the Leviathan - is unsettlement of maritime boundaries between Israel and Lebanon. After Israel signed an agreement with Cyprus on joint exploration of the Leviathan and demarcation of the maritime border, Lebanon has complained to the UN, arguing that Israel-Cyprus agreement violates Lebanon's territorial rights. In 2010 Lebanon set down with the UN Secretary-General demarcation boundaries of the exclusive economic zone. Mentioned coordinates did not match with those used by Cyprus and Israel.[69]

In July 2010 the Israeli government approved the borders of its exclusive economic zone in the Mediterranean Sea where Israel has a right to carry out scientific research and extract hydrocarbons. "Delimitation of the zone was made by drawing a line in the sea at an angle of 90 degrees from the land border line between Israel and Lebanon."[70]

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[64] "Noble Energy provides update on Leviathan Deep" (2012, May 2), from the Noble Energy official website: http://investors.nobleenergyinc.com/releasedetail.cfm?ReleaseID=669858

[65] "Israel's Leviathan gas reserves estimate raised by 16 pct" (2014, July 13), from the Reuters: http://www.reuters.com/article/israel-natgas-leviathan-idUSL6N0PO08Q20140713

[66] Sharon Udasin, "Leviathan Partners Sign First Gas Export Agreement With Palestinian Power Firm" (2014, January 6), from the Jerusalem Post: http://www.jpost.com/Enviro-Tech/Leviathan-partners-sign-first-gas-export-agreement-with-Palestinian-power-firm-337174

[67] Sharon Udasin, "Israel's Leviathan Signs Preliminary Deal To Sell Jordan 15-Year Gas Supply" (2014, September 3), from the Jerusalem Post: http://www.jpost.com/Middle-East/Israel-and-Jordan-sign-15-year-gas-supply-deal-worth-potentially-15-billion-374332

[68] "Israel's Leviathan Negotiating $30 Billion Deal With BG's Egypt LNG Plant" (2014, June 29), from the Jewish Business News: http://jewishbusinessnews.com/2014/06/29/israels-leviathan-negotiating-30-billion-deal-with-bgs-egypt-lng-plant/

[69] Nar Abi-Aad "The conflict between Israel and Lebanon over their Exclusive Economic Zones" // Joint Report by the Egmont Institute and the Atlantic Council "Energy in the Eastern Mediterranean: Promise or Peril?" edited by Sami Andoura and David Koranyi, Academia Press, May 2014, p.69.

[70] Nar Abi-Aad, p.70.

Actually, in accordance with the Lebanese version of delimitation of the zone, largest natural gas offshore fields – the Leviathan, the Tamar, the Sarah, and the Mirra – are located in the zone belonging to Israel. However, Lebanon pretends to a part of Israel economic waters, which, according to geologists, may include large fields of hydrocarbons, particularly the Ruth and the Alon. There is no doubt that large amount of hydrocarbons recently discovered in the East Mediterranean could impact on economies of both states in positive way but only in the case of reaching a compromise. Otherwise, current contradiction between Israel and Lebanon would lead to deterioration of already complicated political situation in the region.

Map 1. Natural Gas fields in the East Mediterranean Sea

Source: http://www.economist.com

After discovering the second large natural gas field it was assumed by the Israel government that natural gas from the Tamar field would cover domestic needs while natural gas from the Leviathan would be exported. However, due to the fact that domestic demand is constantly growing (see Figure 7) and interest in natural gas supply within the state is higher than expected it was decided to revise production structure and direct natural gas from Leviathan to meet domestic needs.

There are two opposite views in the Israel government on natural gas export issue. One group of experts argued that natural gas must not be exported because even Israel in any case could not become significant exporter on the world scale but would wasting of domestic gas reserves that would negatively affect energy security of the state. Other experts, in a contrast, identified at least three reasons for exporting natural gas. First one was a necessity to enhance competition in Israeli natural gas sector, since it is almost completely under the control of the two companies - “Delek Group” and “Noble Energy”. The second one was a necessity to allow investors to recoup their investment within a reasonable period; otherwise further exploration of gas and oil would not be possible. And the last reason was a possibility to gain in short and medium term additional revenue from taxes on energy exports.

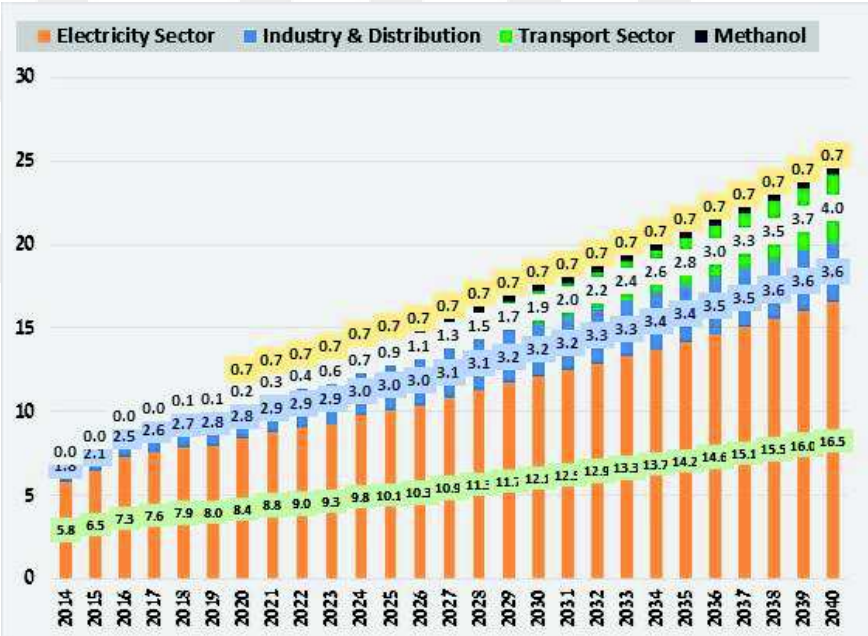

Figure 7. Forecast Demand for Natural Gas in Israel, 2014-2040 (in bcm)

Source: The Ministry of National Infrastructures, Energy and Water Resources of the Israel (http://energy.gov.il)

In 2011 special Committee has been established aimed to inspect Israel’ government policy in the natural gas sector. In August, 2012 the “Zemach Committee” submitted final recommendations to the Government based on a comparative review of natural gas policies of various states with offshore production capabilities and gas resources similar in size to Israel's.[71] Eventually, based on main recommendations of the Committee on June, 2013 it was decided that natural gas from both fields will be used both in internal and external market but only 40% of natural gas which produced in the Leviathan offshore field in the East Mediterranean Sea within Israel's economic zone could be exported.[72]

In February, 2015 a special regulatory plan on energy companies' rights in developing two natural gas fields - the Tamar and the Leviathan - was adopted by the Israel's Government. The new plan named "Kandel Program" decreed "Delek Group" to reduce its share in the Tamar field and prohibited "Noble Energy" to enter into futures contracts on selling natural gas and to sell its shares in oil fields the Tanin and the Karish to another company.[73] That decision has raised a dispute between shareowners of the two biggest Israeli offshore natural gas fields and Israeli government and paralyzed almost the whole gas industry in Israel till mid-2015.

In June, 2015 the agreement between the Israeli Antitrust Authority and companies operated in Israeli natural gas fields was reached. According to signed agreement, "during the first 10 years of the Leviathan field operation ownership structure will not change but "Delek" and "Noble Energy" will not compete with each other for gas sales from the field in the domestic Israeli market."[74]

2.3. Cooperation in Natural Gas Sphere between Russia and Israel from 2009 to 2015

From 2000 year the Russian gas monopoly Gazprom intended to become a supplier of Russian natural gas to Israel. As it was considered in previous chapters, negotiations with representatives of the Israeli gas sector conducted from 2004 were a part of export-oriented strategy implementation. Eventually, negotiations did not achieve any concrete agreement and supplies of Russian gas were not organized. Moreover, after discoveries

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[71]Ophir Gore, "Current Status of Oil and Gas Exploration and Production in Israel" (2014, March), http://www.assolombarda.it/servizi/internazionalizzazione/documenti/presentazione-di-o.-gore

[72] "Израиль. Экономический обзор, июнь 2013" (2013, July 29), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news717

[73] Ophir Gore "Current Status of Oil and Gas Exploration and Production in Israel" (2014, March): http://www.assolombarda.it/servizi/internazionalizzazione/documenti/presentazione-di-o.-gore

[74] Weissman Lilach and Cohen Hedy, "Gas agreement: Noble Energy stays in Tamar and Leviathan" (2015, July 1), from the Globes Israel's Business Arena: http://www.globes.co.il/en/article-gas-agreement-noble-energy-stays-in-tamar-and-leviathan-1001048994

of large natural gas fields in the Israeli shelf in the East Mediterranean in 2009 and 2010, Gazprom had to change its strategy.

The new round of negotiations began in June, 2012 when the Russian President Vladimir Putin visited to Israel and emphasized the opportunities for intensify cooperation in energy sector.[75] Without rejecting plans of export Russian gas to the Israel, Gazprom began negotiations on buying shares of the Israeli energy company "Isramco", which has licenses on gas exploration and production in the Tamar gas field. At the same time the company began to participate in tenders on selling the Israeli gas from the largest gas field – the Leviathan.

As soon as Israel began to develop its own strategy in natural gas industry, it became obvious that for the effective work in this area the state needs to cooperate with partner who is highly experienced in production and further supply of hydrocarbons in coupe with operation of LNG projects. Thereby, the Israeli government decided to involve to development of the Leviathan gas field a huge international energy company, among which the Russian Gazprom was. Three possible variants of cooperation between Gazprom and Israel in the development of the Leviathan field seemed to be reasonable. The first option involved Gazprom's participation as a partner in development of the field. The second option included purchasing by Gazprom the gas from the field and supplying it to the markets in the Middle East and Far East. The third option presented Gazprom as a partner with the priority right to purchase gas from the Leviathan exported gas into the Middle East and Far East markets.

