EUROPEAN UNION-RUSSIAN FEDERATION ENERGY TRADE RELATIONSHIP: A PARTIAL REGIME FORMATION PROCESS (1991-2008)

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This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Doctor of Philosophy.

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ABSTRACT

EUROPEAN UNION-RUSSIAN FEDERATION ENERGY TRADE RELATIONSHIP: A PARTIAL REGIME FORMATION PROCESS (1991-2008)

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Global energy trade is one of the most important topics of international relations. This thesis analyzes the European Union (EU)-Russian Federation (RF) energy trade relationship (1991-2008) within an international regime theory perspective. Main hypothesis of the dissertation is that the EU-RF energy trade relationship is an example of partial international regime based on the totality of the Energy Charter Treaty (ECT), Partnership and Cooperation Treaty (PCA) and the Energy Dialogue. This hypothesis is built on the independent variables (the transformation of the EU's energy policy towards supranationalism; convergence of the energy policy and the foreign policy of the EU; the transformation of the RF's energy policy towards pragmatic statism; convergence of the energy policy and the foreign policy of the RF), intervening variable (EU-RF energy interdependence in natural gas and oil trade) and the dependent variable (international regime formation between the EU and the RF in energy trade). There are also four

complementary hypotheses: EU's energy policy has transformed towards supranationalism (hypothesis 2); energy policy and foreign policy of the EU have practically and officially approached towards each other (hypothesis 3); RF's energy policy has transformed towards pragmatic statism (hypothesis 4); energy policy and foreign policy of the RF have practically and officially approached towards each other (hypothesis 5). Original contribution of this dissertation to the relevant literature is its detailed application of the regime theory to the EU-RF relationship which finds that this relationship is a case of partial regime formation.

Keywords: European Union, Russian Federation, Regimes, Energy

ÖZ

AVRUPA BİRLİĞİ-RUSYA FEDERASYONU ENERJİ TİCARETİ İLİŞKİSİ: KISMİ REJİM OLUŞUMU SÜRECİ (1991-2008)

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Küresel enerji ticareti uluslararası ilişkilerin en önemli konuların birisidir. Bu tez Avrupa Birliği (AB)-Rusya Federasyonu (RF) enerji ticareti ilişkisini (1991-2008) uluslararası rejim teorisi perspektifi içinde analiz etmektedir. Tezin ana hipotezi AB-RF enerji ticareti ilişkisinin Enerji Şartı Antlaşması (EŞA), Ortaklık ve İşbirliği Antlaşması (OİA) ve Enerji Diyaloğu bütününe dayanan kısmi bir uluslararası rejim örneği olduğudur. Bu hipotez bağımsız değişkenler (AB'nin enerji politikasının uluslarüstülüğe doğru dönüşümü; AB'nin enerji politikasının ve dış politikasının birbirine yaklaşması; RF'n in enerji politikasının pragmatic devletçiliğe doğru dönüşümü; RF'nin enerji politikasının ve dış politikasının birbirine yaklaşması), ara değişken (doğal gaz ve petrol ticaretinde AB-RF enerji karşılıklı bağımlılığı) ve bağımlı değişken (AB ve RF arasında enerji ticaretinde uluslararası rejim oluşumu) üzerine inşa edilmiştir. Ayrıca dört tamamlayıcı hipotez mevcuttur: AB'nin enerji politikası uluslarüstülüğe doğru dönüşmüştür (hipotez 2); AB'nin enerji

politikası ve dış politikası fiilen ve resmen birbirine yaklaşmıştır (hipotez 3); RF'nin enerji politikası pragmatic devletçiliğe doğru dönüşmüştür (hipotez 4); RF'nin enerji politikası ve dış politikası fiilen ve resmen birbirine yaklaşmıştır (hipotez 5). Bu tezin ilgili literatüre orijinal katkısı rejim teorisini AB-RF ilişkisine detaylı bir şekilde uygulaması ve bu ilişkinin kısmi bir rejim oluşumu örneği olduğunu tespit etmesidir.

