

# **ENERGY AS A FOREIGN POLICY TOOL: ASSESSING RUSSIAN ENERGY STRATEGY TOWARDS THE EUROPEAN COUNTRIES**

**By  
Olga Repyeuskaya**

Submitted to

**Central European University  
Department of Political Science**

In partial fulfilment of the requirements for the degree of Masters of Arts

Supervisor: **Professor Tamas Meszerics**

Budapest, Hungary  
(2010)

## **ABSTRACT**

The EU-Russian energy relations are rather ambivalent and constantly shift from the stage of confrontation to the stage of strategic partnership. Evolving as an energy superpower on the international arena, Russia seems to apply natural gas as a mean of strategic manipulation towards different EU member states. Pursuing pipeline diplomacy through the Nord and South Streams projects, Russia uses gas dominance to change the equilibrium of interdependence to its own virtue. Its actions towards the EU in the gas sphere are perceived as political and/or economic manipulation, depending on the European or Russian perspective of examination. Recognizing huge economic mutual dependency of these parties, it appears that it is too short-sighted for Russia to use gas as a mechanism of political influence and the EU's perception of it as a threat is groundless and speculatively polemical.

## ACKNOWLEDGEMENTS

This research project would not have been possible without the direct and indirect support of a number of people and organizations. I would like to express my gratitude to my CEU thesis supervisor *Dr. Tamas Meszerics* for his assistance and suggestions. Special thanks for the CEU PhD student *Andrej Nosko* for his valuable comments and guidance about the energy topic. My appreciation goes to the academic and professional interviewees, especially to the representatives of the wholly-owned subsidiary of Gazprom - *Gazprom Marketing & Trading Retail Ltd.* in London for finding valuable time to answer some important questions in the email interview. I owe a great deal to the OSI - Soros Foundation that provided me with the scholarship and the financial means for completing this Masters Degree. I also want to thank co-students and friends who through their comments and questions have encouraged and enlightened me. Finally, I wish to express my love and gratitude to my beloved family for their understanding and endless support, through the whole duration of my studies.

# TABLE OF CONTENTS

<b>INTRODUCTION .....</b>	<b>1</b>
<b>CHAPTER 1. THE CONCEPTS OF ‘ENERGY SUPERPOWER’ AND ‘STRATEGIC MANIPULATION’ IN RELATION TO RUSSIA .....</b>	<b>7</b>
1.1 RUSSIA AS AN ENERGY SUPERPOWER .....	7
1.2 THE PHENOMENON OF STRATEGIC MANIPULATION .....	11
<b>CHAPTER 2. RUSSIAN GAS STRATEGY: DIFFERENT APPROACH - SAME OUTCOME?.....</b>	<b>18</b>
2.1 GENERAL RUSSIA’S MANIPULATIVE APPROACH TOWARDS THE EU.....	18
2.2 THE ‘DIVIDE AND RULE’ GAS STRATEGY .....	21
<b>CHAPTER 3. CLASSIFICATION OF THE EU MEMBER STATES ACCORDING TO THEIR RELATIONSHIPS WITH RUSSIA .....</b>	<b>29</b>
<b>CHAPTER 4. POLITICAL VS. ECONOMIC IMPLICATIONS OF POWER-PROJECTION CAPABILITY OF RUSSIA.....</b>	<b>37</b>
4.1 PIPELINE ALTERNATIVES: NORTH STREAM VS. YAMAL–2 AND THE AMBER PIPELINES.....	37
4.2 RUSSIAN POLITICAL OR/AND ECONOMIC POSITION ON THE PIPELINES CONSTRUCTION.....	41
<b>CONCLUSION .....</b>	<b>46</b>
<b>APPENDICES.....</b>	<b>50</b>
<b>APPENDIX 1: DEPENDENCY ON RUSSIAN NATURAL GAS SUPPLIES IN 2008 .....</b>	<b>50</b>
<b>APPENDIX 2: MAJOR RUSSIAN GAS PIPELINES TO EUROPE.....</b>	<b>51</b>
<b>APPENDIX 3: CHANGES IN THE ENERGY STRATEGY OF RUSSIA .....</b>	<b>52</b>
<b>BIBLIOGRAPHY .....</b>	<b>53</b>

I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an  
enigma.

*Sir Winston Churchill (October 1, 1939).*

## INTRODUCTION

Following the break up of the USSR in 1991 and the end of the Cold War, Russia has reappeared on the global arena and started to play a significant role in international policymaking. With the increase of the energy prices and the growing demand of its consumptions, Russia has gradually been transformed into a so-called ‘energy superpower’, in which gas<sup>1</sup> becomes extremely important for country’s position on the global arena and market. Unlike other energy sources that can be imported from other countries (such as oil), the EU’s<sup>2</sup> growing dependence on exclusive Russian natural pipeline gas seems to be a major political and economic concern nowadays, due to continuous conflicts between Russia and gas transiting countries. The gas disputes with Belarus in 2006<sup>3</sup> and gas confrontations with Ukraine (lasting for the last 6 years) caused disruption and negative reaction of European customers.

To strengthen its position in the energy market and not to lose Europe as its main solvent consuming market<sup>4</sup> because of the conflicts, the Russian Federation introduced two alternative routes for supplying natural gas directly to Europe. They will bypass the problematic transiting countries such as Ukraine and Belarus. One alternative route is the

---

<sup>1</sup> However, narrowing down the notion of energy to gas, the research will focus on the issue connected with the supply of gas (pipeline and not liquefied natural gas), the most prominent and challenging component of Russian cooperation with the European Union.

<sup>2</sup> The EU will be also referred as Europe - the conglomerate of countries in the European Community including different number of states in various historical periods.

<sup>3</sup> In the Russia-Belarus energy dispute Gazprom demanded an increase in the gas price paid by Belarus. When no agreement was reached, Gazprom threatened to cut off gas supplies to Belarus. Belarus, in turn, threatened to increase the price it charged for gas in transit to Europe through its territory or even to totally cut the supply off. Fortunately an agreement was reached and on that occasion the EU experienced no restriction in gas supply.

<sup>4</sup> Hypothetically European costumers could potentially turn for supplies to Russia’s main gas exporting competitors, Iran and Azerbaijan, within the Nubucco project through Turkey to Central European countries.

Nord Stream pipeline, linking Russia directly to Germany via the Baltic Sea. Another is the South Stream gas pipeline, which will run under the Black Sea from Russian through the Balkans and Central Europe, to Austria and Italy as main countries of destination.

From the EU's perspective the suggested routes do not contribute to the diversification of the gas supplies to Europe as Russia will only strengthen its position as a sole gas supplier in the nearest future. Moreover, the construction of the Nord and South Streams are perceived by some of the EU members as a 'divide and rule' energy strategy that is a part of a more general strategic manipulation approach, undertaken by Russia since 2000's. All that adds complexity and misunderstandings in the EU-Russian gas cooperation and gives value to analysing Russian foreign policy and its actions towards various countries ('old' European member-states, 'new' members and transiting countries).

Frequently energy relations between states are observed only in economic terms such as trade, financial investments, and demand-supply relations. Such limited approach fails to observe them in more holistic scope (including (geo)political dimension). Nowadays gas is used as a mean of energy diplomacy on the highest political level<sup>5</sup>. Being a superpower, Russia has all the incentives to use it as a mean of 'strategic manipulation' in relations to other countries as a political and/or an economic tool. Contemporary EU-Russian gas relations have become problematic and illustrate the tension, which widely exists between the values and principles (open market, liberalization, free competition, liberal democracy etc.) and self-interests of every single country.

The history of the development of political and economic relations between the European Union and Russia since the 1990's has undergone huge changes. Current relations are balancing between 'energy confrontations' and 'strategic partnership' (Hughes 2006).

---

<sup>5</sup> Russia's energy diplomacy is present in the relations with Central Asian countries, former USSR and the EU, as Gazprom obtains control by purchasing a controlling stake in pipelines, ports, storage facilities, and other key energy assets.

Even in spite of egregious mutual dependency – the EU dramatically depends on gas supplies from Russia and Russia, in turn, is in need of foreign investments in gas sector and innovations – the conflicts between those two parties are inevitable due to the enormous differences. Clashes of growing ambitions of newly consolidated Russian state that tries to establish itself both as a soft- and a ‘hard power’ on the one side and ‘soft power’ capabilities of the EU that is keen on promoting democratic development, rule of law and trade relations but has no coherent foreign policy approach (including energy), has become one of the main reasons of misunderstandings and confrontations.

The importance of the chosen topic is difficult to underestimate as throughout the last decade, Russia has played a central role on the European foreign policy agenda. Consequently, much has been written on EU-Russian energy relations and on Russian gas strategies by both political analysts and political scientists. For instance, Palmi Aalto (2008) highlights the general approaches towards the EU-Russian energy relations, illustrating historical connections and shifting them to the contemporary energy relations between Russia and different European countries. Fiona Hill (2004) also thoroughly explores the evolvement of Russia being an energy empire, concentrating on its economic energy development and foreign political participation in the international affairs, but more precisely focusing on the relations with former Soviet Union and the Central Asian region. But the more specific Russian foreign policy (energy) debates can be observed between the experts Anita Orbán (2008) and Margarita Balmaceda (2008), that have two different focuses of analyses of the relations between Russia and Central and Eastern European (CEE) states and in Russian-Ukrainian energy relations respectively.

However, while both tackling the question of Russian attitude towards various European states, they have contrasting opinions about Russian dominant energy presence in Europe. Orbán, through the variations of the realist theory, tries to elucidate Russian power-

gaining and settings for foreign policy outcomes in that region through the economic interests and means. While, Balmaceda argues for a political approach towards Ukraine and critically evaluates the realist approach standing for a state as a main actor in the relations. This difference forces one to think that Russia might use selective strategy of policy-making in dealing with various European countries (including Ukraine and Belarus) differently. Even though, both authors do not deal specifically with Russian gas pipeline ‘superpoweriness’ and manipulation, their studies might be valuable in terms of understanding Russian general gas incentives and international relations’ strategies towards ER-Russian energy relations.

This thesis analyses and evaluates Russia’s gas relations with European countries from 2000 until the present from the economic and political perspectives of strategic manipulation. However, the problem is that everything that is written about manipulation is done on the individual’s level through psychological variables whether in group-think decision-making, vertical relations of domestic political levels of diplomacy or through the manipulation of voting behaviour. It means that almost no political scientists have been interested in observing ‘strategic manipulation’ on the level of state as a unitary actor (might be only those who are precisely keen on realist theory of international relations)<sup>6</sup>. The research tackles that omission on the basis of Stulberg’s definition of strategic manipulation and its application towards the countries of Central Asia. His approach to the strategic manipulation behaviour of the state-manipulator and the manipulated party - the compliance or defiance - will be the basis for my research, applicable for the EU states.

Recognizing that EU-Russian energy relations are rather ambivalent and have speculative implications, I hypothesise that the parties are mutually dependent and have common interests in the gas sphere. I will argue that Russia uses its energy dominance and the

---

<sup>6</sup> Acknowledging that such state-owned companies as Gazprom, Rosneft, Transneft and private Lukoil, for instance, are active actors in Russian foreign policy, the companies micro-level is not in the focus of that thesis. Gazprom main state-owned company will be equalized to the state-level.



mechanisms of strategic manipulation in those relations to change the equilibrium of interdependence to its own virtue. The success of its actions reinforce by the EU's incoherence and failure to find the alternatives for the gas suppliers and the commodity itself. I will conclude that even though Russia uses gas leverage strategy for reaching its aims (mainly economic), the EU's perception of it as a threat is groundless and speculatively polemical.

The main *research questions* remain to identify the logic behind Russia's energy strategy and what implications has it had on the EU-Russian energy relations. It might also be important to distinguish whether political or/and economic rationales prevail in Russia's intentions to build the Nord and South Streams and can Russia's actions be perceived a strategic manipulation per se.

Different quantitative techniques can be applied to address the research objectives. The research deals with a descriptive analysis of the two main concepts of 'superpower' and 'strategic manipulation', being incorporated into the example of Russian gas politics towards the EU. Russian gas strategies and motivations will be analytically tackled with the help of several interviews (anonymous interview with Russian Gazprom M&T representative in London; an academic interview with Professor of St. Petersburg State University and Public Policy Consultant Tatiana Romanova and the director of the European Centre for International Political Economy (ECIPE) in Brussels Fredrik Erixon). The use of secondary printed and on-line materials such as books, journals, newspaper articles, conference papers, reports, analyst reviews, online journals, visual presentations and interviews and records from the official websites of Gazprom will contribute to the findings of this thesis.

The research objectives will be explored in four chapters.

The first chapter 'The Concepts of 'Energy Superpower' and 'Strategic Manipulation' in Relation to Russia' deals with the examination formation of Russia into energy superpower

and the controversies connected with its features comparing to other countries. The negative scenario, when a superpower uses a resource to strategically manipulate other states is observed. A theoretical insight into the idea of strategic manipulation, based on a study of Adam Stulberg (2007) is provided together with the characteristics of the main crucial conditions for strategic manipulation to occur is to be examined on the example of Russian gas policy.