Eventually, in December, 2012 after several rounds of negotiations the very complex tender on buying 30% of share in the development of the Leviathan gas field was won by the Russian monopoly's main contender - the Australian company "Woodside Petroleum".[76] Despite of losing the tender in the Leviathan field Gazprom was still interested in entering into market of gas exploration, production and supply. In February, 2013 the "Gazprom Marketing & Trading Switzerland AG", the Swiss subsidiary of Gazprom, signed an agreement with Levant LNG Marketing Corporation

[75] "Meeting with Prime Minister of Israel Binyamin Netanyahu" (2012, June 25), from the Official Internet Resources of the President of Russia: http://en.kremlin.ru/events/president/news/1572
[76] Fisher Gabe, "Top Australian company buys into Israeli natural gas" (2012, December 3), from the Time of Israel: http://www.timesofisrael.com/top-australian-company-buys-into-israeli-natural-gas/

on buying 4.2 bcm of LNG per year from the Tamar gas field over 20 years since 2017. According to agreement, Gazprom has a right to sell Israeli gas to Asian markets.[77] Meanwhile, cooperation between Russia and Israel in gas industry is held also on the territory of third states. Hence, in October, 2013 the Russian "Gazprom" subsidiary "NIS" and the Israeli company "Ludan Engineering LTD" signed an agreement on installation of equipment for the natural gas purification in a Elemine factory in Serbia. Investments for this project estimated around $39 million.[78]

To summarize it is necessary to determine the effect made by natural gas on economic relations between Russia and Israel from 2000 to 2015. From 2000 year natural gas, particularly its export from Russia and Israel was one of most discussed issues in Russian-Israeli negotiations. In spite of the annual character of conducted negotiations the two states did not reach any concrete agreement or memorandum. Thereby, natural gas did not occupy any niche in turnover between Russia and Israel. Till 2009 natural gas did not affect economic ties between the two states.

Discovery of the two biggest natural gas fields in the Israeli shelf in the Mediterranean Sea in 2009 and 2010 – the Tamar and the Leviathan – significantly influenced on economic partnership between Russia and Israel by adding a new aspect into it – joint projects on supplying of Israeli natural gas by Russian company to third states. After losing the tender on the Leviathan field exploration Gazprom signed an agreement[79] on buying LNG from the Tamar gas field starting from 2017. By signing this agreement the beginning of a new stage in economic cooperation between the two states in natural gas sector could be considered. Negotiations on bilateral cooperation in the gas sector continue to be held within the research period.

In regard to influence on Israel economy made by recent discoveries it is worth to emphasize two-side character of the situation. On the one hand, in result of geological

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[77]"Gazprom Marketing and Trading Switzerland AG signs Heads of Agreement with Tamar upstream consortium" (2013, February 26), from the Gazprom Marketing and Trading Company: http://www.gazprom-mt.com/WhatWeSay/News/Pages/GMT-Switzerland-signs-Heads-of-Agreements-with-Tamar-upstream-consortium.aspx

[78]"Израиль. Экономический обзор, октябрь 2013" (2013, November 28), from the Russia-Israel Business Council: http://rus-israel.ru/analytics/news735

[79] "Gazprom Marketing and Trading Switzerland AG signs Heads of Agreement with Tamar upstream consortium" (2013, February 26), from the Gazprom Marketing and Trading Company: http://www.gazprom-mt.com/WhatWeSay/News/Pages/GMT-Switzerland-signs-Heads-of-Agreements-with-Tamar-upstream-consortium.aspx

discoveries of the last 5 years the total proved and probable offshore natural gas reserves and resources of Israel have noticeable increased reached approximately 905 bcm in 2015.[80] This is a new opportunity for Israel to change its current status in energy supply chain into state-exporter. On the other hand, recent discoveries of natural gas have led to exacerbation of already complicated relations between Israel and Lebanon. Moreover, under extreme instability conditions in the Middle East region, the unresolved question of maritime boundary between Israel and Lebanon which influenced on further exploration and operation of natural gas fields could lead to escalation of the conflict.

[80] The approximate measurement of the new gas fields – the Tamar and the Leviathan.

PART 2: NATURAL GAS FACTOR IN RUSSIAN-ISRAELI POLITICAL RELATIONS FROM 2000 TO 2015

While economic impact of natural gas on bilateral relations between Russia and Israel has been analyzed in the Part 1, central issue of the Part 2 is geopolitical component of natural gas factor. Around the world a competition to access and develop energy resources, as well as natural gas supply routes and markets elevated current geopolitical agenda. Political crises and armed conflicts which broke out from the beginning of the 21st century till nowadays display repartition of gas market in a globe scale. "This is a great gas game, which takes place against the background of permanent war for oil."[81]

At the same time by gaining the high strategic importance natural gas factor leads to strong interdependence between gas importing, exporting and transiting states. Regional alliances and contracts made in energy sphere significantly affect further relations between regional states and states out of the region. In order to reveal the role that natural gas factor has played in political relations between Russia and Israel during the 15-year period it seems rational to study Russian-Israeli interaction in the framework of certain critical situations, occurred in world politics during this period, and to identify how natural gas has influenced on this interaction.

In this regard, due to following reasons two cases have been chosen - the Georgian crisis in 2008 and the Syrian Civil War started in 2011. Firstly, two cases have a fundamental difference in duration of the armed confrontation within the conflict. The Georgian crisis lasted 5 days while the Syrian Civil War has been continuing since 2011 that means covering period more than 6 years. Second reason is geographical location of crises. The Georgian crisis occurred in the close proximity to the Russian borders whereas the Syrian Civil War is in the immediate vicinity to the borders of Israel. Both crises happened within the area which has priority in national security strategies of the states: the CIS states have precedency in the Russian national interests; the secure Middle East region is among strategic interests of Israel.

[81] Цатурян Саркис, "Израиль в Большой газовой игре" (2014, December), from the Regnum: https://regnum.ru/news/1876623.html

Lastly, the main preconditions of breaking out of both crises are defined as political disagreements within the state and population dissatisfaction of the state social policy. Therefore, evaluating the effect of natural gas factor on armed conflict out breaking is essential for a more complete and detailed understanding of the crises. Eventually, both crises will illuminate the complex political relations between Russia and Israel through the different prisms. Thereby, the research question of the Part 2 is how developments in natural gas business environment have affected Russian-Israeli political relationship in 2000-2015 resulted by geopolitical actions of the states in the frame of the 2008 Georgian Crisis and continued Syrian Civil war.

Chapter 3. Natural Gas Factor in Political Relations between Russia and Israel through the Prism of the Georgian Crisis

The conflict between Russia and Georgia occurred in 2008 is not only about borders and political power. It is hypothesized that control of natural gas fields and transportation systems is among key factors of political crisis in Georgia. To figure out the role that natural gas factor played in the Georgian crisis in 2008 and how this factor reflected into Russian-Israeli political relations it is worth to focus on energy policy issues and events followed the crisis. The chapter ends up by the scheme of interconnections between regional developments in natural gas sector, states' interests in energy sphere and official positions of Russia and Israel in the frame of this conflict. The scheme is constructed by using cognitive mapping method of research.

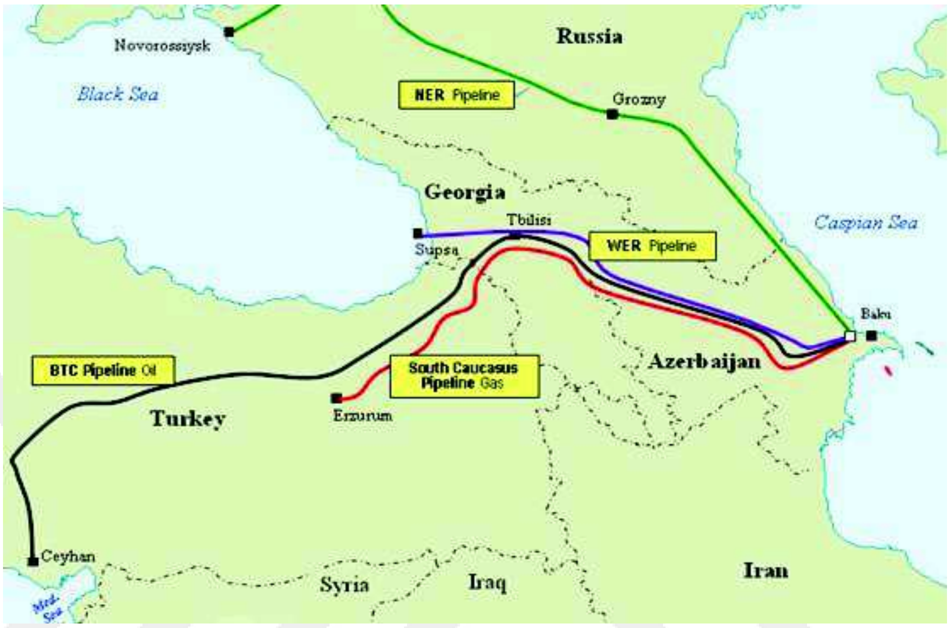
3.1. Natural Gas Factor in the Clash of Interests in the 2008 Georgian Crisis

There are key pipelines that run through Georgia's territory. The biggest one is the Baku-Tbilisi-Ceyhan oil pipeline (BTC) which was designed to transport oil from the Caspian Sea through Georgia to ports in Turkey bypassing Russia's territory. The second is the South Caucasus Gas Pipeline (SCGPL) which runs from the Shakh Deniz natural gas field in Azerbaijan via Georgia to Turkey and then to transit additional volumes to Greece and Italy.