Anahtar Kelimeler: Avrupa Birliği, Rusya Federasyonu, Rejimler, Enerji

To My Family

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LIST OF ABBREVIATIONS

ABBREVIATIONS

ACG Azeri-Cirag-Gunashli

BTC Baku Tbilisi Ceyhan

CFSP Common Foreign and Security Policy

CIS Commonwealth of Independent States

EBRD European Bank for Reconstruction and Development

EC European Community

ECO European Coal Organization

ECSC European Coal and Steel Community

ECT Energy Charter Treaty

EEC European Economic Community

EP European Parliament

EU European Union

EURATOM European Atomic Energy Community

GECF The Gas Exporting Countries' Forum

GUUAM Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova Group

IEA International Energy Agency

IR International Relations studies

M million

n.d. Not Defined

NATO North Atlantic Treaty Organization

OPEC Organization of Petroleum Exporting Countries

PCA Partnership and Cooperation Treaty

PSA Production Sharing Agreement

RAO-UES Unified Energy System

RF Russian Federation

SODECO Sakhalin Oil and Gas Development Company

TACIS Technical Aid to the Commonwealth of Independent States Programme

TEN-E Trans-European Energy Networks

TNK Tyumen Oil

UNCITRAL United Nations Commission on International Trade Law

USD United States Dollars

USSR Union of Soviet Socialist Republics

CHAPTER 1

INTRODUCTION

1.1. Introduction

As Zbigniew Brzezinski (Brzezinski 1997: 125) succinctly states, access to energy sources and the wealth they bring *"stir national ambitions, motivate corporate interests, rekindle historical claims, revive imperial aspirations, and fuel international rivalries"* all over world, but especially in today's Eurasia. Energy trade relationship between the European Union (EU)[1] and the Russian Federation (RF) is one of the best examples of this situation. The conjuncture especially matters for the EU and the RF which aspire to be global powers in the post-Cold War world. The EU and the RF are in a growing energy trade interdependence. However, this relationship is not a case of self-destructing geopolitical rivalry. Indeed, it has more cooperative elements than conflictive elements and it has evolving towards a regime situation. This dissertation aims to elaborate the relationship under the guidance of the regime theory which covers both cooperative and conflictive dimensions of the interdependent relations among different political actors.

[1] In this dissertation the EU is considered as a unified supranational actor for analytical simplicity even tough the EU has also a strong intergovernmental dimension in existence and policies.

Today, the world faces the threats of inadequate and insecure supplies of energy at affordable prices and without environmental harm like the climate change caused mostly by high energy use. Rising energy prices and geopolitical developments underline the role of the availability of energy resources for economic growth and human development as global energy system is getting more vulnerable to supply disruptions (International Energy Agency 2008).

As the Organization for Economic Cooperation and Development (OECD) countries import more oil and gas to meet their future demand levels, importance of major exporters (i.e. Middle Eastern countries and the RF) also grows. Global energy demand requires huge amounts of investment around USD 20 trillion between 2005-2030 in energy supply infrastructure and availability of such massive investment is not guaranteed. Investment decisions of the private and public energy companies depend on opportunities and restrictions regarding government policies, changes in unit costs and other relevant prices, geopolitical factors, new technologies, shortages of skilled personnel and equipment, cost inflation, delays in the regulatory systems (International Energy Agency 2008).

Future of gas investment levels in the RF is especially doubtful. Investment decisions of the foreign energy companies based on their ability and willingness matter most. The role of biofuels in global road transport energy needs is expected to increase as their prices fall upto 2030.The US,

the EU and Brazil are the leading biofuel producers and consumers. Potential for the production of biofuels is restricted by the availability of existing technology, trade and subsidy policies financed by taxpayers, cost-effectiveness and most importantly, existing arable lands which are also demanded by food production.

The EU does not have a fully consolidated “common” energy policy at the union level or, at least, commonness of its energy policy is much compared to that of, for instance, economic or agricultural policy. The EU energy policy takes its roots from the early days of the European Coal and Steel Commmunity (ECSC) and European Atomic Energy Community (Euratom). Broadly speaking, there are (or should be) three main (sustainability, competitiveness and security of supply) and six specific objectives (competitive single electricity and gas market, diversification of energy types and sources, solidarity among member countries, sustainable development, new technologies, research and development and a common external policy on energy) of the EU energy policy as revealed by the 2006 Green Paper (European Commission 2006c). The EU needs new or better legislative and regulatory frameworks in the member states to have a more competitive internal energy market. Regarding the objective of competitive single energy market, many national markets are still largely “national” and dominated by a few companies and official policies differ largely on regulatory mechanisms, network operators, common grid rules, balancing, additional physical infrastructure and gas strorage regimes.