The second chapter ‘Russian Gas Strategy: Different Approach – Same Outcome?’ provides the EU’s view on Russia’s methods of gas strategic manipulation. The main gas pipeline approach, based on the strategy of co-optation, pre-emption and disaggregation, will focus mainly on the last one - the ‘divide and rule’ strategy towards different EU members. The examples of the Nord and South stream will serve as the basis for observation.

The third chapter ‘Classification of the EU Member States According to their Relationships with Russia’ presents various attitudes of the EU member states towards Russia and its gas policy. Grouping the EU members in main categories according to their gas dependency level and attitudes towards Russia, the analysis illustrates the incoherence of the EU as a state-like entity.

The last chapter ‘Political vs. Economic Implications of Power-Projecting Capability of Russia’ observes the pipeline alternatives to the Nord Stream and to evaluate the motivations of Poland and the Baltic States in the promotion of Yamal-2 and Amber pipelines. Russian position on its economic intentions and European position on Russia’s political aims are analysed through the prism of mutual dependency.

Finally, the main observations and the suggestions about the improvement of the EU-Russian gas relations will conclude the research.

# **CHAPTER 1. THE CONCEPTS OF ‘ENERGY SUPERPOWER’ AND ‘STRATEGIC MANIPULATION’ IN RELATION TO RUSSIA**

## **1.1 Russia as an Energy Superpower**

The term ‘energy superpower’ relatively recently came into the press and wide public use. If one observes these two words separately, the meaning of ‘superpower’ has an echo of the Cold War and is associated with military superpowers and the arms race of the Soviet-US relations. The word ‘energy’ adds to that concept a ‘soft-power’ nature and shifts it closer to more subtle and economically-driven meaning.

Russia through almost the whole historical period of its existence and statecraft has represented different types of ‘superpowers’. The country went through a transformation from being a superpower during the Tsarist period (when territories and prestige were the goal) towards the Soviet Empire (when military and ideology were more popular than the search for energy and resources). Nowadays, Russia is associated with being an ‘energy superpower’ because of the size of its territory, vast scale of energy supplies compared to a considerable number of countries and, therefore, being able to influence world markets and get preferred policy outcome in general terms too (Grigoriev 2010). According to that concept Russia can be perceived as an energy superpower as it accounts for almost 32% of the world’s proven natural gas reserves and produces about 25% of international gas (Stulberg 2007, 66-82). After a shrink in production of gas in the 1990’s, today’s gas industry has the highest effectiveness of gas use in history.

Being the world’s biggest gas supplier, by means of its major state-owned company Gazprom, Russia delivers significant quantities of natural gas to different parts of the world through the vast pipeline network exploited from the Soviet times. Nowadays energy is the locomotive of Russian domestic and foreign politics, especially in relation to the EU. For the EU – 44.5% of total gas import came from Russia in 2009 (EU Energy Policy 2010). For

Russia – around 70% of exported gas goes to the EU (EU Energy Policy 2010) and it comprises the major source of influx of petrodollars and embraces a substantial part of Russia's budget.

However, the current economic crisis has a short-run negative influence on Russian energy superpowerness. After gradual growth, Russia's gas sector has experienced rapid recession in price, demand, and production that decreased to the level of 2000. What is more important – there has been a slump in exports, declining by 12% in 2009 comparing to 2008 (Mitrova 2009). The immense fall in export gas prices (that are bound to oil prices) has resulted in revenue shortages and a deficit in the federal budget that has temporarily caused fewer investments in the nearest future and energy saving. Nevertheless, the same recession of the economy can be observed in almost all the EU member states to a different degree; therefore, Russia is in relatively equal conditions in these terms. No one will deny that, among all equals, in such a situation it is better to have gas reserves and other energy resources than being dependent on their imports from third countries (which is applicable to the EU). So in the long-term perspective the increase in European gas demand and a decline in current output from fields in the UK and Netherlands in the North Sea (Minsaas and Strowger 2008) will favour strengthening Russia's complex energy policy and ascertain Russia as an important energy superpower .

However, some political scientists and analysts are sceptical about there being only virtues of an energy superpower, referring to the existence of political risks of leading the energy-development strategy. For instance, Michael Ross (1999) speaks about the dangers of the 'resource curse', when an extensive reliance on energy exports, while energy comprises at least 30% of export income to the budget<sup>7</sup>, leads to problems with economic growth and democracy as the given country remains as a Third World raw-endowed state. However, in

---

<sup>7</sup> In Russian case energy export comprises 60% of budget income.

the case of Russia these apprehensions are irrelevant as the country has a developed and diversified manufacturing and construction sectors, a generally highly-educated society and strong statehood traditions that are eventually combined with its natural resources (Baev 2008, 30).

As it is not enough only to be energy-endowed country, the question of applicability of the notion of 'energy superpower' evolves. Labelling Russia with this term, remarkable thing is that Kuwait or Iran or other world largest energy-rich exporters do not have the same status of superpower as Russia does. That means that apart from already mentioned factors this concept has military, historical or other subtext that adds weight to the status of 'superpower'. As history shows, resource-endowed countries do not use military power for the expansion and the creation of powerful states unlike resource-poor countries that are in need to form a strong state-empire and, therefore, they pursue various invasions in order to acquire colonies and new territories with natural resources (as one of the reasons why Germany initiated World war in 1930's and France, a century earlier). The Russian current territory vastly spreads over the Euro-Asian continent, possessing huge stocks of all kinds of natural resources. That means Russia has had minor interest in leading any military overseas invasions at least for the last two centuries in order to gain more weight in the world, but rather uses already discovered energy sources to promote its economic and political development. Therefore there is no use in applying military incentives to the notion of Russian energy 'superpowerness' nowadays.

Rutland (2008) provides another example of the USA that based its 'superpowerness' on the technological and manufacturing industries rather than resource possession and export (than undeniable contributed to converting it into a profound economic, financial and military superpower). Therefore, it seems that each country individually uses that type of resources, which can satisfy their ambitious desires for hegemony.

The notion of ‘energy superpower’ has both negative and positive connotations in application to Russia. If energy superpower peacefully functions and does not expose any threat or risk to another state – there is no point of discussing it. Nevertheless, the situation might have another scenario, when the superpower has a potential to ‘abuse’ its power benefiting at the expense of other state’s dependency and energy sensitivity. The delicate thing is that as a ‘soft-power’, energy endowment can have the only threat to another state in the sphere of trade and the producer-consumer level. Hence, if every trade deal is characterized by mutual dependency and a mutual beneficially result, it would be rather short-sighted to ‘chop off the branch you are sitting on’. It would be more negatively consequential for another state and the whole international community if energy became combined with military capacity rather than commercial. In this case a ‘soft-power’ dimension transfers into a ‘hard-power’ dimension. Russia has never yet combined its gas capabilities with military mechanisms in the 20th-21st centuries and doubtfully will do so.

The tendency of substituting a military tool of influence into an economic one came into wide practice lately. Starting from early 2000’s, when Russia was involved in gas conflicts with neighbouring states that resulted in the gas disruption to the EU, price hikes, disagreement to ratify Energy Charter Treaty, the negative sense of energy superpower began to be frequently used in the Western mass media. That provoked Russian authorities to react on that by hiring a public relation consultant in Gazprom to improve its image in the West (Daly 2010). In addition former President Putin, who was promoting the image of energy superpower at early 2000’s, tried to avoid that later on, arguing that its use was being used to revive echoes of the Cold War and the ‘evil USSR’ (Valdai Discussion Club 2006). Skeptics are hesitant to apply that definition to any of the countries including Russia as the term ‘is based on flawed logic’ (Rutland 2008, 109), that only provokes the speculative debates about using gas as a manipulative tool of policy. One of the main critics of putting any label of the

concept of ‘energy superpower’ on Russia is Vladimir Milov, the head of the Institute of Energy Policy and a former Russian Deputy Energy Minister, who calls it an ‘illusion with no basis in reality’ (Milov 2006a). Therefore, it is better to stick to the polemical essence of that notion rather than using it for the analytical purposes. Even if to call Russia as an energy superpower or simply a great energy state – it will not change Russia’s policy-making. What is more important is whether that energy superpower uses its resource as a tool of strategic manipulation towards other countries or not.

## **1.2 The Phenomenon of Strategic Manipulation**

The difficulty of defining the concept of ‘strategic manipulation’ lies in the fact that there is no individual theory in political science that would precisely deal with that notion. Instead of that, various adjoining theories superficially touch upon this concept within another theory as a complementary explanatory tool of particular postulates (for instance, rational choice, game theory or prospect theories). Those mechanisms were superficially mentioned by George Akerlof (1970) on the level of micro-agents within various types of markets, Robert Putnam (1988) that observed influence occurring in two-level games in domestic politics and Zeev Maoz (1990) who observed the phenomena of manipulation within group decision-making.

The issue becomes even more complicated from the theoretical perspective when applying ‘strategic manipulation’ to the level of state and the energy sphere, especially to Russian gas as the main tool for such manipulations. It appears that the only author that explored the issue of ‘soft’ dimensions of international security on the example of oil, gas and nuclear energy was Stulberg (2007). He examined Russia’s success at influencing energy advantages in Eurasia in the 10-year period of 1992-2002. Through the usability of ‘soft-

power', indirect market and regulatory mechanisms, Russia managed to alter the behaviour of sub-national and foreign actors according to its individual needs in the last decade.

Starting from the theoretical insight, it is widely acknowledged that in the process of international policy-making states often try to influence the decisions of other political actors. Observing the practice of statecraft, Stulberg characterizes it as a 'unilateral attempt by a government to affect the decisions of another that would otherwise behave differently' (Stulberg 2007, 17). Modifying and extrapolating his case study examples of Central Asian states in today's Russian gas reality, it might be possible to analyse Russia's gas pipeline leverage on Western European states, CEE and applicant countries.

The theory of strategic manipulation developed by Stulberg (2007, 37), derives its beginning from the ideas of *Prospect Theory*<sup>8</sup> (that the decisions involve risk and uncertain outcomes with known probabilities). Thus a state can affect another one by changing the amount of risk of compliance (by eliminating it) and influence the probability for losses and gains for the manipulated country. The countries that were skilfully manipulated were given options whether to comply, oppose or mutually cooperate with Russia (Stulberg 2007). There are two evident ways how to reach the necessary outcome – through the direct violence and persuasions as a mechanisms of pressure notably used during the crises times (coercive diplomacy), and 'soft-power'<sup>9</sup> sophisticated technique – strategic manipulation. According to Stulberg (2007, 1), strategic manipulation entails policy instruments of influencing the strategic choices of another state and reorganization of the decision by the alignment of alternatives, and decreasing risks of compliance to maximize profitable ends or to diminish unfavourable results. Such an indirect method of 'directing' the decision-making of the states is commonly used in today's global political non-crisis environment.

---

<sup>8</sup> The theory developed by Kahneman, Daniel and Amos Tversky.

<sup>9</sup> The notion of 'soft-power' was introduced by Joseph Nye, who claimed that states can control policy outcomes by setting the political agenda and framing the terms of the debate.



Several aspects of ‘strategic manipulation’, which are based on the existence of important conditions for the manipulation to occur should be considered (among which are information asymmetry meaning the advantage of the manipulator of having more complete information; opportunity to entail the rule by having more relative power in the global market; exogenous factors). However, the energy sphere has its peculiarities and above mentioned factors might be important but not fundamentally determining for the likelihood of the evolvment of manipulation. The border line between framing states as a strategic manipulator through energy means<sup>10</sup> and just a rational actor performing on the international arena is often blurred and it is frequently not important to distinguish these two. It is up to the researcher to decide what he/she considers essential, depending on the case, the aim of the research, the ability to interpret the information and other determinants.

Some of the most important conditions identified in the Russian energy policy-making are the following. Firstly, manipulation and its results can be estimated only if both parties are aware that the manipulation takes place. Quoting a famous writer Paulo Coelho (2007, 7): ‘No one can manipulate anyone else. In any relationship, both parties know what they're doing, even if one of them complains later on that they were used’. Thus, the retrospective analysis of Russian manipulating gas policies proceeds from that assumption that such awareness exists within both sides. But strategic manipulation can be perceived as a success if the manipulated state perceives the compliance to the policy of the other state as more beneficial than other alternatives rather than an enforcement that gives birth to contradictions. The consequence of successful manipulation is affecting the situation in which the state accounts for the swap of strategically important goods and estimates the value of the transaction (Stulberg 2007). For the manipulated state its vulnerability will be calculated as the net value that the manipulated state is ready to pay for the commodity. So if the

---

<sup>10</sup> Such as increasing or decreasing access to a resource, prices and tariffs that are extended to deter, contain or coerce a target. (Stulberg 2007, 17)

manipulated state estimates the value of the exchange as high or the possible losses as incredibly high, the vulnerability of that state is proportionally high as well (Stulberg 2007). Such a direct relation works the same way in the opposite direction – with low estimations (Stulberg 2007, 46). In the case of Russian energy, the vulnerability depends greatly on the accessibility of the necessary amount of gas and the variation in the price of gas that is bounded to the oil prices nowadays through a special formula. The manipulative state has an advantage a-priori due to natural gas endowments.