The SCGPL pipeline is strategically very important from many perspectives. First, it forms the second step of the "East-West Energy Corridor" and helps to decrease dependence of Azerbaijan, Georgia and Turkey on Russian energy resources. Also

SCGPL "would have gained the very high importance if a Trans-Caspian natural gas pipeline be constructed, one that could move gas from Kazakhstan and Turkmenistan westward by hooking into the natural gas pipeline in Azerbaijan."[82]

Map 2. Oil and Gas Pipelines Runs the Territory of Georgia



Source: http://www.window2baku.com

If take into account that Russian Federation has strived to control Central Asian energy resources flows and to sell own gas to European states, energy politics are seen as one of the reasons of out breaking the Georgian conflict in 2008. Russia's Energy Strategy states that the state is interested in the long-term availability of energy resources from the Central Asia so that it can "preserve Russia's northern gas fields for next generations, avoid boosting investment in their development, and decrease the pressure on the markets presenting strategic interests for Russia itself."[83]

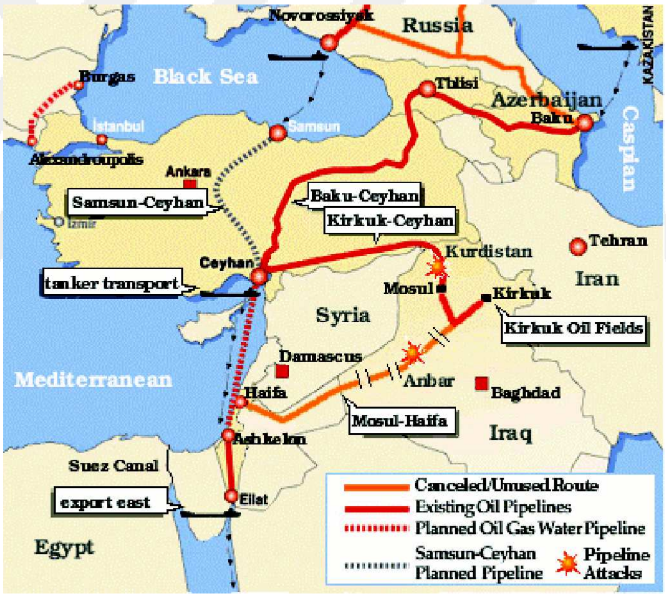
Also, according to the Russia's Energy Strategy, adopted in 2003, a priority of the Russian energy policy is a "protection of the state, its citizens, and economy from threats to reliable energy supply."[84] As part of its strategy, Russia intends to control

[82] Robert O. Freedman, "The Russian Invasion of Georgia – Its Impact on Israel and the Middle East" (2008, Autumn), from the Caucasian Review of International Affairs: http://www.cria-online.org/5_2.html
[83] "Energy Strategy of the Russian Federation for the Period till 2020," http://www.minprom.gov.ru/docs/strateg/1
[84] "Energy Strategy of the Russian Federation for the Period till 2020," http://www.minprom.gov.ru/docs/strateg/1

energy routes and to diminish projects that could offer European states alternative energy supplies.

Coming back to bilateral relationship between Russian and Israel, in 2003 the two states agreed to supply a growing Asian markets with Russian oil delivered by small tankers from Russian Black Sea port to Ashkelon and then refilled into larger tankers in Eilat to transport to Asian market.[85] This route is shorter and cheaper than other traditional routes through Africa and Suez Canal. After estimated possible risks of energy dependence on single state the Israeli authorities with the aim to diversify their oil supplies began to consider BTC oil pipeline as a tool for economically effective cooperation.

Map 3. Existed and Planned Oil and Gas Pipelines



Source: http://geopoliticsrst.blogspot.gr/2012/04/complexity-of-eastern-med-energy-games.html

Within 2005-2008 Israel conducted negotiations with Turkey, Georgia and Azerbaijan on potential partnership in BTC oil pipeline. By connecting the BTC to Israel's pipeline system, Israel is supposed to enter list of world major energy players in association with British and American oil companies. On April, 28 2006 Israel and Turkey made an agreement on four pipelines from Turkish port Ceyhan to Israeli port Haifa beneath the

[85] Henderson Simon, "Russian Oil to Transit Israel: The Trans-Israel Pipeline is Reborn" (2003, November 17), from the Washington Institute website: http://www.washingtoninstitute.org/policy-analysis/view/russian-oil-to-transit-israel-the-trans-israel-pipeline-is-reborn

East Mediterranean Sea (see Map 3) capable of carrying crude oil, natural gas, electricity and water.[86]

This was the point where political interests of Israel and Russia in energy sector of the region became diametrically confronted. Russia is strategically interested in preventing states near its borders from becoming pro-American. Also Russian energy strategy includes increasing export of hydrocarbons through the territory of its neighbors. Control of energy routes from the Caspian Sea to the Black Sea seems as one of the reasons to out breaking conflict in Georgia in August 2008.

The project of the Ceyhan-Haifa oil and gas pipeline not only competes with Russia's interests but also threatens Iran's striving for domination in transporting natural gas from Caspian basin to Europe bypassing Iran's territory. The planned route Baku-Tbilisi-Ceyhan-Haifa undoubtedly would influence on Iran's gas exports and its geopolitical significance in the Middle East region. At the beginning of the Ceyhan-Haifa pipeline project it was planned to gain route from the Israeli-Lebanese border to Turkey. As it turned out later the project had to bypass the Lebanon territory which was not occupied by Israel in 2006 Lebanon War.

The evidence between this two issues came into sight on July 13, 2006 when main shareholders of the BTC Pipeline Consortium met to British, American and Israeli government officials on the official ceremony of BTC opening in Ceyhan. The official ceremony of BTC oil pipeline opening was held right after bombings on Lebanon territory.

3.2. Russian-Israeli Political Interaction within the 2008 Georgian Crisis

The Georgian conflict became a reflection of clash of strategic interests in energy sector between major energy players in the region. In analysis of political interaction between Russia and Israel in the frame of the Georgian crisis the fact that Israeli government had significant military cooperation with Georgia could not be ignored. "In 2000, the Israeli air company IAI formed an ambitious partnership with the Georgian company TAM with a view to modernizing the Su-25 fighter-bombers. The new version, named

[86] Jay Bushinsky, "Turkey, Israel to build Mediterranean pipeline / 4 legs would carry crude oil, electricity, natural gas and water" (2006, April 28): http://www.sfgate.com/news/article/Turkey-Israel-to-build-Mediterranean-pipeline-2498862.php

"Scorpion" and delivered as a priority to the Georgian air force, has since then been sold to several other states."[87] "Until 2008 approximately 1,000 Israeli military advisers have been employed in Georgia in regards to the Israeli government's permission to two private military companies - Global CST and Defense Shield."[88] Moreover, training of the Georgian army by Israeli military forces and delivery to Israel of advanced weapons has made negative impact on diplomatic relations between Israel and Russia.

By late 2007, predicting an upcoming conflict between Russia and Georgia, Israel had reduced its military cooperation with Georgia in arms sales. But situation around Israeli-Georgian military cooperation became more strained after April 20, 2008 when a Russian fighter jet has shot down an unmanned reconnaissance drone over the breakaway Georgian region of Abkhazia.[89] "On 5 August 2008 the Israeli government with aim to prevent an awkward position, officially announced its decision to end its military cooperation with Georgia, thus sending a very clear signal to Moscow."[90]

All these facts clarified strained relations between Russia and Israel during the Georgian crisis in August 2008. After the crisis beginning the first reaction of Israel's Minister of Foreign Affairs Tzipi Livni by stating "the recognition of territorial integrity of Georgia and calling for a peaceful solution"[91] expressed the initiative to speak out on the side of Georgia. At the same time "in the Ministry of Foreign Affairs the meeting of experts on relations with states that emerged after Soviet Union collapse was held. The result of the meeting was the refusal of the official support Georgia in the conflict in order to prevent deterioration of relations between Israel and the rest of the former Soviet Union states."[92]

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87 Razoux Pierre,"The keys of understanding the Israel-Russia relationship", Research Paper, Research Division, No.42, Rome: NATO Defense College, November 2008, p. 5.

88 Ошеров Михаил, "Четыре года после грузинской агрессии в Южной Осетии: политические уроки для Израиля" ("4 years after Georgian aggression in the South Osetia: political lessons for Israel") (2012, August 13), from the Information Agency REX: http://www.iarex.ru/articles/28222.html

89 "Russia 'shot down Georgia drone" (2008, April 21), from the BBC News: http://news.bbc.co.uk/2/hi/europe/7358761.stm

90 Razoux Pierre, "The keys of understanding the Israel-Russia relationship", Research Paper, Research Division, No.42, Rome: NATO Defense College, November 2008, p. 6.

91 "MFA statement on the situation in Georgia" (2008, August 10), from the Israel Ministry of Foreign Affairs: mfa.gov.il/MFA/PressRoom/2008/Pages/MFA%20statement%20on%20the%20situation%20in%20Georgia%2010-Aug-2008.aspx

92 Якимова Е.А, "Позиция Израиля по вопросу Крыма и возможные последствия для внешней политики страны" (2014, Mart 20), from the Institute of the Middle East website: http://www.iimes.ru/?p=20326

While sending "special flights to evacuate Israelis stranded in a conflict area and offered to supply humanitarian aid to Georgia,"[93] Israeli Minister of Foreign Affairs Tzipi Livni made an urgent trip to Moscow. Nevertheless political dialog between Russia and Israel did not stop during the Georgian crisis mostly because of efforts made by Israeli representatives. On August 20, 2008 Dmitry Medvedev and Ehud Olmert discussed specific issues of Russian-Israeli cooperation on telephone and "exchanged of views on different aspects of the Middle East settlement process."[94] On October 7, 2008 Israeli Prime Minister Ehud Olmert paid Russian President Dmitry Medvedev a visit to discuss political situation in the region.[95]

As the Georgian army was defeating, Israeli government began to renounce cooperation with Georgia by repealing bilateral military cooperation. But after 5-day War in Georgia has finished and resolution of independence of Abkhazia and South Ossetia was proclaimed reports about the resumption of Israel's military support to Georgia have repeatedly exaggerated. Military cooperation between Israel and Georgia came back at the same level as it was before the Georgian conflict began. In the end of 2009, the chief of the Main Intelligence Directorate of the Russian Federation Alexander Shlyakhturov said that "according to our information, Georgia, as well as to the events of August 2008 continues to receive military assistance from NATO, Israel and Ukraine."[96]

To summarize, there are two factors which strained political relations between Russia and Israel during the Georgian crisis in 2008. First one is disagreement in the vision of further development of the regional energy infrastructure. The clash of strategic interests of Russia and Israel occurs around implementation of rival projects on natural gas transportation from the Caspian Sea to Europe markets. Each of the two states lobbies a project the implementation of which obstacles realization of another ones and leads in practice to economically unfavorable environment for its competitors.

93"MFA statement on the situation in Georgia" (2008, August 10), from the Israel Ministry of Foreign Affairs: mfa.gov.il/MFA/PressRoom/2008/Pages/Livni%20and%20Georgia%20FM%20talk%20on%20phone%2012-Aug-2008.aspx

94 "Dmitry Medvedev had a telephone conversation with Israeli Prime Minister Ehud Olmert" (2008, August 20), from the Official Internet Resources of the President of Russia: http://en.kremlin.ru/events/president/news/1156

95 "Dmitry Medvedev and Israeli Prime Minister Ehud Olmert held talks in the Kremlin" (2008, October 7), from the Official Internet Resources of the President of Russia: http://en.kremlin.ru/events/president/news/1646

96 "Израиль вооружает Грузию с оглядкой на Россию" (2011, June 6), from the Russian video-Channel Pravda.ru: http://www.pravda.ru/world/asia/middleeast/06-06-2011/1079260-israelgeorgia-0/

The second factor which affected political relationship between Russia and Israel is military support of the Georgian army by Israeli companies. By announcing the decision to end its military cooperation with Georgia right before the conflict started, Israel showed to Russian government which side the state is officially standing by. The striving to control gas and oil pipelines which planned to run through the territory of Georgia can be estimated as one of the key reasons in unleashing the conflict. Therefore, it can be concluded that natural gas factor has indirectly influenced on political relationships between Russia and Israel, the two states whose interests have been affected in this conflict.