Secondly, the state should have a weight on the global market in the gas sector (Stulberg 2007, 7). This is implicitly applicable to the Russian dominant position on the global energy market as the largest world's gas exporter, the owner of a wide pipeline network and other energy assets in many countries. Naturally, it provides more chances to 'impose' its will on such countries as Belarus or Slovakia, which are 100% dependent on Russian gas and have no other alternatives due to its geopolitical location and already constructed pipelines. Usually those countries that do not have any or sufficient amount of domestic gas production to support themselves are more exposed to risk of being manipulated than, for instance, Great Britain, that has the North Sea as its main source of gas inflow and home production that is able to cover the internal demand.

But as Stulberg (2007) points out, the relations between the manipulator and another state are not static as the manipulated state often takes action to redirect or eliminate the potential outcomes of coercive threats. Thus, the vulnerability does not inevitably lead to compliance as the manipulated state can increase the costs of the manipulator's policy or manoeuvre its own risk domain: raise its risk-taking domain if the prospected losses are lower or the gains are higher in a higher risk position (Iliev 2008, 12). Ukraine is a vivid illustration of such political non-compliance. Starting anti-Russian rhetoric about joining NATO and the

EU<sup>11</sup> and being unwilling to sell some of its energy assets to Russia to cover the gas debts, and by refusing to pay the market price for the consuming gas and siphoning gas assigned to the EU, Ukraine expressed its disagreement and unwillingness to comply with Russian gas dominance. However, that was a negative example of non-compliance that ultimately resulted in even greater economic risk and vulnerability due to proposed Russia gas pipeline projects bypassing the country.

Thirdly, a state should be confident that domestic energy companies (that have some kind of control over external energy markets) act in line with the main state's policies to maximize the statecraft. It should 'function within clear regulatory framework at home', when it can shape political and commercial decision-making context, so that strategically to comply with state's policy becomes more beneficially than not to comply (Stulberg 2007, 37). Similar tactics are applied when the state-manipulator can control a set of choices and direct actions of its sub-state actors abroad, therefore, influencing the manipulated state through them (Stulberg 2007, 32). Citing George Shambaugh,

when one state controls the activities of firms within another state's territory, it not only decreases the physical resources at state's disposal, but also undermines its political integrity by challenging its ability to control actors and activities within its territory (2000, 405).

Russia possesses a favourable position in both internal and external markets. Having Gazprom as the main state-own company<sup>12</sup>, there are no apprehensions that this actor can create problems in strategically important state's gas policy-decisions and minimize the statecraft. According to Roman Kupchinsky (2006), Gazprom pursues an expansionist policy by buying shares in foreign gas- and energy transportation assets in Europe and former-USSR countries (50% of gas infrastructure and transportation company of Belarus 'Beltransgaz' – one of the main routes of Russian gas flows today; 50% of Wintershall Erdgas, 49% of

---

<sup>11</sup> That happened during the Presidency of Viktor Yushenko in 2004.

<sup>12</sup> Gazprom is monopolistically responsible for gas export to other countries and holds ownership in almost all Russian pipelines that connect Russia with other countries.

Ditgaz, 100% of Zarubezgas Erdgashandel in Germany, etc.). He also mentions Gazprom's ownership of up to 50% of the shares of gas companies in Poland, France, Hungary, Slovakia, Greece, and Bulgaria (2006). This world growing monopolizing position provides incentives for Russia (Gazprom) to use gas as manipulating tool.

While there are many additional preconditions that contribute to the evolvement of strategic manipulation, such as ambitions of a country or the existence of war where it is a matter of necessity to act in such way, I want to dedicate more attention to the views of Colin Gray (1999) and Fritz Ermarth (2006), who distinguishes a notion 'strategic culture'<sup>13</sup> of a country as a vital prerequisite. Ermarth (2006, 35) identifies a 'strategic culture' as 'a body of broadly shared, powerfully influential, and especially enduring attitudes, perceptions, dispositions, and reflexes about national security in its broadest sense, both internal and external, that shape behaviour and policy' in the same way with Gray's earlier portrayed influence of the strategic culture on the strategic behaviour (Gray 1999, 25). Consequently, someone might argue that Russia has such a long history of strategically manipulating culture in internal political relations (so-called 'who will have the upper hand' way of behaviour between the politicians on the micro-level) and in general the relations between people. This might be grounds for projecting this type of behaviour on the level of individuals, but it is rather improvident to make the same statements for the relations between the states. The reason for that is statecraft is also constrained by the international system, principles and other external forces<sup>14</sup>.

I did not put in this list the factor of information asymmetry, as it is usually publicly known, which discovered gas reserves every country has, the pipelines the state tries to promote and the level of dependency can be even roughly estimated. Being aware of the

---

<sup>13</sup> According to Colin Gray 'strategic culture' includes traditions, socially transmitted ideas, attitudes and proffered methods of operation that are common a specific historically experienced community (1999: 51).

<sup>14</sup> That is a typically common problem for the 'agency-structure debate'.

impossibility to possess 100% of information about anything, insignificant lacks of complete awareness can be neglected.

In short, the first chapter explored the position of Russia as a superpower in the international energy market and the conditions that are vital for the manipulation to appear. Russia's actions in gas relations can be adjusted to almost all those conditions that justify the involvement of incentives to strategically manipulate other states. Thus further analysis will proceed from the assumption that Russia uses the strategy of manipulation as the main tool of its 'soft-power' foreign policy and will explore main Russia's approaches to the use of strategic manipulation.

## **CHAPTER 2. RUSSIAN GAS STRATEGY: DIFFERENT APPROACH - SAME OUTCOME?**

### **2.1 General Russia's Manipulative Approach towards the EU**

The image of Russia as a superpower has been evolving in the international arena for the last two decades under certain political and economic conditions and was affected by the political leaders of the country (one of the most significant - the former head of the state Vladimir Putin and his successor current President Dmitry Medvedev). Having an unequal mutual dependency with EU members and confrontation with its transiting states, from the general European perspective Russia has the image of a manipulative aggressor, a threat and an unreliable gas supplier. That idea was the bottom line of the interview with Fredrik Erixon, who pointed out that Russia drives its own geopolitical interests by increasing its physical presence in the other gas dependent countries and destabilizing the European environment (2009). Keith Smith holds the same view point, stating that since the 1990's Russia has been using energy disruptions as a political tool more than 20 times, referring to the documents of several reliable European analysts (Smith 2008, 4). Former High Representative of the Common Foreign and Security Policy of the EU Javier Solana expressed his alarm about Russia's reliability as a supplier, stating the Russia seems to be 'more interested in investing in future leverage than in future production' (Solana 2008, 2). In this respect the mechanism of manipulation and reaching its aims that Russia applies towards the EU states is interesting to explore.

Implying the concept of strategic manipulation into the Russian energy strategy would mean that Russia should whether to use direct tools of manipulation or to be able persuasively highlight the attractiveness of compliance with its interests to its gas partners: firstly, by increasing the opportunity costs of compliance versus the risks of non-compliance; and

secondly, by demonstrating ('selling') the gain and positive consequence that the action will bring in comparison with the other option (Stulberg 2007, 7). However, all these levers should not overlap with explicit threat's dimensions and punishment of non-compliers.

The observed case of Russian gas pipeline approach is worth exploring due to the complexity and the variety of the applied tools of strategic manipulation simultaneously. In order to 'convince' Europe to opt for the particular option of the Nord Stream project and the South Stream, Russia applied all possible tools starting from political connections with the European states' leaders ending with purely economic mechanisms of transit prices and access to the Russian market. Explicitly, a quote of Robert Amsterdam presented in Malhorta (2007) characterised the behaviour of Russia in the European gas market,

Gazprom deploys three strategies: **co-optation** - cultivating partnerships with certain countries, political leaders and corporations as levels of its interests; **pre-emption** - using upstream [involved in exploration and extraction] power and Russian diplomacy to manipulate situations downstream [corporations that process the raw material] and to scoop up assets and **disaggregation** – splitting the EU through bilateral deals (15).

The aggregation of those three strategies results in the whole concept of strategic manipulation by Russia. The country's close relations with Germany or Italy, can be directly correlated to the friendship of Putin with Schroder and Berlusconi. Interpersonal relations of the country's leaders contribute to the political connections between the states and the creation of economic ties as well. The fundamental political *co-optation* approach found its confirmation in Bismarck's wisdom: 'A secret of politics? Make a good treaty with Russia' (Bismarck 1863). Therefore, this makes it easier to 'persuade' partners to participate in the variant of the project on the state level even if that is the second-best option in economic and geopolitical terms. Demonstrating benefits of individual energy security, continuity of gas supply directly from Russia, shortening the chain link between the supplier and the consumer seem to outweigh mutual European ideas of unity and equality in the case of Italy and Germany. It proves that Russian state skilfully presented lesser costs and risks of compliance

might be difficult as the leaders are keen on the short-term decisions for the purpose of re-election rather than the long-term mutual values and prosperity. Besides the cultivation of trust and partnership on the high-political level provides additional security and guarantees for the mutually beneficial outcomes for both parties.

The supplementary step to the first strategy is the use of upstream and downstream powers of the purchased energy assets (*pre-emption*). Through political ties Russia tries to regain its power on the global energy markets. Gradually the country converts its economic capacities into geopolitical leverages through the natural resources. By active participation on the European territories in the upstream activities, Gazprom tries to guarantee its involvement in the highly profitable distribution as well and expand supplying capacities to the consumers in CEE. Securing the growing monopolization position on the European market, Russia employed the ‘territorial restriction clause’ that is consolidated in the long-term contracts between Gazprom and the Union and forbids the EU member states to sell the gluts of gas to its neighbours (Romanova 2010).

Apart from the direct presence in the supplies to Europe, Russia attempts to maximise its influence indirectly through the foreign markets and to consolidate its interests with other gas producers, diminishing the choice of the European Union to diversify its gas suppliers in the future. Lobbying its monopolistic position with the help of the Russian state, Gazprom tries to influence Iran not to cooperate with the Caucasus region and Algeria in bringing its gas to Spain and Italy (Malhotra 2007, 15-21).

Russia created unequal reciprocal relations with different EU members<sup>15</sup> by allowing them to participate in Russian energy market or to have limited access to up- or down-stream sectors<sup>16</sup>. According to Gallis (2007), lacking financial resources and new technologies at the beginning of the century when gas was relatively cheap, Russia was eager to exchange its

---

<sup>15</sup> For instance, Germany, Italy, France.

<sup>16</sup> The upstream gas sector refers to the exploration and production of natural gas, and downstream – to selling and distribution of natural gas.



energy for these new technologies from the West. But after the price for energy resources increased the protectionist policy of energy market in Russia and its selective approach become apparent. The position of the Russian Federation for such energy security can be easily understood, but not necessarily approved of by the European countries and its companies (such as British Petroleum or Shell who are the pioneers in the Russian energy market). The state monopolization of energy assets rejected the opportunity for European companies to have ownership of the pipelines and participation in the development of energy reserves in Russia (Gallis 2007).

In spite of the existing several main leverages of the hegemonic states, Russia has chosen the aggregated tool of strategic influence that consists of the leverage of material power difference and inferiority together with confer leverage (Stulberg 2007). Such combination of incompatible parts consolidated in the so-called *disaggregated* pipeline strategy - ‘divide and rule’, which should be given more attention due to the broad current rhetoric.

## **2.2 The ‘Divide and Rule’ Gas Strategy**

The ‘divide and rule’ strategy pursuing a diversified approach towards various European member states by concluding bilateral contracts, undermines unity of the EU (Brangioli and Carta 2009 or Erixon 2009). The view that Russia employs such a manipulative strategy is widely articulated by Western politicians, revealing the European political perception of Russian foreign policy outcomes. For instance, former President of the European Commission Jose Manuel Barroso condemned Russia for using that approach among the European Union's 27 members: between the older members of the EU such as France and Germany and newcomers from the former Eastern bloc such as Poland, Estonia and Lithuania (EU Business 2007).

Both cases of Nord and South Streams can be generalized in the frame of Russian energy strategy. One might hypothesise that the Nord Stream project initiated by Russia, connecting Germany and Russia directly through the Baltic Sea, bypassing Belarus, Poland and the Baltic States, is a more vivid example of ‘cross-cut division’ of the EU members. That division occurs on the ‘EU-Russian vertical line’, as Russia selects countries according to its political and economic interest and signs bilateral contracts with those countries (Germany, for instance). Therefore, uneven Russian attitude a-priori puts countries in the unequal position towards its main gas supplier that creates threats to the unity of the EU and regional instability.

Another dividing dimension is observed on the ‘EU-EU horizontal line’. Nord Stream, favouring Germany as the main country of destination confronts with Poland’s and three Baltic States’ interests that do not have a virtue of being a part of the project. That creates tension between the new and old EU member states and gives birth to apprehension and hostility within the Union.

As a result of those ‘divisions’, Germany is likely to increase its influence in the Northern part of the Union as the main re-distributor of Russian gas further to the Netherlands, Great Britain, France and one of Russia’s priorities - the Kaliningrad region. The circumvented countries like Poland or Lithuania have expressed their dissatisfaction on the official level as that project prevents those countries from having energy leverage in the region and security among new-member states (not saying anything about the loss of money inflow due to the lack of transiting fees through their territories).

Naturally, Russian manipulations by gas dependency and vulnerability of some states created dissonance among the whole EU community. Some countries have tried to catch up with Germany by organizing individual deals, pipeline proposals or even concessions: Estonia attempted to secure a pipeline from Finland for having additional amount of gas, Latvia

suggested using their underground gas storages if the pipeline would go through the Baltic territories, Sweden and Finland blocked the Nord Stream project till 2009 due to a reluctance to grant permission for the pipeline to utilize their Exclusive Economic Zones (Muller and Lissek 2009). Therefore, the desperate and sometimes aggressive reaction of non-directly involved countries is understandable.

In general, the problem is that 'states-losers' will worsen their influence on the geopolitical arena and be deprived of the strong say in the common gas market that might be created one day. The discrepancy in the shift of the spheres of influence in favour of the more energy might and secure European states might occur in the long-run perspective, even though today's preconditions do not demonstrate the inevitability of that. However, the situation on the political arena might change in any moment and occurred misunderstanding and rivalries between Russian leaders and the leaders of the EU states might stipulate obscure development of gas relations.

The Russian approach creates misunderstandings between new and old EU members, especially considering that Germany was one of the main promoter and supporter of Poland's accession to the EU in early 2000's (Grabbe 2004). Keith Smith suggests that the Russian government skilfully plays off the 'old' European states against the smaller 'new' arrivals to the Union (2008). As the Professor Emeritus of Russian History Geoffrey Hosking convincingly argues, 'divide Germany from the rest of the EU (especially CEE) – is the highest price for Russia' (2009).

Hosking's assumption is reasonable, as Germany has been a strategic partner for Russia and the country of priority throughout history. Trying to play the role of mediator in easing the tension in the east-west conflicts and improving relations with East Germany, West Germany built the first gas pipeline from the USSR in the 1970's with the help of funding from Western Europe (Aalto 2008, 94). That was the first stone laid in establishing economic

relations and interdependency (as the USSR and later Russia received German technologies, goods and investments). Individual German companies were the first to start signing agreements on swapping energy assets with the USSR that time, allowing it to penetrate the German gas market. To obtain access to the European gas distribution, Gazprom promised to give Germany an interest in the Yuzhno-Russkoye gas deposits (Malhotra 2007, 15-21). In the second half of the 1990's Gazprom agreed with Germany's Ruhrgas on guaranteed sales of gas to Germany up to 2020. All that was cemented by the political will and close relations between Putin and Schroder, who was chosen to be the head of 'shareholder committee' of the Nord Stream on the recommendation of Putin (as Boykewich supposes 2006). Therefore the importance of Germany for Russia is indisputable and justifies their goal of having a 'strategic partnership' with that Western country and valid apprehensions of other CEE countries.

The South Stream is approximately the same case but with bigger amount of involved South-Eastern European states which are more dependent on Russian gas than countries from the Nord Stream. Applying more sophisticated realist features of the realpolitik signs bilateral contracts with the majority states of the South-Eastern region in the line of more 'unite and cooperate' tactics. By linking Bulgaria, Serbia, Croatia, Hungary, Slovenia, Greece, Austria and Italy in the mutual but not equally dependent gas supply chain it not only spreads its control over the region, but also makes a mutually dependent network (including itself).

Nevertheless, such unification of the states is only partly true as the main priorities are still Italy and Austria (besides Italy has a partial ownership in the South Stream project). The involvement of Slovakia and Czech Republic into the South Stream project (both are rather hostile towards Russia) is currently uncertain and might create a risk of being left-out. Moreover, the tactics of choosing countries for placing main hubs can be observed both from the cooperative point of view as well as from the prioritizing perspective. For instance,

suggesting main hubs in Hungary and Serbia gives those states some kind of priority compared to Greece and Bulgaria that recently ‘have been rather reluctant to allow a Russian entrenchment in the region’ (Larsson 2007, 52). As the strategic manipulation presumes that a set of options is constructed or shaped by the manipulator and the policy choice is directed to the desired channel. That can be confirmed by the supportive speech of the then Hungarian Prime Minister Ferenc Gyurcsany for Russian Blue Stream – ‘the Nabucco project is a long dream and old plan...We don’t need dreams, we need gas’ (Sohbet Karbuz, Karbuz Blog, comment posted July 21, 2007). This situation also illustrates unequal relations between different EU members and Russia.

Analyzing that Russian energy behaviour from the lens of the strategic manipulation theory it is obvious that Russia creates a market structure through that pipelines, where gas importers naturally have fewer alternatives than providers, creating the vulnerability for the former. As pipelines are permanent assets and related fee can be collected without much effort, a state-manipulator has a perfect situation to apply coercion and ‘impose’ its rights and interests in any aspects. The crucial circumventing policies towards CEE signifies Russia’s authority, decisiveness and strength and that in the future occurrence of conflicts it will have higher propensity to commanding compliance (with no necessity to act), but no changing the set of policy choices as the strategy presumes (Lucas 2008). According to Adward Lucas (2008, 218), ‘the advantage of gas-based diplomacy is that Russia does not actually need to do anything practical: the mere knowledge that it could do so increases its political and economic leverage’.

In case Russia decides to have the implicit obedience of the Eastern European states to comply with its energy policies, it still has 3 main interconnected leverages, which were observed by George Friedman (2009) on the example of the Baltic States: covert operations, economic sanctions and military pressure. Learning from the US examples of financing non-

governmental organizations in other countries, Russia can energize Russian minorities and other pro-Russian elements in those states. The Baltic responsive reaction on by suppressing minorities will trigger the next tool in the form of economic sanctions through the gas supply cut off (that becomes possible with the appearance of the Nord Stream pipeline). Finally, Friedman agrees with the idea of Carl Mortished 2007), that Russia was provided with a privilege to use its military force for the protection of its pipelines not only within a country but also in other states (Russian Baltic fleet protect the seabed and the Nord Stream itself as well as the Black sea fleet might play the same role in the case of the South Stream).

Russian high-political official rhetoric about the redirection of the gas routes is another way to pursue manipulative energy diplomacy. Gazprom's determination to diversify gas supplies to the Asian markets (China, India, Japan and South Korea) and the USA by 2010 was announced by its representatives several times (Gazprom M&T representative 2010). Such trends alarm the EU, as it will reduce Russia's financial and technological dependence on the European market and will provide room for manoeuvre in claiming its interests in the energy world. Such claims made by Sergey Kupriyanov (Cited in Buckley & Ostrovsky 2006) that 'We just want European countries to understand that we have other alternatives in terms of gas sales. We have a fast-growing Chinese market [...] If the European Union wants our gas, then it will have to consider our interests as well', can not but have the influential impact on Brussels.

China is, of course, growing fast and the EU should really strengthen its relations with Russia before the proportion changes significantly. A real threat to the European Union here might be the increase of indigenous energy consumption in Russia. Miller, the CEO of Gazprom made a very important point on the Press Conference with the Board of Directors: because to the high rates of current economic development in Russia, the Russian domestic gas demand is growing far more intensively than it is in the European market (Gazprom M&T

representative 2010). Increasing domestic gas consumption and rising prices will bring Gazprom bigger profit with fewer risks. Consequently, the energy consumption growth caused by the economic development together with the increase of the internal gas prices might damage the European market supplies (Stern 2008).

Concluding the above said, the Nord Stream and South Stream are not a diversification of the suppliers, but only a diversification of the gas routes for the EU. They can not be perceived as a common priority and mutual European energy projects as it contradicts to the interests of some EU member states. However, the rectitude of Russia's position in 'dividing' Europe is rather debatable, and in 'ruling' it is even more arguable. Russia refutes the accusations of using tactics of strategic manipulation of the gas export to gain foreign policy benefits and a politicised approach towards Nord Stream construction remains very sceptical. Even former President Putin clarified that 'Russia does not use oil or gas resources to coerce its neighbours' (RIA Novosti 2007). On the company's level, Gazprom official claims that Russia should no longer be viewed as a threat, but rather be perceived as a pragmatic rational actor (Gazprom M&T representative 2010).

Russia's strategy of bilateral contracts for gas supply and 'circumventing' pipeline construction undermines the unity of the EU which makes it easier for Moscow to dictate its interests to the European Community (as small states separately do not have that much decision making power in the European arena). Having no coherent approach to the creation of common European energy market and regulations, the EU fails to secure efficient gas supply for all members equally (leaving such small state as Latvia or Slovakia being energetically unprotected and tackling the challenge by themselves). Those are the good conditions for Russia to strategically act as a prominent gas supplier, manoeuvring the dependency of the states, the price levels and various levels of benefits of the gas deals. If necessary Russia advertises to Brussels directly, but in case of disagreement there – Russia

signs bilateral agreements with European members (Larsson 2007, 14). Russia is naturally using EU's disability as the advantage in negotiating and cooperating with the EU in the energy field. For such an immense country – it is much easier to lead energy negotiations with separate states than with the European Union as a whole, due to fragmentation of the individual interests inside and incompetence of the EU as a coherent structure.



### **CHAPTER 3. CLASSIFICATION OF THE EU MEMBER STATES ACCORDING TO THEIR RELATIONSHIPS WITH RUSSIA**

According to Stulberg's theoretical explanation (2007, 7) state's capacity to set decision frames for the other state is based on two necessary elements: (1) the utilization of market power and (2) domestic institutional conditions and regulatory authority. Having two main alternative situations – 'compliance' or 'defiance' – the consolidation of both variables might only lead to the result of 'compliance' and inability to consolidate both elements will lead to the state of 'defiance'. If the Russian state possesses only one of those variables – the relations between both parties will result in a scenario of 'mutual accommodation'. Russia, possessing both variables articulated by Stulberg (2007, 8), managed to create the situation of EU's 'compliance' with its gas policy (to a different extent for various EU states).

All the EU member states are different in their energy intensity, use of the gas imports, application of the renewable for generating electricity, political attitude towards nuclear power as a substitution for gas and the exposure to the risk of dependency on Russian gas. Analysing the evident reasons for the majority of the European states to accept Russian pipeline gas strategy – gas dependency seems to be the key. The topic about Europe's dependency on Russian gas became widespread issue in everyday politics. In spite of the fact that Russia pursues gas politics to satisfy its own rational interests, no one will deny growing Europe's dependency on energy and gas. According to International Energy Agency estimations Europe's primary natural gas demand will 16% increase in 2015 comparing to 2005, comprising 1.50% of annual average rate of growth. In the same period Russian gas production will increase for around 10% (International Energy Agency 2008, 39). Those gradually growing tendency are expected to continue up to 2030. The EU currently satisfies almost a quarter of its gas demand by the imports from Russia. Russian relation towards EU-

27 can be explained by the weakness in terms of gas dependency of many European countries that allows Russia to exercise various energy tools of promoting its ‘superpowerness’.

The enlargement of the EU in 2004 increased the overall energy dependency of the Union as it added new members that are highly gas dependent. Although being highly dependent, the state can remain sensitive to the energy issues, but not vulnerable. According to Keohane and Nye (2001, 11), ‘the vulnerability dimension of interdependence rests on the relative availability and costliness of the alternatives that various actors face’. That is why for some European countries with the introduction of the Nord and South Streams the energy situation shifted from just sensitivity to the level of vulnerability (that follows from a possible strategic manipulation by Russia). Larsson highlights that the dependent state usually appears in the dimension of vulnerability if the supplier and consumer are radically different politically and economically, if the gas supply is subject of manipulation and disruption occurs due to embargoes, political decisions, wars, terrorism or other unforeseen events; if the commodity has no other substitutive alternatives in a country-consumer and the ‘recycling possibilities are limited in scope or not feasible within the time available’(2007, 68).

But the vulnerability of being manipulated can be eliminated if the country is more commercially stable or has some kind of counter-leverage (for instance, transiting states have a mechanism of transiting fees that can be raised in case of the price hikes or the country-consumer has an important resources, technological or others, that the supplier is in need). Such mutually dependent balance might be preserved for a long time and neither sensitivity nor vulnerability is likely to pose a threat or risk unless the crisis happens (Mascotto 2010).