Finally, by implementing cognitive mapping method, the chapter ends up with the scheme. Based on analysis presented below, Figure 8 determines interdependence between regional developments in natural gas sector and Russian-Israeli interconnection in the frame of the Georgian crisis. Different colors and types of lines and shapes used in scheme reflect the variety of interconnection between different actors and factors in energy map partition.

The white-grey background of the frame symbolizes two sides of the Georgian Crisis – Russian and Georgian. Due to antagonism between interests of Russia and Georgia the two states are located in opposite corners of the frame. The central position in the scheme is taken by the independent variable of the research - international projects on transportation natural gas and oil. It displays natural gas factor. Already existed projects are depicted in solid lined rectangles while planned projects are shown in dotted lined rectangles. States which are involved in the energy map partition are showed in blue circles. Green solid lines show a positive influence of the project on energy interests of the state while red solid lines display a negative effect of the project on states energy security. Dotted lines work with the same logic as solid lines just with the difference of their possibility.

The 2008 Georgian Crisis

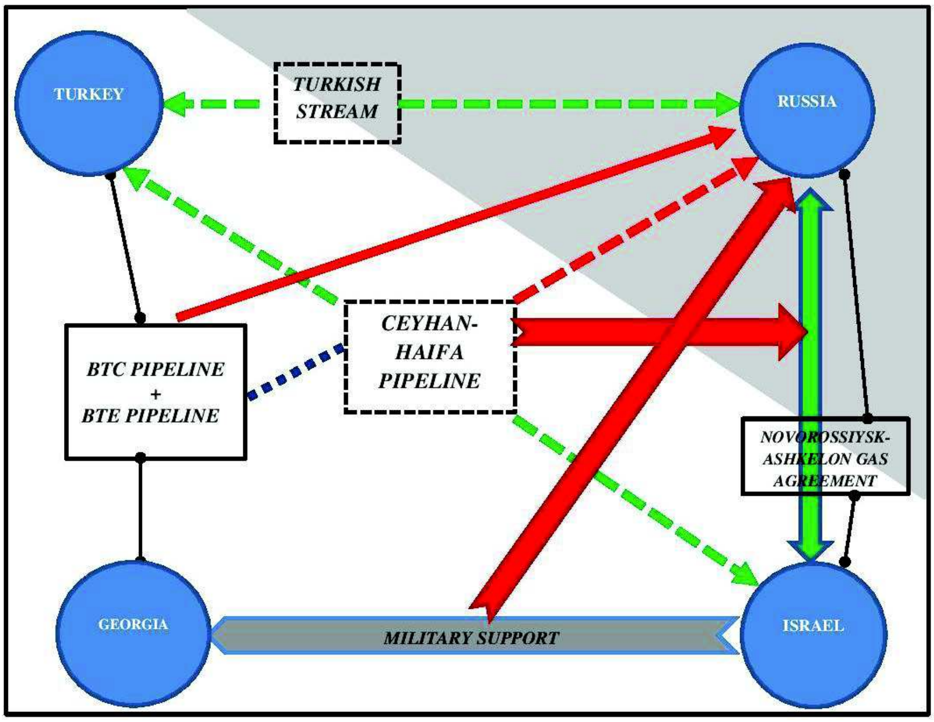

Figure 8. The Effect of Natural Gas Factor on Russian-Israeli Relations in Lens of the Georgian Crisis

As Figure 8 shows, red line of the negative effect of the Israel's military support on Russian-Israeli partnership crossed by red line of negative effect of the planned Ceyhan-Haifa oil and gas pipelines project. The intersection of the lines occurs at the boundary between grey and white blocks that demonstrate one of the reasoning of the Georgian conflict out breaking in 2008.

In a broader context natural gas factor influences both economic and political components of the states. Based on neorealism theory the study illustrates the effect of natural gas factor on different levels of political and economic spheres of a state. According to the Figure 9, the following conclusions could be made:

- Opportunity of state to meet its domestic energy demand by its own energy resources creates an incentive for increasing further economic growth of a state. Thereby, a state experiences internal balancing of power.

- Implementing international projects on development, production and transportation of its own natural gas resources leads to create economic alliances between states involved into these projects. In result, a state demonstrates external balancing of power by using volume of others in achieving its economic and energy security.

- State's participation in international projects on development, production and transportation of natural gas resources of other states build conjuncture appropriate for the further expansion of political influence among states involved in these projects. Hereby, state intents to maximize its relative power.

- Exploration and development of its own natural gas sector contribute to increasing the "volume" of state. A state seeks to strengthen its capacity in order to ensure its energy security. This is also an internal balancing of power but with the difference that in economic level a state focuses on economic growth while the political component considers about state capability in a broader meaning.

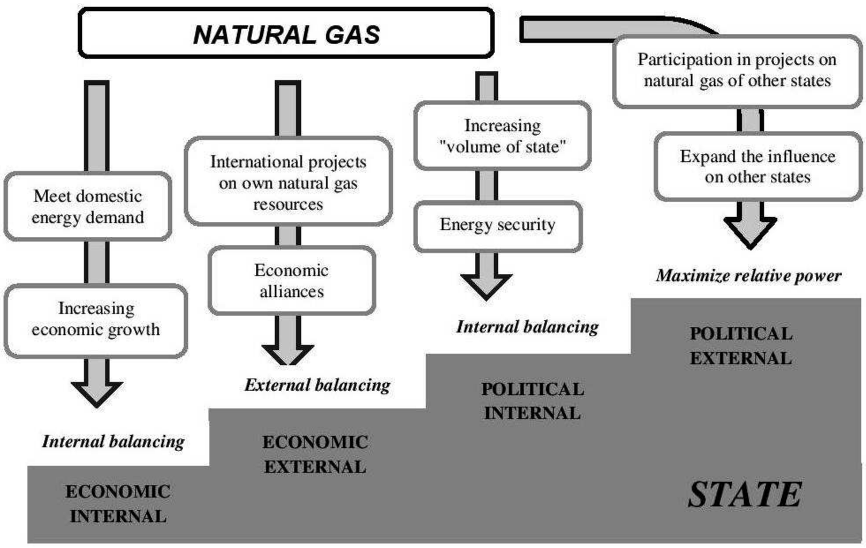

Figure 9. Effect of Natural Gas Factor on a State

Chapter 4. Natural Gas Factor in Political Relations between Russia and Israel through the Prism of the Syrian Crisis

The aim of the chapter is to examine the influence of developments in natural gas sector in the Middle East region on political relationship between Russia and Israel in the frame of Syrian political crisis started in 2011. The chapter is divided into three key blocks. The first block represents “energy preface” to the Syrian Civil War considering about Syrian position in the regional energy map before 2011. Geographic and strategic position of the state, operation of gas pipelines already existed on the territory of Syria and the “Four sea” energy plan of Bashar al-Assad are among questions which are described within the first block.

The second block is pointed to evaluate interests of regional and international energy players in Syria within the competitive game on gaining the access to gas transit state. The evaluation is ended up by timetable which compares extension of the Syrian civil war with changes took place in Middle East energy map. The third block is aimed to analyze strategic interests of Russia and Israel in the frame of the Syrian Crisis and figure out the influence of natural gas factor on political interaction between the two states regarding to Syrian crisis.

4.1. Syrian Position on the Regional Energy Map before the Syrian Civil War

Syria has geographic location which offers Mediterranean access to energy markets and to energy limited Europe without doing transit through Turkey. The shape of the future regional energy map will probably depend on the outcome of the Syrian civil war. In the post-crisis state, the opportunities for existed energy players could be misplaced. At the same time, new opportunities for others will emerge under a new Syrian regime.

It is obviously that Syria plays a strategic role by occupying a central position in the Middle East. The geopolitical importance of the state is further enhanced by its proximity to Lebanon, Israel, Jordan, Iraq and Turkey. Before the military conflict, “Syria's oil and gas sector accounted for approximately one fourth of government revenues.”[97] Since March 2011, the Syrian oil and gas sector has suffered severe

[97] “Syria. Overview”, from the US Energy Information Administration: https://www.eia.gov/beta/international/analysis.cfm?iso=SYR

damage. The destruction of oil and natural gas pipelines has hindered the exploration, development, production, and transport of Syrian energy resources.

Before the break out of armed conflict, Syria had already been a transit area for energy transportation. There are 10 pipelines crossing the Syrian territory nowadays. The Arab Gas Pipeline (AGP) represents a unique model of strategic Arab energy cooperation between Egypt, Jordan, Syria and Lebanon. "The 1,200 km-long Arab Gas Pipeline, which started from the initiation of bilateral dialogue between Egypt and Jordan in 2001, transports Egyptian gas from the Arish city in northern Sinai to the Aqaba city in southern Jordan … and up to the Deir Ali in Syria."[98] As planned, the pipeline has to show economic importance not only for the Arab region, but for Europe, Asia and Africa too. It was intended to extend to the Syrian-Turkish border and join the gas pipeline system in Turkey. From Turkey, the AGP would then be connected to Nabucco pipeline. It is important to note that the majority of the length of AGP lies on the Syrian territory.

Map 4. Route of the Arab Gas Pipeline

Source: http://www.gastechnews.com

Among major energy routes there is also the Trans-Arabian Pipeline (TAP), leading from the Saudi Gulf coast through Syria into Lebanon Sidon. TAP provides reduction in transport costs compared to traditional way lied through the Strait of Hormuz. "It is not

98 Irina Ahmed Zain Aidrous, "Future Maps of Syrian Transport Corridors" (2014, April 24), http://russiancouncil.ru/en/inner/?id_4=3580#top-content

surprising, therefore, that after the increase of production in post-Saddam Iraq-Syrian pipeline new projects emerged very quickly, and in late 2010, Syria signed a memorandum of understanding with Baghdad, involving the construction of two new oil and gas pipelines."[99] The most ambitious project involved the laying of a gas pipeline from Iran through Iraq to Syria as an alternative to the Strait of Hormuz and the addition to the "Nabucco".