However, discrepancy in gas dependency among European states divides the Union into several blocks in relations to Russia. Six countries of the EU are dependent on Russia more than 80% of the commodity nowadays, whereas the average intensity of energy dependence comprises only 15% (Leonard and Popescu 2007). Apart from the energy

dependency an interesting distinction was made by Braghiroli and Carta (2009) in a more global scale, who categorised EU states into four blocks according to economic relations and trade with Russia, reliance on Russian gas, the accession of Georgia and Ukraine to NATO, religious differences and the presence of significant territorial, diplomatic, commercial and other direct disputes (see Appendix 1)<sup>17</sup>. This exploration is vital in terms of the proposed projects such as the South and Nord Streams pipelines.

Notably, that increase of gas vulnerability due to the high dependency proportionally causes the growth of aggressive attitude toward Russia. Aggression can provoke only aggression in response. Dependence on Russian gas is measured as the share of gas imported from the supplier on the overall country consumption. There are two extreme groups one of which shows almost absolute dependence from Russian gas (Bulgaria, Estonia, Finland, Latvia, Lithuania, Slovakia) and the another until recently were demonstrating complete independence towards Russian gas (such as, Denmark, Sweden, Spain, Ireland, Portugal, and Luxembourg and the UK). Belgium and the Netherlands score 3% and 6% of the reliance; France and Romania have comparatively low rates as well (respectively, 18% and 15%). Concerning the Czech Republic, Greece, Hungary, Austria and Slovenia, their scores are respectively, 84%, 72%, 67%, 63% and 51%. Germany, Poland and Italy score relatively high levels of dependence (respectively, 43%, 45% and 31%)<sup>18</sup>.

Unsurprisingly, those most unfriendly European countries towards Russia called '*Eastern divorced*' were from the former Soviet bloc – the Baltic States, Poland and former Czechoslovakia. Such a position can be easily explained through the historical legacies, above all the period of communism dominated by USSR and in some cases history of occupation.

---

<sup>17</sup> Albeit, it may seem short-sighted not to use a methodical exploration of all the factors that stipulates the cause of Russia's reaction, it is also essential to bear those factors in mind. In the structural frame of the thesis topic, that classification will be narrowed only to the EU gas relations with Russia, as it is crucial to analyse attitudes of different countries in terms of energy dependence and security of gas supplies. Braghiroli and Carta's analysis will be supplemented by the recent changes in the contemporary gas relations.

<sup>18</sup> Braghiroli and Carta's research strangely excludes Cyprus and Malta. However, the analysis of those EU member States would not matter much in this respect due to almost no relations with Russia.

Naturally, this left prejudices together with fears of losing control over the energy assets for political pressure, and the incentive for seeking security within NATO (allowing the USA to place defence missiles on their territories), became a logical and a direct consequence of confrontations with Russia.

With the construction of the Nord Stream the expected vulnerability of the Baltic States and Poland will increase due to an apprehension that Russia would be able to cut off the gas to it without affecting more pivotal lucrative Germany. In this case (should it happen), the EU's sharing of the risk and solidarity will be damaged completely. As Larsson (2007, 53) suggests, Poland's scepticism about the Nord Stream could be reduced if Germany was to provide a pipeline network to Poland from German territory. Conversely, no substantial actions have been taken. Until recently, Czech Republic and Slovakia were not initially invited to participate in any of those projects. Being almost 100% dependent on Russian supplies, the talks about Czech joining the Nord Stream and Slovakia – the South Stream started on the official level. However, the situation is currently changing with no concrete solution in place.

More favourable states disposed to good relations with Russia are '*Loyal wives*' that embrace Italy, Greece and Austria. Greece lacks alternatives to its energy supplier; it opposes Nabucco (probably for political disagreement with Turkey about the Cyprus issue) and supports the South Stream project. Italy, lacking natural resources and being unable to explore nuclear energy since the negative results of the referendum in 1987, is in the position of being a dependent importer of fossil fuels from Russia and the Middle East (where Russia also plays a significant role) (Di Nucci 2006, 341-357). Italy also has been developing strong economic ties with Russia. It provides a credit to the Nord Stream and manufactures and lays some steel pipes in the Baltic Sea plus builds a compressor for this project. That will reward the country with additional business contracts for the Nord Stream (Socor 2009b). Austria has been

benefiting from Russian energy supplies since the 1980's. To date, Austrian officials view Russia as a continuous, reliable energy supplier. In addition, Russian-Austrian agreements to sell 50% of Austrian Baumgarten trading floor and to construct storage facilities there for preserving Russian gas almost obliterated the prospects of the Nabucco pipeline to Austria and Italy (Smith 2008, 15). Moreover, with launching the South Stream Austria will become the biggest gas centre in the whole Europe.

The '*Acquiescent partners*' (Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, the Netherlands, Portugal and Spain) compose the largest group. The case of Germany was already discussed. The only thing to add is that it is successfully maintaining its 'special relations' with Russia, cementing them in the mutual construction of the Nord Stream (Helm 2006). Today, continuing to have a far-seeing economic interest and looking for a long-term strategic partnership with Russia (many of them in the sphere of energy), Germany (together with France, Spain, Belgium and the Netherlands) even dared to oppose the USA's policy of guaranteeing the NATO membership to Georgia and the Ukraine (Butcher 2008). Unlike Germany (who is more dependent on Russian gas economically), France supports Russia more because of the political motives rather than the economic ones that might help it to strengthen its leverage in the international stage. Being poor in natural energy resources of gas, oil and costly coal, France at present imports only 18% of gas from Russia as 95% of its needs are satisfied by Norway and the Netherlands as well as Algeria (Braghiroli's and Carta's 2009). Besides, the construction of the Nord Stream will provide the French GdF company and its domestic customers with an additional 2.5 billion cubic meters of natural fuel (Malhotra 2007, 15-21). The cooperative ideas were consolidated in France's desire to participate in South Stream gas pipeline.

To some extent the situation with Spain, Luxembourg, Denmark, Ireland and Portugal is confusing. Braghiroli's and Carta's (2009) placement of those countries in the group of

partners is odd enough because they do not import any Russian gas. The fact that those states benefit from greater supply diversity might explain such tolerance. So gas consumption is not the main element of a more or less positive attitude towards Russia. Finland in turn, sharing a mutual border with Russia and keeping a neutral stance in many conflicting questions, tries to be a good neighbour in preserving its 'soft security agenda' (Braghioli and Carta 2009). Besides, it is completely dependant on Russian gas. The question that arises is why Greece and Italy have a higher index of friendliness towards Russia than Germany, which enjoys close relations with Russia on the governmental level (see Appendix 1).

And the last group described was '*Vigilant critics*' (Romania, Slovenia, Sweden, Bulgaria, Hungary and the United Kingdom at the head of the group). Understandably, the United Kingdom has every right to criticize the Russian policy due to the security of its energy position in the EU (as it is importing gas from natural gas in the fields in the North Sea to satisfy home demand, even though the amount of that is gradually decreasing) (Helm 2003). However, with the construction of the Nord Stream country's involvement is increasing. Sweden is one of the main critics of Russia due to the ecological issues of the Nord Stream project and its independence on Russian gas as all gas comes from Denmark currently (Larsson 2008, 67). Nevertheless, the situation in Sweden is likely to change in the future, as the demand for gas increases and the country, having no nuclear reactor and abstaining from expanding the hydropower, lead to increase in energy export. Romania, being left out from any of proposed projects from Russia yet, still has a chance to change its critical position and become a partner in the South Stream. Besides, the branch from the South Stream will eliminate Romanian dependence on the main route for today through Ukraine. Considering the present-day Hungarian and Slovenian situation, doubtfully it will keep its critical attitude towards Russia either, being already involved in the South Stream and signed all the necessary documentation. Bulgarian case is different, as current government refused to

continue its participation in the South Stream at the end of 2009, deciding to increase its importance for receiving more favourable conditions in such way. However, trying to impress Bulgaria and using its manipulative skills, Russia started the negotiating process with Romania about routing the pipeline through their territory to make this country the first in this link (Socor 2010). That had a desirable effect on Bulgaria and both countries understand that they are the players in this Russian 'energy game'.

Concluding the above, the relations between Russia and European members are reciprocal and influenced not only by the level of energy dependency on Russian gas but also by a variety of historical legacies. Generalizing the issue of transformation of the dependence into the vulnerability of the EU member states, it can be states that the majority of the EU countries appear under the influence of almost all necessary conditions of the vulnerability described by Larsson (2007) such as lack of substitutive possibilities for gas resource, huge economic and political difference with the main supplier and experiencing direct or indirect manipulative influence of gas as a tool). The EU failed to find domestic options for adjustments such as increasing energy efficiency, using alternative resources for gas including costly liquefied natural gas factories, as well as lack of really efficient gas suppliers apart from Iran and Algeria that are not politically stable and limited by the transportation capacities to particular European states.

However, it seems that the problem is not the European overdependence on that commodity and Russian foreign policy in these terms, but in the reforming of the European energetic complex and the creation of a single European gas market. Having a segmented gas market and shortage of cross-border trading within the EU in order to avoid competition of other EU members, leads to the dangerous situation during energy crises<sup>19</sup>. Suffering from the gas disruptions in 2009, Slovakia or Hungary did not have a chance for relocation of supplies

---

<sup>19</sup> As happened in 2006 and 2009 between Russia and Ukraine.

from the other national markets. Additionally, providing the access for Gazprom to obtain European transmission or storage assets might prevent the European market integration. Such situation creates huge problems with Union's disaggregation, its energy security and ultimately national state's security in general.



## CHAPTER 4. POLITICAL VS. ECONOMIC IMPLICATIONS OF POWER-PROJECTION CAPABILITY OF RUSSIA

### 4.1 Pipeline Alternatives: North Stream vs. Yamal-2 and the Amber Pipelines

In order to understand why Russia behaves in a particular way and its political and economic intentions for the construction of the Nord and the South Streams, it might be valuable to explore the issue by comparing the Nord Stream predominantly with their alternatives – Yamal-2 and the Amber (see Appendix 2). The reason why only Nord Stream plays an important ground for analysis is because it has the main supplier (Russia) but only different routes for gas delivery to Germany (through the Baltic Sea, through the Baltic States or through Poland and Belarus). Therefore Russia's motivations for choosing a particular gas pipeline and energy policy choice can be challenging and indicating to explore in this case. Unlike the South Stream, that had a rival - the Nabucco pipeline from a different Middle East supplier (that makes evident Russian commercial interest to remove the market competitor and preserve dominant supplying geopolitical position in CEE together with Italy and Austria).

Driving from above, the bottom line of the suggestion to launch the Nord Stream connecting Russia and Germany via the Baltic Sea, that excludes political risks of dealing with third parties after the crisis (such as Ukraine and Belarus) as well as avoidance paying the transiting fees. It aroused many confrontations and speculations about its political background vs. economic motivations of Russia. CEE countries are the most active critics that politicise Russian intentions to bypass not only Ukraine, but also Poland and the Baltic States with the same shot. The main apprehensions of those countries, apart from the ecological issues<sup>20</sup>, are that Russia will affect them by interrupting the gas supply individually, without

---

<sup>20</sup> As the Baltic States, for instance, ground their ecological fears on the post-world war two incidents, when missile munitions were buried in the Baltic Sea.

causing troubles for Germany (Larsson 2007). Pointing out commercial inefficiency and huge costs of the offshore Nord Stream, it could be more logical and cheaper to expand the existing inland pipeline projects than to launch new ones. That triggers the incentives to observe the comparison of the Nord Stream with its alternative routes to Germany, which are Yamal-2 project following via Belarus and Poland (suggested by Poland) and Amber going through Lithuania and Latvia (promoted by the Baltic States ).

Germany as a main strategic partner of Russia is interested to have direct pipeline without any troublesome intermediaries. Germany has prioritized the North Stream project on the state's level and German Chancellor Angela Merkel has made Nord Stream a part of national security strategy (Beniot 2006), being ready to increase their dependence on Russian gas supplies. However, independent energy analysts such as Ronald Gotz claims states that Yamal-2 through Belarus and Poland would be a more beneficial option for Germany (2005) and its people in terms of gas prices and lower costs for construction. However, it seems that for Germany as an ultimate customer there was not big difference of which way of gas supply from Russia to choose, as long as Russia could secure its steady gas supplies for maintaining German economic machine. That is why Germany easily agreed for suggested by Russia 'win set' in the form of the Nord Stream option, which in addition reduces the supply chain and future political gas conflicts with other countries that could have been potentially involved.