Map 5. Route of the Trans-Arabian Pipeline

Source: https://upload.wikimedia.org/wikipedia/commons/2/2f/Tapline.png

In 2009 at conference in Ankara Bashar al-Assad presented "Four seas" Syria's energy strategy for the first time and began to implement this strategy. Syrian President emphasized that "once the economic space between Syria, Turkey, Iraq, and Iran becomes integrated, we would link the Mediterranean, Caspian, Black Sea, and the Persian Gulf to become the compulsory intersection for the whole world, in investment, transport and more."[100] Under this strategy, Syria would become an energy thoroughfare between the Persian Gulf and three seas - the Black, Caspian and Mediterranean. At the center of Assad's strategy is cooperation in economic sphere with Turkey and involving Syrian energy transportation systems to regional pipeline networks. However, after beginning of the Syrian Civil War Turkey became a major contender for "transit state" role.

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[99] Комлева Наталья, "Сирийский кризис: нефтегазовые причины и следствия" (2014, January 7): http://www.geopolitics.ru/2014/01/sirijskij-krizis-neftegazovye-prichiny-i-sledstviya/
[100] Webster Brooks, "Syria's Four Seas Policy and the New Middle East Quartet" (2010, October 12), https://brooksreview.wordpress.com/2010/10/12/syrias-four-seas-policy-and-the-new-middle-east-quartet/

4.2. Natural Gas Factor in the Clash of Interests on the Syrian Energy Map

Due to geographical position of Syria on energy map the clash of interests of major players in energy sector is seen rather unavoidable. To figure out interests of states involved in energy repartition it is worth to consider energy projects which had to cross Syrian territory and planned before the Syrian crisis started. Despite Syria's rather small share in energy markets, this state is a key element in competition between international and regional energy players applied over the directions of planned gas and oil pipelines projects: would it be towards geographical parallels, from Iran to Syria, or towards meridian direction at the expense of supplies from Qatar to Turkey. The implementation of Syria's energy projects and restoration of its regional transit hub status, undoubtedly, depend on political situation within the state and geopolitical interests of world leading states.

On June 25, 2011 Iran, Iraq and Syria signed in Bushehr a Memorandum of Understanding on construction of what would end up being the largest natural gas pipeline in the Middle East, carrying gas from Iran's South Pars field to Europe through Iraq, Syria and Lebanon and under the Mediterranean.[101] According to the Iranian Deputy Oil Minister, "the project had to cost $10 billion, had to take 3 to 5 years to complete after funding is secured, and carry 110 mcm of gas per day."[102] The beginning of mass demonstrations against Bashar al-Assad regime appeared almost simultaneously with signing the memorandum. In two weeks after Iraqi Oil Minister Abdelkarim al-Luaybi signed an agreement on construction of pipelines through Iraqi territory that would deliver natural gas from Iran to Syria, the Free Syrian Army regained control over Baba Amr (the Homs region).

After signing the memorandum on Islamic Gas pipeline (IGP) the Head of the Iranian Gas Company said that "the South Pars gas field with recoverable reserves of 16 tcm of gas is a reliable source of supply, which is a prerequisite condition for building a gas pipeline".[103] From the Iranian perspective the Mediterranean offers access to European

[101] Минин Дмитрий, "Геополитика газа и сирийский кризис" ("Geopolitics of Gas and Syrian Crisis") (2013, May 29): http://www.fondsk.ru/news/2013/05/29/geopolitika-gaza-i-sirijskij-krizis-20759.html
[102] Joe Gurowsky, "The Next Major Energy Transit Hub: Syria?" (2013, September 10): http://foreignpolicyblogs.com/2013/09/10/the-next-major-energy-transit-hub-syria/
[103] Минин Дмитрий, "Геополитика газа и сирийский кризис" ("Geopolitics of Gas and Syrian Crisis") (2013, May 29): http://www.fondsk.ru/news/2013/05/29/geopolitika-gaza-i-sirijskij-krizis-20759.html

markets. And if sanctions against Iran are lifted Iran will have an opportunity to strengthen its natural gas sector. From Iraqi position, the project is also very beneficial as it helps to diversify Iraqi export routes. Obviously, the IGP would directly compete not only with the Arab Gas Pipeline, but also with proposed project of Qatar-Syria-Turkey gas pipeline.

Based on Persian Gulf energy fields, Qatar-Syria-Turkey pipeline could exceed the Islamic gas pipeline and Nabucco, throwing a direct challenge to Russia's gas streams. A new pipeline is planned to start in Qatar, pass the Saudi and Jordanian territory and reach Syria. "In the area of Homs pipeline must divide into three directions – Latakia, Tripoli and Turkey."[104] As a strategic Russian ally, Syrian regime in 2009 rejected a Qatari offer to run a pipeline from the Gulf emirate's North Field to Turkey and beyond via Saudi Arabia, Jordan and Syria. In a contrast, in 2010 Bashar al-Assad began negotiations on IGP with Tehran and Baghdad, resulted by signing on January 21, 2011 a bilateral agreement with Iran about construction of gas pipeline.[105] Just two month after (on March 15, 2011) protests, demanding democratic reforms and the release of political prisoners started in the capital of Syria.

Right after the agreement was signed, Qatar, which until 2011 had invested in Syria's economy — "more than $8.5 billion in tourism and real estate, among other things"[106] — suddenly changed its position over the course in a few weeks and became the most ardent member of the anti-governmental coalition in Syrian crisis. Qatar, the largest[107] exporter of LNG in the world, who involved in the development of the giant South Pars field, together with its geographical owner – Iran, is fully interested in the transit of gas to Europe through mentioned pipeline. Taking into account rejection of the Qatar-Syria-Turkey project by Syrian government, it became obvious that Qatar will force to settle more pliable regime in Syria.

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[104] Durden Tyler, "Competing Gas Pipelines Are Fueling The Syrian War & Migrant Crisis" (2015, September 10): http://www.zerohedge.com/news/2015-09-10/competing-gas-pipelines-are-fueling-syrian-war-migrant-crisis

[105] Минин Дмитрий, "Геополитика газа и сирийский кризис" ("Geopolitics of Gas and Syrian Crisis") (2013, May 29): http://www.fondsk.ru/news/2013/05/29/geopolitika-gaza-i-sirijskij-krizis-20759.html

106 Lvov Petr, "Qatar is Russia's chief rival in the natural gas market" (2013, April 2): http://journal-neo.org/2013/04/02/qatar-is-russia-s-chief-rival-in-the-natural-gas-market/

[107] "Qatar. Overview", International Energy Agency: www.iea.org/statistics/statisticssearch/report/?country=Qatar&product=naturalgas

The discovery of a gas field in Homs made by Syrian exploration companies in August 2011 has aggravated situation around gas transportation project.[108] It is not surprising that areas of Syrian territory where rebels units are operating are located on the north of Homs and Damascus neighborhood. Moreover, these territories coincided with the IGP route. By comparing map of combat operations with a pipeline route map the relationship between the armed activity and the desire to control the Syrian territory became noticeable.

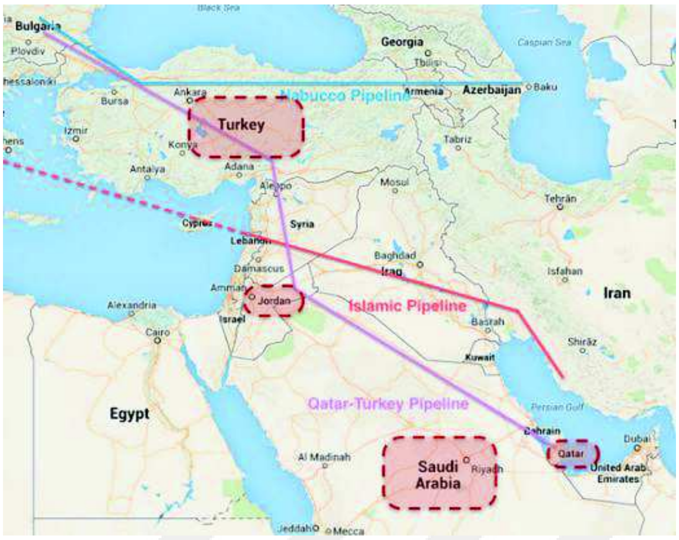
Turkey is another member of the mentioned Qatar-Syria-Turkey gas pipeline project. Stabilization of the situation in Syria would enable Turkey to implement its energy strategy, a key direction of which is becoming a major energy transit hub. Turkey's transit potential is based on its location right at the crossroad of different energy basins, energy-rich states, and energy-dependent regions. The idea to become an energy hub in the region was expressed by representatives of Turkish government many times.

Apart from proposed projects, Turkey needs Syria to implement its plans to connect already existed Arab Gas Pipeline with its national gas system and is interested in use of the Syrian transport infrastructure. However, the aim of Syria's energy strategy is to gain a strategic position as a regional oil and gas transit state, which along with the Iranian-Iraqi-Syrian plans for building new transport routes could potentially compete with Turkey's intension to gain an energy hub status.

Routes of the two pipelines – the IGP and Qatar-Syria-Turkey Gas Pipeline - are displayed on the following map. It is evidently according to the Map 6 that the central position in both routes is taken by Syria. The choice made by the Syrian regime has been obviously reflected into repartition of natural gas market in the Middle East and East Mediterranean. Both projects take the South Pars/North Dome gas field as their start point but they are opposed in the way of carrying that gas to European market. The common issue of both routes is crossing Syrian territory. Therefore, the armed conflict in Syria represents the clash of interests in supplying natural gas from the world largest field to European market.

[108] "Syria Announces Gas Discovery" (2011, August 17), from the Natural Gas Asia: http://www.naturalgasasia.com/syria-homs-gas-discovery

Map 6. Two Planned Gas Pipeline Projects in the Middle East



Source: www.zerohedge.com/news/2015-09-10/competing-gas-pipelines-are-fueling-syrian-war-migrant-crisis

This competition in energy field has shaped the counterparts involved in of the Syrian Civil War: while Iran, Iraq and Russia protect interests of the Assad regime, Qatar, Saudi Arabia, Turkey, EU and USA support rebel groups with the aim to change the government in Syria to more pliable one. Even on the backdrop of these developments the question about delivery of natural gas to consumers still dominates and Syria's potential as a regional energy corridor has itself been a significant factor influencing the ongoing Syrian conflict—one that has received relatively little attention in Western reporting about the conflict.[109]

Finally, major processes occurred in the Middle East energy sector (agreements, oil or gas field developments, constructions etc.) have been compared to actions held within the Syrian Civil War and presented in timeline form. The timeline clearly demonstrated the apparent time overlaps between actions instigated by external states in the Syrian Civil War and changes in energy map of the Middle East region.