If economic incentives drew Germany's compliance, then the participation in the ownership of the project arouses controversies. Germany does not have equality in Nord Stream ownership (as Russia possesses 51% of the Nord Stream and Germany – around 40%), and therefore different shares in influencing possible energy disputes between two parties. The rhetoric question of why Germany agreed to have a lesser share in the Nord Stream project that financially dependent Russia, might arise. Was it unforeseen miscalculation under

the influence of Russian manipulation or simply political concession that Germany made in order to speed up the process of construction?

A possible answer was presented by Vladimir Socor (2009a), who explained Germany's rush for the additional gas supplies from Russia by the fear of deficit of Russian gas reserves to cover the whole growing demand of the EU-27 in the future. Those apprehensions were expressed privately, but were highlighted publicly by government and business with the declaration of confidence in Russia (Socor 2009a). Apart from him, concern about Russian scarcity of the gas resources and inability to fulfil its energy commitments were expressed by Robert Price (2008), Andreas Goldthau (2008), Jonathan Stern (2008) and Philip Hanson (2009).

However, their argument seems groundless due to the availability of independent research about the real estimations of Russian gas reserves. The recent estimates made by British Petroleum Statistics, PennWell Corporation and CEDIGAZ of the world proved energy reserved in Russia from 2007 until 2009 were grouped by the US Energy Information Administration. The estimates of the natural gas proved reserves in Russia increased from 1576 till 1680 trillion cubic meters (Energy Information Administration 2009). With the inclinations of Russia to actively develop and attract investments from Statoil, Total, Hidro into the high-cost Shtokman, Yamal, Urengoy, Yambur gas fields the probability of the increase in the estimates in the next decade will increase further on (Gazprom M&T representative 2010).

Resigned to the fact that Germany was and will remain the main country of Russian interest, Poland expressed its intention to hinder Nord Stream construction by suggesting launching the additional branch of the Yamal-Europe pipeline - the Yamal-2. This pipeline could be beneficial to Poland, as it would not receive additional gas amount by the increase of the capacities. It could also gain substantial transiting fees, because the average transit fee

through the EU member per 1000 cm per 100 km is around 4 USD, comparing to Ukrainian 2.7 USD (Malyhina 2009).

Strangely enough, Poland did not play a decisive enough role in pipeline's promotion during the negotiation process. Having disadvantageous experience with Yamal-Europe existing pipeline in terms of lack of the access to the ownership, control and the transiting fees, Poland started being interested in LNG (Larsson 2007). In addition, during the period when the pipeline was promoting Poland was engaged into EU joining issues. The additional deal with Russia could undermine its European integration reputation in this respect. The international conditions were not the best to establish political ties with Russia (especially with anti-Russian Polish government in power at that moment). In 2009 it raised the issue of the pipeline construction again, but the feasibility of increasing the gas supply in the same direction is doubtfully a good idea.

The clench for Russia in the Yamal-2 project, apart from the shorter length and fewer construction expenses, is that Russia could have gain from saving on the maintenance facilities and lesser environment impact than the offshore route (Nicola 2009). Possible apprehensions of not finding investors for the project in dealing with Belarus seems not convincing as at least European companies of interested states could have express its interest in the involvement. Even the fact that its length will be shorter than its competitor's Nord Stream length of 1220 km and the costs at least four times less than expected 7.4 bln. Euros (Gazprom M&T representative 2010) were not convincing to Gazprom.

Regarding Amber, connecting Russia and the EU without third states (like Belarus), this pipeline was beneficial for all the Baltic States in many aspects, not only if they decide to have additional amount of gas and could counterbalance Russia in terms of its influence in the region. Lithuania was extremely dissatisfied that the Nord Stream will lie offshore pointing out engineering, environment and economical inefficiency issues. The Lithuanian president

was particularly critical of former German Chancellor Schroeder, ‘accusing him of conducting negotiations in secrecy with the Russian side during his chancellorship, which ended in the autumn of 2005’ (New Europe 2008). However, according to (Larsson 2007, 59) the Baltic States failed to demonstrate their joint efforts in pipeline’s promotion and commitment for this project as mature partners.

Taking into account the above described fears of probable gas disruption in the future to the CEE states seems unjustified. If Russia wanted to cut off the gas, it could do it earlier through the existing pipelines of the Belarusian branch that would not affect German supplies. But it was never the case with gas (unlike oil cases) since their independence and doubtfully that today it has the intentions to ‘punish’ Poland or the Baltic states for political non-compliance or non-cooperation. Russian actual intentions will be examined in the next sub-chapter.

#### **4.2 Russian Political or/and Economic Position on the Pipelines Construction**

The apprehensions of the new EU member states are clear, unlike Russian ambiguous position. The estimation of Russian attitude towards various pipeline projects is complicated due to the secrecy of the cost-benefit calculations made by Gazprom and the variety of various contradicting statistical data of independent analysts. The explanations is that many hard to compute and unpredictable factors should be considered during the pipeline planning such as construction costs, transporting capacities, transiting fees, historical legacies shaping the relations, environmental issues, marine conditions and transfer. Thus, the official statements of the authorities and experts' interviews are the main basis for analysis to rely on.

Russian state constantly underlines economic incentives for pursuing gas strategies towards the EU. The head of the Institute of Energy Policy and a former Russian Deputy Energy Minister, Vladimir Milov claims that ‘energy is not politics’ (Milov 2006). The

opinion of the manager in one of Gazprom Marketing and Trading organization departments on the perception of Gazprom has the same argumentative line: ‘There is no strategy to cleave the European Union. As every big oil-gas company, Gazprom has its main commercial aim – profit maximization’ (Gazprom M&T representative 2010).

Russia’s economic intentions were revealed in the *Russia’s Energy Strategy until 2020* (Ministry of Energy of the Russian Federation 2003). Covering the main objectives<sup>21</sup>, the Strategy aims to determine the general aspects of future Russian gas policy on the Post-Soviet Space and the Western market and suggests two realization phases. The initial phase aims to remove all the barriers on the path to transparent competitive internal and external energy markets, designed to make Russia a successful and stable supplier of energy resources (to be completed in 2009-2010). The second stage seeks to establish the necessary base for implementing prospective fuel projects in the Baltic, the Black and the Mediterranean seas. This energy strategy gave a start to the new *Russian Energy Strategy for the period up to 2030*, that in its 3 phases is more focused on research and development issues that will promote international market competition, increase of export and post-crisis economic growth, energy security and geo-economic (Ministry of Energy of the Russian Federation 2009). The dynamics of the prospected energy goals (see Appendix 3) reveals the main idea to transfer Russia from a ‘resource-based and export-oriented’ economy to an ‘innovative economy’ further integrated in the global energy system (Ministry of Energy of the Russian Federation 2009). This confirms Russia’s status of energy superpower and country’s economic goals to increase its presence in the international market.

But giving a precise look at the construction of that pipeline (even though the final costs are not defined yet) at the first stage of the construction it seems that the Nord Stream is a foremost political project, but it does not diminish its financial and long-term economic

---

<sup>21</sup> The strategy includes main objectives such as securing domestic energy supplies at stable prices; financial stability and the maximization of national and foreign investments; energy saving and environment protection; the development of liquefied natural gas (LNG) infrastructure, etc.

sustainability. Acknowledging that today's agreed Nord Stream offshore route is longer, more expensive (due to costs of the pipes itself and their placement under the water) and technologically more challenging (Larsson 2007, 59), than any of the inland alternatives, it still has many supporters. Proponents claim that the overall costs will be 15% lower than the onshore pipeline through the Baltic States or Poland in 25 years due to the absence of the transit fees (Gazprom M&T representative 2010). Besides due to the huge capacity of 55 bcm Gazprom is likely to supply considerable amount of gas to lucrative Western Europe. Another important aspect is the opportunities of application of new technologies. According to Vladimir Milov, Russia is striving to reach the British gas market as Britain is a leader not only in the gas industry (including liquefied gas) but also in underwater pipeline construction in the North Sea (Wright 2009).

Such alternatives as Yamal-2, according did not meet Russia's goals from the two strategies of considerably increasing the transmitting capacities and the diversification of the transport routes. Neither of those two factors are satisfied as the capacity of the Yamal-2 would be only 23 bcm (Nicola 2009) comparing to Nord Stream's 55 bcm and is far from creating the diversification as already around 20% of Russian gas follows through Belarus which is a part of Yamal-Europe transmission system. The issue about Amber – is the ecological one. As Gazprom's calculations show, this alternative is likely to require additional compressor station in the region that is severely environmentally unfriendly (Larsson 2007). The environmental issue can be only the cover for Russia to circumvent those CEE states as the problem might be deeply rooted in politics, starting with Russian minorities and finishing by joining NATO.

Gazprom's energy game with the EU states is manoeuvring and pushing forward its ambitious plans that would strengthen the hold over Europe. The fact that South and Nord Streams were suggested by the Russian side and lobbied for the European market,

demonstrating the benefits, the growth of energy security and the elimination of political risks, can reveal hidden doubts in Russian gas assurance in the future demand for the supplies. Making great financial investments and political efforts in pipelines promotions, it seems Russia wants to be confident that long-term contracts and pipelines being in place will guarantee the demand for Russian gas from the European customers for the next 20 years or more. As due to technological specificity the extracted gas needed to be supplied or stored in the reservoirs somewhere (not simply to wastefully release it), that is why it is of big interest to have stable and solvent consumers.

Those active motions put into a doubt the real estimation of European gas dependency and leads to a thought about the exaggeration of the necessity in Russian gas. Present tendency to shifting popularity in favour of liquefied gas from Qatar, Egypt and Nigeria, renewables and other sources of energy, in the long-term perspective geopolitics might be left far behind that. According to Romanova, the popularity of the liquefied natural gas in Europe is growing and its price has been decreasing for the last several years, fluctuating independently (2010). Predicting the unfavourable situation Russia strives for pipeline projects urgently that will consolidate itself as a sole unconditional gas supplier to Europe. That is how Russia might simply avoid its own export dependence that is already an economic explanation of its behaviour.

Moreover, as a result of expanding its marketing strategy, Gazprom invested more than 2.5 billion dollars in 2008 to explore new gas fields in Nigeria, Bolivia and Libya (Gazprom M&T representative 2010). Those gas fields are of vital importance for Russia as those prospective gas suppliers to the EU might create competition for Gazprom (that is also economically justifiable).

All these steps of Russian gas strategy towards the EU is often perceived by the Union as offensive and aggressive, considering only its egoistic interests. EU's constant reproaches



Russia for limited access to its energy market and the lack of gas liberalized sector. Invalidity of such accusations was expressed by Tatiana Romanova, who in the interview claimed,

...Both Russia and the EU became rather protective in the energy sector recently. The problems with liberalization of the energy market and legal approximation prevented the establishment of equal gas relations between Russia and the EU. Not only Russia has problems with the liberalization of some energy sectors (such as nuclear and gas), but such major EU members as Norway do not have fully liberalized gas sectors (2010).

It is true that Russian state is the key modernizer and the promoter of the development of the energy relations with the West. In spite of the fact that Russian authorities try to promote bilateral cooperation in the energy sphere on the high-politics level, Russia still has not fully committed itself to the global and regional integration: has not ratified the Energy Charter Treaty, is not a member of the World Trade Organization and hardly coordinates its policies with the gas-OPEC countries. That is the explanation for any Russian unilateral actions to be considered to bear negative 'soft-power' implications. In spite of this, Russia and the EU being bounded by the economic ties should stop politicize and dramatize their gas relation but rather be both keen on preserving energy security, by eliminating common threats and the dependency on the third transiting states.

## CONCLUSION

The purpose of my thesis was to observe Russian pipeline gas strategy towards the EU through the prism of strategic manipulation. Contemporary EU-Russian gas relations look like to be based on the mutual idea of energy security and interdependency of the country-supplier and the customer. The contribution to that widely discussed topic was to observe Russian pipeline geopolitics through the prism of strategic manipulation and illustrate its implications for the EU member states. Focusing the analysis on the methods of strategic manipulation used by Russia (such as co-optation, pre-emption, and disaggregation), the research has confirmed Russian status of energy superpower and the existence of the incentives to use gas as a mechanism of influence. In spite of the accusations from some of the EU member states that Russia is using natural gas as a political tool, the EU is not a coherent body and does not have a common position on this question. That means the Union is divided into old and new Europe according to attitudes towards Russia, where old member states are more cooperative and ‘friendly’ towards Russia. However, Russian official rhetoric differs from the Western one in favour of economic interests and commercial incentives. The analysis revealed, through the example of gas supplies to Europe through the Nord and the South Streams, how the logic of the market has to adjust to the obstacles made by international politics and power games of the entities involved. Drawing conclusions from the above research, a number of observations and specific recommendations to the EU-Russian energy relations can be made.

Constant scepticism about the use of the gas-tool and its expansionist strategy of Russia has often been a discourse topic among the EU states. Russia has almost all the incentives to use gas resources for reaching their political and economic aims, among which are the ambitions to restore its status on the world arena and the existence of the ‘strategic culture’ of domination, good domestic institutional conditions, and the key position in the

world energy market. Antidemocratic and hazardous Russia was perceived as a threat during the communist era and is still largely viewed as such, applying ‘the divide and rule’ pipeline strategy towards the EU member states.