[109] Минин Дмитрий, "Геополитика газа и сирийский кризис" ("Geopolitics of Gas and Syrian Crisis") (2013, May 29): http://www.fondsk.ru/news/2013/05/29/geopolitika-gaza-i-sirijskij-krizis-20759.html

	September 2010 Syria and Iraq signed a memorandum of understanding for construction of two oil pipelines and one gas pipeline
March 2011 The beginning of mass demonstration against Syrian government	**January 21, 2011** Iran and Syria signed an agreement to construct new gas pipeline route
August 18, 2011 Western and several Arab states imposed sanctions against Syrian government	**August 17, 2011** The exploration of a new gas field in Homs has been announced
July 30, 2011 Formation of the Free Syrian Army	**June 25, 2011** Iran, Iraq and Syria signed a memorandum of understanding for the construction Islamic Gas pipeline
November 11, 2012 Syrian National Coalition is created in Doha, Qatar	**November 19, 2012** The beginning of constructing the Islamic Gas Pipeline
August 2013 Using of chemical weapons	**Mid 2013** Norway geologists found 14 oil basins huge deposits of natural gas in Syria
September 2013 12 rebel group abandon the Syrian National Coalition, 7 of them united in Islamic Front (further ISIS)	
June 3, 2014 Presidential elections (Bashar al-Assad gained 87% of votes)	**July 3, 2014** ISIS took control over Syria's largest oil field Al-Omar
September 23, 2014 Us-led coalition begins airstrikes against ISIS in Syria	**August 5, 2014** Russia and Iran signed $20 billion oil deal - 5-year MoU in the oil and gas sector, construction and rebuilding of generating capacity

Figure 10. Timetable of Overlaps

4.3. Russian - Israeli Political Relationship through the Prism of the Syrian Crisis

With the aim to analyze political relationship between Russia and Israel in the frame of the Syrian crisis and evaluate the effect of natural gas factor on this relationship it is worth, first of all, to figure out strategic energy plans and interests of each state in this conflict. Implementing of both planned pipelines mentioned before would create a potential threat to Russia, as it would serve an alternative source of gas delivery to European markets and could undermine Gazprom's monopoly position. Today, a number of European states such as Estonia, Sweden, Finland, Lithuania, Latvia and Bulgaria are dependent on Russian gas supplies on %100.[110] Slovenia, Greece, Slovakia, Czech Republic and Poland are dependent on Russian gas imports more than on a half of total consumed gas that is still significant.[111] Europe with the aim of providing energy security issues desires to reduce its dependence on Russian gas by 2020 via energy savings, alternative energy resources development and supply diversification.

A friendly regime in Syria would take Russian interests into consideration, while a new regime will be an obstacle to Russia. In trying to guarantee its share in partition of zones of interests with other powers, Russian government needs guarantees that any gas-export projects from the East Mediterranean to Europe will not compete with its own gas-export plans through the existing Trans–Black Sea Blue Stream pipeline to Turkey and the upcoming TurkStream pipeline to Europe.

Even if the IGP project will be realized, it will be easier for Russia to agree with Iran, its geostrategic partner, rather than with Qatar. If the Qatar-Syria-Turkey Gas Pipeline project is realized, Russia's position in the global gas market and in Europe energy market in particular would become more vulnerable. Hence, Europe is interested in the emergence of new transport routes that means changing political situation within the key transit state – Syria. Meanwhile Russia, in choosing between two competing projects, preferred the Assad regime to control the flow of natural gas out of the Persian Gulf into Europe.

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[110] "Российский газ в Европе", from TASS Infographics: http://tass.ru/infographics/7568
[111] "Российский газ в Европе", from TASS Infographics: http://tass.ru/infographics/7568

Another direction of Russian energy interests in Syria is an exploration of natural gas and oil fields on the Syrian shelf in the East Mediterranean Sea. In December 2013, in spite of continuing armed conflict in Syria, "the Russian company "Soyuzneftegaz" signed a contract in the Syrian government for 25 years for the development of oil Block 2 in the Syrian shelf in the Mediterranean Sea."[112] To display Russia's official position on the Syrian civil war it is worth to refer to interview of the Russian President to the American journalist Charlie Rose made on September 29, 2015. During the interview Vladimir Putin, as he did many times before via different national and international platforms, emphasized main aims of Russia's presence in Syria such as "supplying weapons to the Syrian government, staff training, and providing humanitarian assistance to the Syrian people."[113]

From his perspective, Russia's actions on military and technical assistance of Syrian government meet the United Nations Charter as "fundamental principles of contemporary international law according to which the aid, including military aid, can and should be provided only by legitimate governments of various states, with their consent or by their request or by a decision of the United Nations Security Council."[114]

In addition, by supporting current Syrian government Russia pursues one of main strategic interests – to establishing powerful and effective navy. The Syrian port Tartus is Russia's the only military base outside the former Soviet Union. There is no doubt that changing the current Syrian government will lead to reconsideration of existing military contracts and probably losing the military base.

Also there is a threat to Russia's national security made by possible return to the homeland of near two thousand Russian militants who are fighting in Syria together with terroristic groups. So, as Russian President stressed "It is better to help Assad to

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[112] "«Союзнефтегаз» займется разведкой нефти на шельфе Сирии" (2013, December 25), from Forbes: http://www.forbes.ru/news/249176-soyuzneftegaz-zaimetsya-razvedkoi-nefti-na-shelfe-sirii

[113] "Интервью Президента России В.В. Путина американскому журналисту Чарли Роузу для телеканалов CBS и PBS" (2015, September 29), from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/50380

[114] "Интервью Президента России В.В. Путина американскому журналисту Чарли Роузу для телеканалов CBS и PBS" (2015, September 29), from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/50380

deal with them there, rather than wait until they come here."[115] For Russia the only way to solve the Syrian Civil War is "to strengthen the existing legal government agencies, to help them in fighting against terrorism, and to promote positive political dialogue between government and opposition."[116]

The situation around competitive projects in the Middle East on constructing natural gas pipelines which crossed the Syrian territory became more complicated after recent discoveries of huge offshore natural gas resources in the Mediterranean Sea made by Israel. Discovery of the two biggest natural gas fields in the Israeli shelf in 2009 and 2010 – the Tamar and the Leviathan– significantly influenced not only on the Israeli domestic energy sector but also on Israel's energy strategic interests in the region by supplementing a new aspect – joint projects on development and production of natural gas and its supply to third states. Israel is not just as energy-importer how it was before 2009 but as a potential regional natural gas-exporter.

To some extent the development of potential Israeli gas exports to European markets depends on which of the two projects will be implemented. At the same time, the operation of a multi-billion energy projects would affect a power distribution in the region and strengthen specific political alliances. Israeli government found itself in problematic situation when Syria by linking to Iran and Iraq energy infrastructure could compete to Israel possible exports to Europe.[117] Considering political antagonism between Israel and states involved in the project the construction of the Iran-Iraq-Syria gas pipeline definitely unfavorable to Israel. Here it is worth to mention the official position of the Israeli authorities in the settlement of Syrian crisis.

Political interests of Israel in the frame of the Syrian conflict can be formulated by two crucial points. First of all, the emergence of powerful Iran is not favorable for Israel. Secondly, Israel aims to prevent further weapon transportation to Lebanese "Hezbollah" which path through Syria. In the interview to a Saudi news outlet, Foreign Minister of

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[115] "Интервью Президента России В.В. Путина американскому журналисту Чарли Роузу для телеканалов CBS и PBS" (2015, 29 сентября) from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/50380

[116] "Интервью Президента России В.В. Путина американскому журналисту Чарли Роузу для телеканалов CBS и PBS" (2015, 29 сентября) from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/50380

[117] F. William Engdahl, "Syria, Turkey, Israel and a Greater Middle East Energy War" (2012, October 12), from Voltaire Network: http://www.voltairenet.org/article176200.html#nb16

Israel Dore Gold said that “Israel is not involved in the war in Syria” but he stressed that “it has its red lines that could not be crossed”[118] such as violation of Israel’s sovereignty and transfer of Russian missiles from Syria to Hezbollah.

On the one hand, neither Islamist government nor Assad regime in its present form in Syria are not acceptable for Israel. On the other hand, Israeli government understood that “the full destruction of the existing Syrian governmental structure and conduct of US and EU proposed "free and transparent elections would not lead to establishing liberal-democratic model of social organization.”[119] The alternative idea which could be appropriate to Israel is the agreement between opposed forces signed under external control associated with resignation of Bashar al-Assad. It is rather difficult to implement this idea because there are too many actors involved in the crisis and all these actors see the final agreement differently.

Another project, the Qatar-Syria-Turkey gas pipeline is also has threats and opportunities to Israeli economic and political interests in the regional energy market. First of all, strained political relations between Turkey and Israel prevent the further establishing of open political dialogue between states. Relations between Turkey and Israel broke down after an Israeli attack on Turkish ship Mavi Marmara in May 2010. As result of this attack 10 Turkish activists were killed. Recep Tayyip Erdogan in his interview in December 2015 emphasized that “the compensation and the embargo problems were resolved, the normalization process may start.”[120] By the way, in 2012 the Israeli Prime Minister Benjamin Netanyahu has already stated that Israel is interested in rapprochement of bilateral relations with Israel.[121]

In parallel, in the end of 2013 one of the biggest Turkish energy holding Zorlu Energy has negotiated with Israeli companies over the subsea gas pipeline project but that time Turkish government’s position on this issue has blocked the process. “Turkey is a very

[118] Wise Nathan, “Gold stresses common Israeli-Arab interests in unprecedented interview to Saudi paper” (2015, December 28), from the Jerusalem Post: http://www.jpost.com/Middle-East/Gold-stresses-common-Israeli-Arab-interests-in-unprecedented-interview-to-Saudi-paper-438689

[119] Ханин В.(Зеэв), “Региональный вектор отношений Израиля и России в зеркале сирийского кризиса” (“Regional vector of the Russian –Israeli relations in lens of Syrian Crisis”) (2015, December 31), from the Institute for Middle East: http://www.iimes.ru/?p=27065

[120] “Erdogan: Good Turkey-Israel relations 'good for entire region” (2015, December 14), from the Middle East Eye: http://www.middleeasteye.net/news/erdogan-improved-relations-between-turkey-and-israel-good-entire-region-1439156310

[121] Dan Arbell, “The Beginning of a Turkish-Israeli Rapprochement?” (2012, December 3), https://www.brookings.edu/blog/up-front/2012/12/03/the-beginning-of-a-turkish-israeli-rapprochement/

suitable route for Israeli gas. I can even say it is the most suitable," said Omer Yungul, the owner of Zorlu Energy.[122] Began from 2014, ministries of energy of both states have been launching negotiations on cooperation in natural gas field by construction the gas pipeline under the Mediterranean Sea.

As can be seen from the latest meetings both states have willingness to restore relations in a positive way to gain mutual economic benefits. The result of these negotiations between Turkey and Israel will not only directly affect bilateral economic and political interaction but will undoubtedly influence on further evolution of the Middle East natural gas map. Overcoming political controversy between the states will give a possibility to Israel to join the Qatar-Syria-Turkey pipeline project. Thereby, cooperation with Turkey on natural gas issue would reconstruct Israel's geopolitical position in the region.

Finally, implementation of any of two compete projects on natural gas transportation from the South Pars/North Dome gas field to European markets - the IGP or the Qatar-Syria-Turkey gas pipeline – will definitely affect Russian-Israeli relationship. Political relations between Russia and Israel within the Syrian Civil War have been strained during 2014 year, when Israel launched air attacks on Syrian territory. In response to decidedly negative reaction of the Russian Ministry of Foreign Affairs, Israeli Minister of Defense Moshe Yaalon said that "anyone who tries to arm our enemies should know that it crosses "the red line." We will not allow anyone to threaten the security of Israel and its citizens. We are ready to destroy any object carrying a threat to our security."[123]

From the beginning of the Syrian crisis Russia and Israel implement the mechanism of so-called "synchronizing watches" which includes periodic personal contacts or phone calls at different governmental levels. Besides at least six phone conversations per year between presidents of the states there were numerous meetings held on regional and international platforms.[124] One of the most important results achieved during implementing this mechanism was the agreement on forming a joint military Russian-Israeli Committee to coordinate military actions over Syrian Crisis. The agreement

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[122] Pamuk Humeyra, Coskun Orhan, "Turkey's Zorlu in talks on Israeli gas, but politics in the way" (2013, October 31), from the Reuters: http://www.reuters.com/article/turkey-israel-gas-idUSL5N0IK3MF20131031

[123]"Израиль не беспокоит реакция РФ на авиаудары по Сирии – Нетаньяху" (2014, December 10), from the Liga News: http://news.liga.net/news/world/4373826-izrail_ne_bespokoit_reaktsiya_rf_na_aviaudary_po_sirii_netanyakhu.htm

[124] Based on materials from the Official Internet Resources of the President of Russia: http://kremlin.ru/

aimed to "prevent misunderstandings between Russia and Israel" was signed in the framework of the meeting between Vladimir Putin and Benjamin Netanyahu on September 21, 2015.[125] This agreement symbolized Russian-Israeli military cooperation which was never reached since the establishment of diplomatic relations between the states. "The most important thing is that level of mutual trust helps to coordinate actions. And this is nothing but a joint military strategy."[126]

It means that Russian government despite of focus on protecting its energy interests in the Middle East makes all effort to keep its political ties with Israel unrestricted. In global context the Syrian crisis is a war "pro" and "against" plans of diversification of gas supplies from Russia to Europe. In the result, the Syrian Civil War cut off the possibility in the foreseeable future to implement energy projects that could challenge Russia's interests in the European gas market.

Finally, by implementing cognitive mapping method, the effect of natural gas factor on Russian-Israeli relations has been displayed schematically. Based on analysis presented below, the Figure 10 determines interdependence between regional developments in natural gas sector, Russian-Israeli interconnection and its interdependence with other actors that took place in the frame of the Syrian crisis.

Different colors and types of lines and shapes used in scheme reflect the variety of interconnection between different actors and factors in energy map partition. The frame symbolizes the Syrian Crisis. Natural gas factor (represented by two main projects which have been planned to construct before the Syrian crisis began) take the central position on the map. Already existed projects are depicted in solid lined rectangles while planned projects are shown in dotted lined rectangles. States involved in the energy map partition are showed in blue circles.

Double end arrows show political interconnection between states: red ones demonstrate antagonism in political interests, green ones – political partnership. Green dotted lines show a probable positive influence of project implementation on energy interests of the state involved in this project. While green solid lines show a positive effect of project

[125] "Встреча с Премьер-министром Израиля Биньямином Нетаньяху" (2015, September 21), from the Official Internet Resources of the President of Russia: http://kremlin.ru/events/president/news/50335
[126] Interview of Avigdor Eskin (2015, September 25), from the Russian video-channel Pravda.Ru: www.pravda.ru/world/asia/middleeast/25-09-2015/1276121-eskin-0/

implementation on energy interests of the state which is not involved in this project red solid lines display a threat to its energy security. Red line of negative effect of the Islamic Gas Pipeline project on Israel's energy interests crossed the red line of negative effect of the planned Qatar-Syria-Turkey Gas Pipeline project on Russia's energy security. The crossword of the lines occurs right within the Syria's national interests that demonstrate one of the reasons of the Syrian civil war outbreak in 2011.

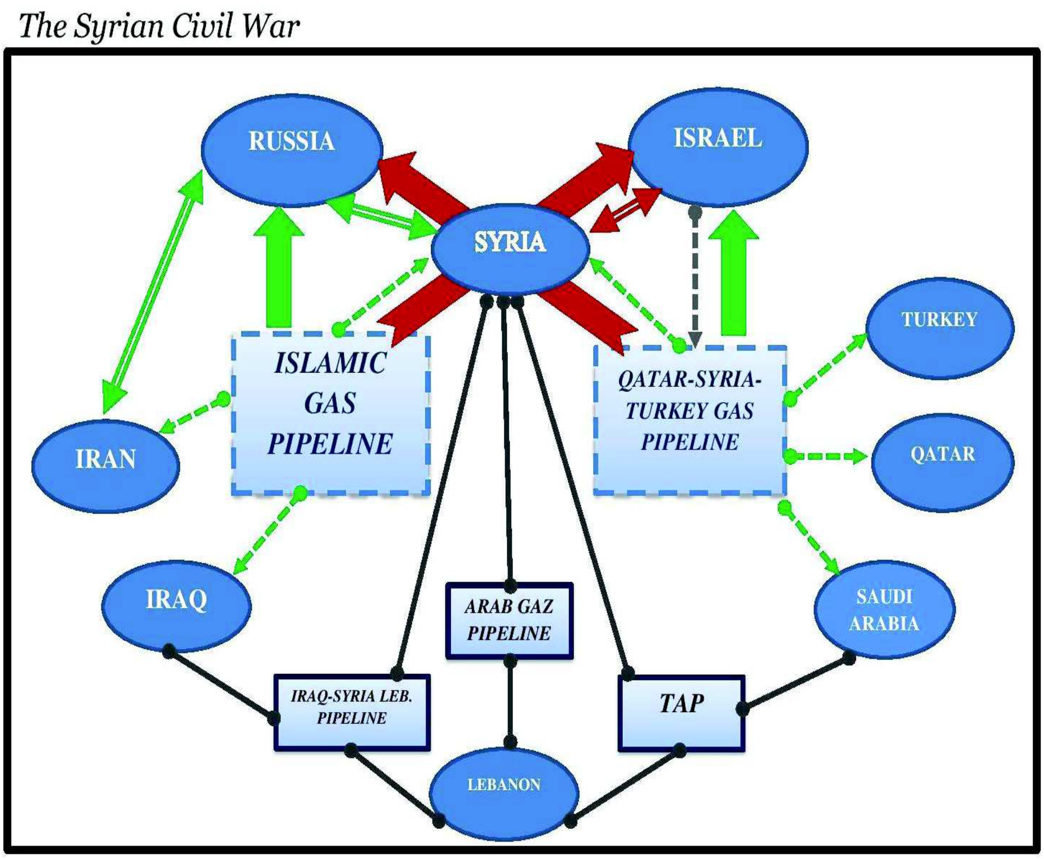

Figure 11. The Effect of Natural Gas Factor on Russian-Israeli Relations in Lens of the Syrian Crisis

CONCLUSION

From the very beginning of the 21st century natural gas from the energy source has turned into an element of geopolitics. Aimed to provide their energy security, states began to formulate their strategic interests and act in the view of their position in world energy supply chain. Upstream states like Russia strive to ensure their security by expanding supply market of own energy resources and guarantee economic interdependence with certain states, what would, in turn, reduce uncertainty in behavior of these states in a world arena and decrease the lack of trust with them. Downstream states like Israel and EU states, whereas import of energy resources is inevitable for them, seek to prevent total dependence on a single supplier but at the same time to ensure long-term supply of oil and gas.

Discoveries of huge offshore and onshore gas fields in the East Mediterranean made by Israel in 2009-2010 have brought adjustments in understanding of a current situation in energy resources distribution over the world. The state, which until 2004 has had no commercial oil and natural gas of its own and was highly depended on resource import, turned into potential exporter of energy resources in 2009. Although a phrase of the 5th Prime Minister of Israel Golda Meir about Moses who took Israelis "40 years through the desert in order to bring us *(ed. Israelis)* to the one spot in the Middle East that has no oil!" [127] is still relevant, discoveries of natural gas field would probably lead to reduce dependence of state economy on oil by gradually replacing it by own gas thereby decrease an importance of oil imports.

Undoubtedly, further development of natural gas sector brings to Israel not only economic advantages and minimization of energy dependence risks but also creates a new aspect of state foreign policy and intergovernmental relations with certain states. This thesis analyzed relations between Israel and Russia and effect made on this relationship by natural gas as a new factor of world policy. The study is divided into two semantic blocks – economic and political.

According to results of conducted research on the Russian-Israeli economic relationship, natural gas did not occupy any niche in turnover between the two states in

[127] "At a dinner honoring West German Chancellor Willy Brandt", reported by The New York Times (10 June 1973): http://izquotes.com/quote/125363

2000-2015. Moreover, despite of annual character of negotiations between Russia and Israel on cooperation in natural gas sphere held in 2005-2009, the two states did not achieve any agreement. After discoveries of the two biggest natural gas fields in the Israeli shelf in the Mediterranean Sea in 2009 and 2010 a new aspect of economic partnership between Russia and Israel has been set up. Joint projects on supplying of Israeli natural gas by Russian company to third states have strengthened bilateral partnership in energy sphere.