The explanation of this perception is clear. For nearly 10 years after 1992, Russia existed in international politics rather a geographical fact than a nation with a mission in the world as was the case in the 19<sup>th</sup> and 20<sup>th</sup> centuries. It almost seemed as if Russia did not have any legitimate national interests anymore. However, when Russia became more stable and started to reclaim its interests in international political economy (as do other influential countries, such as the USA, Germany, and the UK), the EU’s initial reaction to this trend was exceptionally negative. Brussels tries to blame Moscow for using its energy resources as strategic manipulation in foreign policy.

However, in spite of the fact that the concept of strategic manipulation has a negative implication, it still stands within a line of rational behaviour of any actor (as it does not use a direct violent tool of coercion). The Russian side does not deny the use of energy for reaching the variety of its goals (predominantly commercial ones according to the officials), but it is never done to harm the lucrative European consumers. Russia compares itself with other countries which also have some tools of influence in the world: France – nuclear industries or the USA – army and military, hinting that it is better to use gas as an advantage than bombs (Deliagin 2006). What is the difference with Russian pipeline strategy then? It is unjust to reproach Russia for doing the same as other countries.

The EU’s main mistake is that its outdated perception of Russia is not based on its changed political-economic situation, its goals and priorities. The West is still using the politicization of the historical events (from the USSR era), exhibiting Russia as a potential ideological and political enemy. As long as the Union perceives Russia as a threat, the situation in the EU-Russian gas relations is unlikely to change. European Union needs to

clarify its priorities and get rid of the legacies of the 20<sup>th</sup> century and the prejudices that are attached to it. The best approach here is to cooperate with Russia as with any other partner, which the Union is only at the beginning of the way to fully understand. Nowadays Russia strives to gain the image of a consistent and reliable partner and, thus, using strategic manipulation to divide the EU is not in its interest. This policy for dealing with the EU can be seen not in terms of strength, but from market perspectives, increasing the market efficiency of the cooperation and the ability for quick economic decision-making.

Besides we should not overestimate Russia's independence from its main solvent European market; even if for the last few years it was relatively self-sufficient in the developing of its energy sector without huge foreign help (especially in the downstream). But being exposed to negative economic crisis environment recently, the country has to consider the importance of foreign investments and innovations for extracting the natural gas from the hard-approachable fields as well as for using new technologies in the off-shore pipeline construction.

Another reason, clearly showing the uselessness of Russia at using gas as a tool of pressure is the existence of imperfect competition and the dependence within the buyer-seller relations. As Mascotto (2009), notices, apart from Russia and the EU such important players as China should be considered. Claiming that 'Russia's persuasive power and expertise in energy geopolitics, the values of commercial reciprocity and mutual cooperation should not be trivialized' (Mascotto 2009, 20). China has its firm position not to surrender to the hostile sales strategy and be a victim of coercive gas import. Therefore, Russia should acknowledge that the EU will remain to be the main actual partner and should be careful with choosing the alternatives for policy-making.

All the apprehensions of the Baltic States and Poland seem to be groundless either. Even if to envisage the probability for Russia to use gas disruption in terms of extreme

strategic manipulation action towards EU member States, the outcomes for Russia would be different, depending on the scale of that action (Rutland 2008). For example, if Russia disrupts the energy flow – it could only have temporarily losses for the budget and have a negative long-term image of being unreliable supplier. If the scale of that action is greater – the consequential long-run effect would be harsher in terms of political capital and even worse economic sanctions could be applied by the EU (for instance, trade embargoes). For instance, if the European gas companies someday require abolishing take-or-pay long term contracts, this would likely to threaten Gazprom's ability to borrow (Rutland 2008, 109). The EU should recognize that it also has leverage. As long as, at least economic mutual dependency exists, there should not be any apprehension for any threats from the Russian side and economic 'blackmailing' or manipulation of the EU.

## APPENDICES

### Appendix 1: Dependency on Russian Natural Gas Supplies in 2008

Name of the Group	Countries	An Index of Friendliness Towards Russia (0 – the lowest rate, 1 – the highest)	Natural Gas Consumption	Total Gas Rate Movements by Pipeline	Gas Trade Movements with Russia by Pipeline	% of dependency on Russian gas
<i><b>Eastern Divorced</b></i>	Estonia*	0	1.50	1.50	1.50	100
	Lithuania	0	3.80	3.40	3.40	89
	Poland	0.09	13.70	9.30	6.20	45
	Latvia*	0.14	1.89	1.60	1.60	85
	Czech Republic	0.17	7.80	7.63	6.60	84
	Slovakia	0.21	5.90	5.80	5.80	98
<i><b>Vigilant Critics</b></i>	Romania	0.38	16.40	4.80	2.50	15
	Slovenia*	0.38	1.10	1.10	0.56	51
	Sweden	0.40	1	1.11	0	0
	Bulgaria	0.43	3.10	3.10	3.10	100
	Hungary	0.45	11.80	10.48	7.85	67
	UK	0.47	45.60	28	0	0
<i><b>Acquiescent Partners</b></i>	Portugal	0.55	4.30	1.39	0	0
	Denmark	0.62	4.60	0	0	0
	France	0.62	41.90	33.76	7.63	18
	Ireland	0.62	4.80	4.15	0	0
	The Netherlands	0.62	37.20	18.86	2.30	6
	Belgium*	0.69	17.33	19.34	0.50	3
	Germany	0.69	82.70	83.72	35.55	43
	Spain	0.69	35.10	10.95	0	0
	Luxembourg*	0.69	1.41	1.50	0	0
	Finland	0.74	4.10	4.30	4.30	105
<i><b>Loyal Wives</b></i>	Italy	0.76	77.80	70.45	23.80	31
	Austria	0.78	8.90	7.48	5.60	63
	Greece	0.90	4.00	2.89	2.89	72

Note: The figures are expressed in billion cubic meters; if not explicitly stated otherwise data refer to 2008; (\*) denotes countries whose data refer to 2005

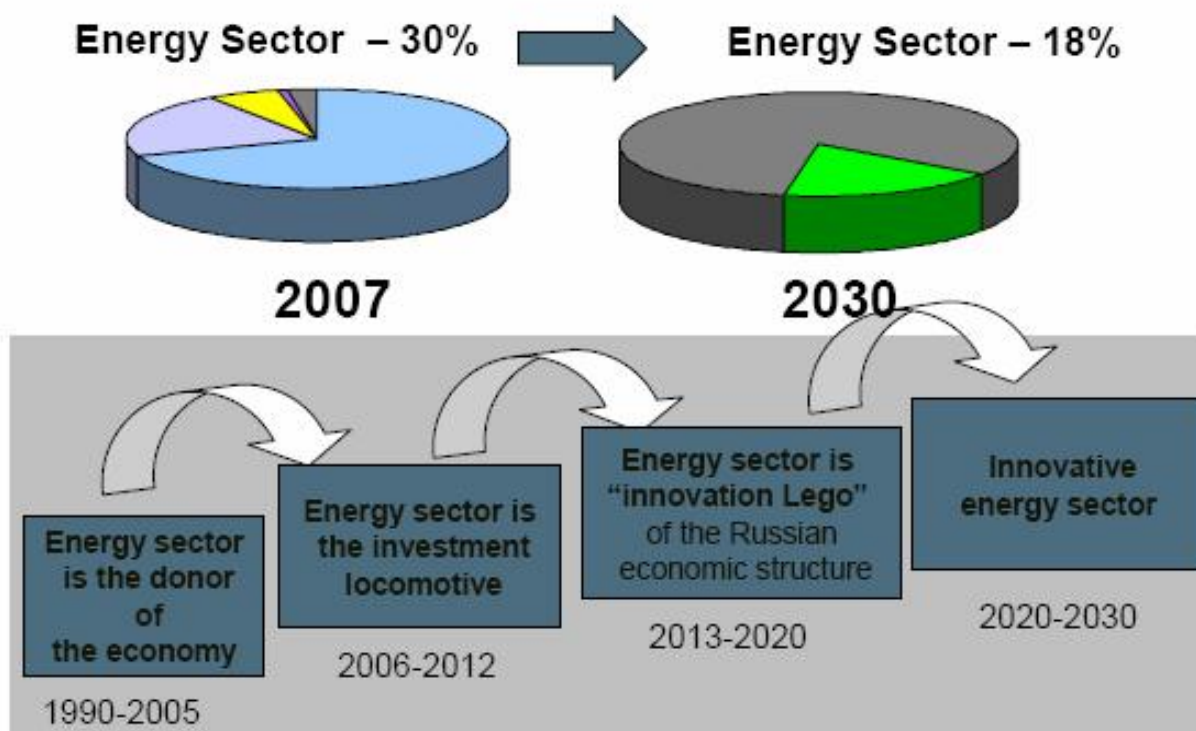
**Source:** British Petroleum Company, BP Statistical Review of World Energy, London, June 2008 in the Braghiroli and Carta (2009)

## Appendix 2: Major Russian Gas Pipelines to Europe



**Source:** Bailey, Samuel. 2009. Map of the major existing and proposed Russian natural gas transportation pipelines to Europe. San Francisco: Creative Commons Attribution 3.0 Unported.

### Appendix 3: Changes in the Energy Strategy of Russia



**Source:** Gromov, Alexey. 2008. Russian Energy Strategy for the period up to 2030: the Way to the Innovative Energy Development. Workshop in the II International exhibition-congress ‘21st century perspective technologies’. Moscow, Russia (September 30-October 1). [http://www.iea.org/work/2008/neet\\_russia/Gromov.pdf](http://www.iea.org/work/2008/neet_russia/Gromov.pdf).



## BIBLIOGRAPHY

- Aalto, Pami. 2008. *The EU-Russian Energy Dialogue: Europe's Future Energy Security*. Aldershot: Ashgate, Hampshire.
- Akerlof, George. 1970. The Market for 'Lemons': Quality, Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics* 84, no. 3: 488-500.
- Baev, Pavel. 2008. *Russia Energy Policy and Military Power*, New York: Routledge.
- Benoit, Bertrand. 2006. Berlin Clears Schröder over Guarantee to Gazprom. *Financial Times*. April 4. <http://financialtimes.prinththis.clickability.com/>. (accessed May 19, 2010).
- Bismarck, Otto. 1863. [http://thinkexist.com/quotation/the\\_secret\\_of\\_politics-make\\_a\\_good\\_treaty\\_with/217707.html](http://thinkexist.com/quotation/the_secret_of_politics-make_a_good_treaty_with/217707.html). (accessed May 3, 2010).
- Boykewich, Stephen. 2006. Germans Question \$1Bln for Gazprom. *Moscow Times*. April 3. <http://www.moscowtimes.ru/stories/2006/04/03/001-print.html>. (accessed May 14, 2010).
- Braghiroli, Stefano. and Carta, Caterina. 2009. An Index of Friendliness toward Russia: An Analysis of the Member States and Member of the European Parliament's Positions. *Electronic Publications of Pan-European Institute* 15: 1-44. [http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Braghiroli\\_and\\_Carta\\_1509\\_web.pdf](http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Braghiroli_and_Carta_1509_web.pdf). (accessed May 10, 2010).
- Buckley, Neil and Arkady Ostrovsky. 2006. Gazprom issues threat to EU gas supply. *Financial Times*, April 19, In Depth, European Energy Sector, [http://www.ft.com/cms/s/0/ac6fb4ca-cfc7-11da-80fb-0000779e2340.html?nclick\\_check=1](http://www.ft.com/cms/s/0/ac6fb4ca-cfc7-11da-80fb-0000779e2340.html?nclick_check=1) (accessed May 23, 2010).
- Butcher, Martin. 2008. NATO and Nuclear Weapons. *The Acronym Institute*. <http://www.acronym.org.uk/nato/08intro.htm>. (accessed May 30, 2010).
- Coelho, Paolo. 2007. *The Witch of Portobello*. Hammersmith: HarperCollins Publishers.
- Daly, Tom. 2010. Russia: Gazprom's PR Offensive, Energy Intelligence Group, Inc. February 5, 2010 [http://www.energyintel.com/DocumentDetail.asp?document\\_id=657274](http://www.energyintel.com/DocumentDetail.asp?document_id=657274). (accessed 16 May, 2010).
- Deliagin, Mihail. 2006. Strategic Borders of the Eastern European Politics. *Gold Lion online Journal* 93-94. [http://www.zlev.ru/93\\_35.htm](http://www.zlev.ru/93_35.htm). (accessed August 11, 2009).
- Di Nucci, Maria Rosaria. 2006. The Nuclear Power Option in the Italian Energy Policy Author. *Energy & Environment* 17, no. 3: 341-357.
- Energy Information Administration. 2009. World Proved Reserves of Oil and Natural Gas, Recent Estimates. <http://www.eia.doe.gov/emeu/international/reserves.html>. (accessed May 2, 2010).
- Erixon, Fridrek. 2009. Interview by author. Brussels, Belgium. June 9.