In respect that sovereign states and their alliances as main actors of international relations seek for their own interests in order to provide security, these alliances, in case of energy security, are put into practice through joint projects on development offshore and onshore fields and further transportation and delivery of energy resources to consumers. The agreement signed in 2013 between Russian Gazprom and Israeli Levant LNG Marketing Corporation illustrated positive interaction between the two states and initiated a new stage in economic cooperation between them in natural gas sector.

Necessity to intensify cooperation with Israel in energy sphere stressed by the Russian President Vladimir Putin in 2012 shows Russia's strong interests in investing into development of natural gas sector in the East Mediterranean and participating in further gas price formation. Israel, in turn, seeks for collaborating with companies high-experienced in natural gas sector, for the effective development, production and further transportation of gas. Therefore, it is obvious that negotiations between Russia and Israel on bilateral cooperation in gas sector continue to be held.

The second semantic block of the study has examined political relations between Russia and Israel in the frame of two critical situations happened within the research period – the 2008 Georgian Crisis and the Syrian Civil War – and focused on natural gas influence on these relations. To understand the essence of political relations between certain states it is needed to study wars and armed conflicts because a war is a result of the anarchic structure of the international system.

Based on conducted analysis it could be concluded that natural gas factor under current conditions of international order acts as an instrument of political interaction between states. Russian-Israeli relationship is not an exception. Control over natural gas is a way to increase economic power of state, which in turn is a component of the "volume" of state. Control, here, means a right to develop, produce and transport energy resources.

While development and production of natural gas on the territory of one certain sovereign state are commonly under legal control of this state, the intention to further export of these resources to downstream states and to transport them through the territory of other states creates unstable and very vulnerable environment in international arena. New actors – transit states – are entering the gas game and acting according to their own interests. Transit states intent to strengthen their capacity and guarantee secure existence.

Both cases came up with a conclusion that developments in natural gas business environment have affected Russian-Israeli political relationship in the frame of the researched armed conflicts. Both the Georgian Crisis and the Syrian Civil War revealed the clash of strategic interests between Russia and Israel occurs around implementation of rival projects on natural gas transportation from the Caspian Sea and from the South Pars field to Europe markets respectively. Each of the two states lobbies a project the implementation of which obstacles realization of another one and leads in practice to economically unfavorable environment for its competitors. The striving to control gas and oil pipelines which planned to run through the territory of Georgia can be estimated as one of the key reasons in unleashing the conflict. Disagreement in the vision of further development of the regional energy infrastructure became the factor which seriously strained political relations between Russia and Israel during the Georgian crisis in 2008.

As for the Syrian Civil War, the character of influence of natural gas factor on political relations between Russia and Israel is different from the first case. Although the two states are interested in implementing competing projects for gas transportation from South Pars to Europe, energy interests of both states in the Middle East did not prevail over political relationship. An agreement on forming a joint military Russian-Israeli Committee to coordinate military actions over Syrian Crisis, which has been achieved during implementing the mechanism of so-called "synchronizing watches", proved that the Russian and the Israeli governments try to keep political ties unrestricted.

My hypothesis that natural gas factor has contributed to strengthening intergovernmental relations between Russia and Israel in 2000-2015 on both political and economic levels has been proved partly. Natural gas factor affected economic relation just after 2009 and the effect has a positive character. As for political relations between Russia and Israel, natural gas factor, as one of the reasons of escalating the Georgian Crisis seriously deteriorated political interaction between the two in the frame of the armed conflict. On the other hand, Russian – Israeli political relationship through the prism of the Syrian Crisis was not affected by natural gas factor directly. But still, rivalry among projects on natural gas transportation from the South Pars field to Europe markets is one of the reasons for outbreak of the Syrian Civil War. Even if governments of the two states attempted to keep political ties unrestricted the natural gas factor has indirectly influenced on these ties.

Based on research results I have formulated a new thesis: natural gas factor has contributed to strengthening intergovernmental relations between Russia and Israel in economic sphere in period 2009-2015, but has negatively affected political interconnection between the two states in research period.

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ATTACHMENTS

Attachment 1. List of Russian-Israeli Intergovernmental Agreements

Agreement Singed Date	Name of Agreement/Memorandum
13.09.1993	Air Transport Agreement between the Government of the Russian Federation and the Government of the State of Israel
27.04.1994.	Agreement on Trade and Economic Cooperation between the Government of the Russian Federation and the Government of the State of Israel
25.04.1994	Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in Science and Technology
27.04.1994	Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Agriculture and Agricultural Industry
26.04.1994	Agreement between the Russian Federation and the Government of the State of Israel on Cooperation in the Fields of Health and Medical Science
25.04.1994	Agreement between the Government of the Russian Federation and the Government of the State of Israel on Double Taxation Avoiding
27.04.1994	Agreement between the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Culture and Education
25.04.1994	Agreement between the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Tourism
18.12. 2003	Agreement between the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Maritime Transport
28.11.2006	Memorandum of Understanding on Standardization and Conformity Assessment Cooperation between the Federal Agency for Technical Regulation and Metrology of the Russian Federation and Standards Institute of Israel
22.03.2010	Agreement between the Government of the Russian Federation and the Government of the State of Israel on Cooperation in the Field of Industrial Research and Development
27.03.2010	Agreement between the Russian Federal Space Agency and the Israel Space Agency on Cooperation in the Exploration and Use of Outer Space for Peaceful Purposes
27.03.2011	Agreement between the Russian Federal Space Agency and the Israel Space Agency on Cooperation in Space
10.12.2013	Memorandum of Cooperation in the Field of Radioactive Substances between the Atomic Energy Commission of the State of Israel and the Russian Federation National Nuclear Corporation

Source: http://mfa.gov.il/

Attachment 2. Volume of Foreign Trade of the Russian Federation with Israel by top commodity groups in 2003 and 2015

HS Cod	Harmonized Commodity Description and Coding System	Export, thousand dollars				Import, thousand dollars			
	Year	2003	%	2015	%	2003	%	2015	%
	Total volume	**1454073**		**1539513**		**207222**		**806257**	
7	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS							189469	0,23
8	EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUITS OR MELONS							54005	0,07
10	CEREALS	81443	0,06	86836	0,06				
25	SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT			24188	0,02				
27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES	581897	0,40	668572	0,43				
30	PHARMACEUTICAL PRODUCTS					9215	0,04	72762	0,09
31	FERTILISERS			20232	0,013				
38	MISCELLANEOUS CHEMICAL PRODUCTS					8581	0,04		
39	PLASTICS AND ARTICLES THEREOF					14606	0,07	34798	0,04
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL			22741	0,01				
48	PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD	12792	0,01	13940	0,01				
71	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL			572754	0,37				
72	IRON AND STEEL	43706	0,03	32447	0,02				
76	ALUMINIUM AND ARTICLES THEREOF	13037	0,01	9098	0,01				
81	OTHER BASE METALS; CERMETS; ARTICLES THEREOF			18834	0,0122				
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF	8309	0,01	2105	0,0014	41395	0,20	55581	0,07
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES					66289	0,32	94647	0,12
90	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS					14484	0,07	47041	0,06

Based on custom statistics on foreign trade of the Federal Customs Service of the Russian Federation (http://stat.customs.ru)

Attachment 3. Israel's Natural Gas Discoveries in the East Mediterranean Region

Discovery year	Name of the field	Estimated reserves (bcm)	The year first volumes	Partners
1999	Noa	1.13	2012	
2000	Mari-B	31	2004	
2009	Dalit	19	2013	
2009	Tamar	246	2013	Noble Energy (36%) Delek Group (15,625%), Avner Oil & Gas (15,625%), Delek Drilling (15,625%), Isramco Ltd (28,7%), Gas Exploration Ltd (4%)
2010	Leviathan	620	2016	Avner Oil and Gas (22.67%) Delek Drilling (22.67%) Ratio Oil Exploration (15%) Noble Energy (39.66%)
2011	Dolphin	2.3	unknown	
2012	Shimshon	8.5	unknown	
2012	Tanin	34	unknown	Noble Energy (47%)* Delek Drilling (26.5%) Avner Oil Exploration (26.5%)
2013	Karish		unknown	Noble Energy (47%)* Delek Drilling (26.5%) Avner Oil Exploration (26.5%)
2014	Royee	260	unknown	Ratio (70%), Israel Opportunity (10%), Edison (20%).

* Due to decision of the Israeli Antitrust Authority on June, 2015 the "Noble Energy" company has to sell its shares in operation of the Tanin and the Karish gas fields to other companies.

Source: EIA estimates, IHS, Oxford Institute for Energy Studies, Oil & Gas Journal

CURRICULUM VITAE

Guzel Nurieva was born in December 1988, in Izhevsk, Russian Federation. She finished her Bachelor of Arts in International Relations where she specialized on integration and disintegration processes within the MENA states.

In July 2010 Guzel Nurieva did diplomatic internship “Israel in the Middle East” in the Harry S. Truman Research Institute for the Advancement of Peace of the Hebrew University of Jerusalem, Israel, where she continued her research on mentioned topic. From February to April 2012 she studied Chinese language and culture in the Changchun University, China.

In 2013 Guzel Nurieva came to Turkey to study her Master degree in the Middle East Institute of the Sakarya University. Before coming to Turkey Guzel Nurieva has been worked during three years on position of Deputy Vice Rector for International Cooperation in the University of Management TISBI (Kazan, Russian Federation) and also had an opportunity to work at the Executive Committee of the 27th Summer Universiade Kazan 2013 as a Deputy Manager of Accommodation.

At the same time she worked as Assistant in the UNESCO Chair “Training and retraining specialists in the market economy conditions” and contributed to development of such UNESCO programs as “UNITWIN/UNESCO Chair”, “Life-long Education and Adults’ Learning”, “UNESCO and Youth”, “Education for All”, “World Culture” and World Heritage” in the Republic of Tatarstan.

Among her academic accomplishments there is an article on analyzing integration processes between Arab states of the MENA region, published in the Kazan State University Journal. Also it is worth to mention her participation in organizing the “Arab Spring Conversation” project in the Middle East Institute of the Sakarya University. In 2015 Guzel Nurieva did an internship in the Security Studies Department of the SETA Research Centre, Ankara.