- Ermarth, Fritz. 2006. *Russian Strategic Culture: Past, Present, and...in Transition?* The report prepared for Defense Threat Reduction Agency Advanced Systems and Concepts Office in the USA, October 31, 2006.
- EU Business. 2007. Barroso Warns Russia Against Divide and Rule Approach to EU. Online Business Information Service, 20 June, 2007. [http://209.85.229.132/search?q=cache:PAMABvwx\\_rgJ:www.eubusiness.com/news\\_live/1179579602.17+Divide+and+rul e+strategy+of+Russia&cd=8&hl=en&ct=clnk&gl=uk](http://209.85.229.132/search?q=cache:PAMABvwx_rgJ:www.eubusiness.com/news_live/1179579602.17+Divide+and+rul e+strategy+of+Russia&cd=8&hl=en&ct=clnk&gl=uk). (accessed April 2, 2009).
- EU Energy Policy. 2010. [www.europa.eu](http://www.europa.eu). April 7. [http://www.delrus.ec.europa.eu/en/news\\_1323.htm](http://www.delrus.ec.europa.eu/en/news_1323.htm) (accessed April 25, 2010).
- Friedman, George. 2009. The Coming Conflict with Russia. *The Journal of International Security Affairs* 17, <http://www.ciaonet.org/journals/jisa/v0i17/10.html> (accessed May 23, 2010).
- Gallis, Paul. 2006. *NATO and Energy Security*. CRS Report RS22409 for US Congress, March 21.
- Gazprom M&T representative. 2010. Anonymous Email Interview by author. London, UK. May 14.
- Goldthau, Andreas. 2008. Rhetoric Versus Reality: Russian Threats to European Energy Supply. *Energy Policy* 36, no. 2: 686-692.
- Götz, Roland. 2005. *The North European Pipeline: Increasing Security or Political Pressure?*, The German Institute of International and Security Affairs (SWP). Berlin, September 2005, SWP Comments 42.
- Grabbe, Heather. 2004. Poland: the EU's New Awkward Partner. *CER BULLETIN* 34, February/March, 2004. [http://webcache.googleusercontent.com/search?q=cache:RcU4\\_iHLQmu4J:www.cer.org.uk/articles/34\\_grabbe.html+Germany+was+the+main+ supporter+of+Poland+to+the+EU&cd=1&hl=en&ct=clnk&gl=uk](http://webcache.googleusercontent.com/search?q=cache:RcU4_iHLQmu4J:www.cer.org.uk/articles/34_grabbe.html+Germany+was+the+main+ supporter+of+Poland+to+the+EU&cd=1&hl=en&ct=clnk&gl=uk). (accessed April 28, 2010).
- Gray, Colin. 1999. Strategic Culture as Context: The First Generation of Theory Strikes Back. *Review of International Studies* 25: 49-69.
- Hanson, Philip. 2009. The sustainability of Russia's energy power: implications for the Russian economy. In *Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation*, Perovic Jeronim, Robert W. Orttung, Andreas Wenger (eds), 23-51. New York: Routledge.
- Heinrich, Andreas. 2007. Poland as a Transit Country for Russian Natural Gas: Potential for Conflict. *Koszalin Institute of Comparative European Studies*, no. 9-10 (September): 84-90.
- Helm, Dieter. 2003. *Energy, the State, and the Market: British Energy Policy since 1979*. London: Oxford University Press.

- Helm, Dieter. 2006. Russia, Germany and European Energy Policy. Open Democracy, December 14. [http://www.opendemocracy.net/globalization-institutions\\_government/energy\\_policy\\_4186.jsp](http://www.opendemocracy.net/globalization-institutions_government/energy_policy_4186.jsp). (accessed August 15, 2009).
- Hill, Fiona. 2004. *Energy Empire: Oil, Gas and Russia's Revival*, London: The Foreign Policy Centre.
- Hosking, Geoffrey. 2009. Russian Foreign Policy. Seminar Speech in the European Forum Alpbach. Austria, Tirol. August 23, 2009.
- Hughes, James. 2006. EU Relations with Russia: Partnership or Asymmetric Interdependency? In *The EU's Foreign Policy in the Evolving International System: the Road to Convergence*, Casarini, Nicola and Muzu, Costanza,. London: Palgrave.
- Iliev, Iliyan. 2008. Energy as a foreign policy tool: assessing Russia's relationships with the EU. Master's thesis, Sussex University.
- International Energy Agency. 2008. Natural Gas Market Review. August. Paris: Maulde & Renou. <http://www.iea.org/textbase/nppdf/free/2008/gasmarket2008.pdf>. (accessed May 10, 2010).
- Kahneman, Daniel, and Amos Tversky. 1979. Prospect Theory: An Analysis of Decision under Risk. *Econometrica* 18: 263-291.
- Keohane, Robert and Nye, Joseph. 2001. *Power and Interdependence*, New York: Longman.
- Kupchinsky, Roman. 2006. Russia: Tightening The Screws With Gazprom. *GazpromStock.com*. November 7, 2006. <http://www.gazpromstock.com/2006/11/page/3/> (accessed April 24, 2010).
- Larsson, Robert. 2007. *Nord Stream, Sweden and Baltic Sea Security*. Base data report, Stockholm: FOI Defence Research Agency.
- Leonard, Mark and Propescu, Nicu. 2007. *A Power Audit of EU-Russian Relations*. London: European Council of Foreign Relations.
- Lukas, Adward. 2008. *The New Cold War: How the Kremlin Menaces both Russia and the West*, London: Bloomsbury Publishing.
- Malhotra, Heide. 2007. Russia's Gazprom Divides and Conquers Gas Giant Muscles: Its Way Past the EU to Become Key Player Epoch. *Times*, Washington D.C.
- Malyhina, Katja. 2009. The New Gas Deal: Threats and Risks for Ukraine. Current Politics in Ukraine blog. <http://webcache.googleusercontent.com/search?q=cache:Gp1oi-x5TckJ:ukraineanalysis.wordpress.com/category/gas-trade/+average+transit+fee+for+gas+in+Europe&cd=2&hl=en&ct=clnk&gl=uk>. (accessed May 24, 2010).
- Maoz, Zeev. 1990. Framing the National Interest: The Manipulation of Foreign Policy Decisions in Group Settings. *World Politics* 43, no. 1: 77-110.

- Mascotto, Guillaume. 2010. Demystifying Russia's Energy Strategy toward China: Strategic Manipulation or Unwitting Vulnerability? Paper presented at the 51st Annual Convention of the International Studies Association, New Orleans, USA. Panel, April.
- Milov, Vladimir. 2006a. How Sustainable is Russia's Future as an Energy Superpower? Article from the think-tank web-site: March 16, 2006. <http://carnegieendowment.org/>. (accessed May 4, 2010).
- Milov, Vladimir. 2006b. Would Russia Cut Off Gas Supplies to Europe?. *Argumenty i Fakty*, May 17.
- Ministry of Energy of the Russian Federation. 2003. *The Energy Strategy of Russia for the Period of up to 2020*. Decree 1234-p, (August 28), issued by the Government of Russian Federation. [http://ec.europa.eu/energy/russia/events/doc/2003\\_strategy\\_2020\\_en.pdf](http://ec.europa.eu/energy/russia/events/doc/2003_strategy_2020_en.pdf). (accessed January 2, 2009).
- Ministry of Energy of the Russian Federation. 2009. *The Energy Strategy of Russia for the Period of up to 2030*. Decree 1715-p, (November 13), issued by the Government of Russian Federation. <http://www.energohelp.net/articles/law/62403/>. (accessed May 27, 2010).
- Minsaas, Robert, and Vanessa Strowger. 2008. *Under the Influence of Oil: UK Gas Prices and Their Prospects in a Global Gas Market Looking towards 2020*. Norway: Eclipse Energy Group.
- Mitrova, Tatiana. 2009. Understanding The Russian Gas Energy Strategy & Gas Production Targets: What Are The Priorities Of Gas Export Strategy? Paper presented at the 16th Annual FLAME Meeting for the Center for International Energy Markets Studies Energy Research Institute of the RAS, March 2-4, Amsterdam, the Netherlands.
- Mortished, Carl. 2007. Gazprom to raise its own private army to protect oil installations. *The Times*, July 5, Business Section, Industry sectors, [http://business.timesonline.co.uk/tol/business/industry\\_sectors/natural\\_resources/article2029023.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article2029023.ece) (accessed May 14, 2010).
- Muller, Jens and Lissek, Ulrich. 2009. Sweden and Finland Grant Permits to Nord Stream. [http://www.nord-stream.com/uploads/media/Nord\\_Stream\\_Press\\_Rel\\_Swedish\\_and\\_Finnish\\_Permit\\_eng\\_20091105.pdf](http://www.nord-stream.com/uploads/media/Nord_Stream_Press_Rel_Swedish_and_Finnish_Permit_eng_20091105.pdf) (accessed May 5, 2010).
- New Europe*, international edition. 2008. Lithuania wants to sink the Nord Stream gas pipeline. March 24.
- Nicola, Stefan. 2009. Analysis: Belarus lobbies for Yamal-2. (February 12) [http://www.spacewar.com/reports/Analysis\\_Belarus\\_lobbies\\_for\\_Yamal\\_2\\_999.html](http://www.spacewar.com/reports/Analysis_Belarus_lobbies_for_Yamal_2_999.html) (accessed April 27, 2010).
- Orban, Anita. 2008. *Power, Energy, and the New Russian Imperialism*. Westport: Praeger

- Price, Robert. 2007. Energy Reform in Russia and the Implications for European Energy Security. *The Journal of Post-Soviet Democratization* 15, no. 4: 390-407.
- Putnam, Robert. 1988. Diplomacy and Domestic Politics: The Logic of Two-Level Games. *International Organization* 42, no. 3: 427-460.
- RIA Novosti. 2007. Russia Does Not Use Oil and Gas as Political Weapons, January 2, <http://en.rian.ru/russia/20070201/60044654-print.html> (accessed April 15, 2010).
- Romanova, Tatiana. 2010. Interview by author. Budapest, Hungary. March 24.
- Ross, Michael. 1999. The Political Economy of the Resource Curse. *World Politics* 51, no. 1: 297-322.
- Rutland, Peter. 2008. Russia as an Energy Superpower. *New Political Economy* 13, no. 2: 203 – 210.
- Shambaugh, IV, George. 2000. Globalization, Sovereign Authority and Sovereign Control over Economic Activity, *International Politics* 37, no. 4: 403-423.
- Smith, Keith. 2008. *Russia and European Energy Security: Divide and Dominate*. Center for Strategic and International Studies, Washington DC.
- Socor, Vladimir. 2009a. Scandinavian Governments Allow Russo-German Nord Stream Pipeline. *Eurasia Daily Monitor* 6, no. 207. [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews\[tt\\_news\]=35714](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35714). (accessed May 21, 2010).
- Socor, Vladimir. 2009b. Nord Stream Pipeline Project Still Short of Resources. *Eurasia Daily Monitor* 6, no. 209. [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews\[tt\\_news\]=35722](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35722). (accessed May 8, 2010).
- Socor, Vladimir. 2010. Gazprom, Romania, and South Stream Routes in the Black Sea. *Georgian Daily*. [http://georgiandaily.com/index.php?option=com\\_content&task=view&id=17197&Itemid=132](http://georgiandaily.com/index.php?option=com_content&task=view&id=17197&Itemid=132). (accessed May 16, 2010).
- Sohbet Karbuz blog. <http://karbuz.blogspot.com/2007/07/future-of-nabucco-gas-pipeline.html>. (accessed May 12, 2010).
- Solana, Javier. 2008. The External Energy Policy of the European Union. Report presented in Annual Conference of the French Institute of International Relations, February 1, Brussels: Council of the European Union, Brussels.
- Stern, Jonathan. 2008. *European Gas Security*. Visual presentation in Oxford University, January 20. Oxford, Great Britain. <http://www.energypolicyblog.com/?p=110>. (accessed May 21, 2010).
- Stulberg, Adam. 2007. *Well-oiled Diplomacy: Strategic Manipulation and Russia's Energy statecraft in Eurasia*. New York: State University of New York Press.

Valdai Discussion Club.2006. Transcript of meeting with participants in the Third Meeting of the Valdai Discussion Club, September 9. [http://www.kremlin.ru/eng/speeches/2006/09/09/1209\\_type84779\\_111165.shtml](http://www.kremlin.ru/eng/speeches/2006/09/09/1209_type84779_111165.shtml) , (accessed at April 14, 2009).

Wright, Lindsay. 2009. Pipeline Politics: Russia's Natural Gas Diplomacy, *Pipeline and gas Journal* 236, no.8: 36-40.