Regarding supply security, the EU seeks diversity in three factors: energy type, energy exporting countries and energy transit countries. The EU has important bilateral relations with Norway, Algeria and the RF. The EU Commission also favours the creation of “a pan-European Energy Community” as a kind of “common regulatory space” around Europe with the inclusion of the Energy Community Treaty countries from South-East Europe (with the desired entries of Turkey and Ukraine), EU-Maghrep electricity market, EU-Mashrek gas market. Energy is a key component of the EU’s relations with Middle East, Organization of Petroleum Exporting Countries (OPEC), the Group of Eight (G-8), Gulf Cooperation Council, Norway, USA, China, India, Africa, former USSR. Among these, the RF is “the EU’s most important energy supplier”. The EU expects several benefits from EU-RF energy relations such as higher security, predictability, wider access to the RF’s energy market and infrastructure and regulatory convergence in line with the WTO’s general principles and the ratification of the Energy Charter Treaty and its Transit Protocol by the RF (European Commission 2006c: 3-17).

1.2. The Purpose of the Study

This dissertation aims at examining in the specific case of the EU-RF energy trade relationship considering its fundamentals and development process both from an empirical and theoretical perspective by deriving

insights from the international regime literature. This dissertation studies the possibility of describing the EU-RF energy interdependence in gas and oil trade from 1991 to 2008 (intervening variable) as an international regime (dependent variable) with regard to the impact of several independent variables (e.g. energy market transformation in the EU towards supranationalism) by applying the theoretical "interdependence approach" of Robert Keohane and Joseph Nye (Keohane and Nye 1977; Keohane 1984; Keohane and Nye 1987; Keohane and Nye 1989). After discussing the specifics of the EU and RF energy policies in detail separately in Chapter 2 and Chapter 3, main hypothesis is revisited and analyses are made through the appreciation of the interdependence theory. The merits of international regime theory for the analysis of the EU-RF energy trade are also scrutinized in Chapter 4. The main focus of this dissertation is to analyze how the EU and the RF interact in the field of energy trade and how their relationship has transformed over a certain time period between 1991 and 2008. Main conclusion of this dissertation is that the energy trade relationship between the EU and the RF can be regarded as a partial regime formation through an international regime theory perspective.

More specifically, after providing a comparative discussion of different regime theory models, I conclude that (see also my hypthothesis below) interest-based regime theory perspective as represented by the views of Robert Keohane and Joseph Nye offers a relatively more insightful understanding of this above mentioned characteristics of the EU-RF energy

trade relationship as their theoretical work (1) place a more sophisticated emphasis on the energy politics; (2) accurately highlight the power of interests in the international energy politics in addition to the wider international relations; (3) as discussed in Chapter 4, the EU-RF Energy Dialogue (Energy Dialogue) is officially based on not common values but common interests in a way matching the interest-based analysis of Keohane and Nye within the wider framework of interest-based regime theories as discussed in the literature review section of this chapter; and, finally, (4) their framework is compatible with the fact that the EU-RF energy trade relationship has both cooperative and conflictive elements, the former being the dominant ones. This theoretical application is undertaken with a belief that it would help us to develop a better, more categorized, more detailed understanding of the EU-RF energy trade relationship. Application of the interest-based international regime theory approach to EU-RF energy trade relationship would help us to understand the sophistication level, strengths and challenges of that relationship in the period of 1991-2008.

Additionally, Russian energy companies are incorporated into the analysis as they are largely accepted as the foreign energy policy tools of the Russian administration. The cases of foreign energy investments in the RF are dealt with in the same manner. EU-based companies will be dealt in less strict manner because they are largely autonomous from the European governments. This is not to say that European energy companies has nothing to do with the official energy policies at the national and EU levels,

but governments and the energy companies in the EU are not as interwined as they are in the RF.

1.3. Significance of the Problem

Energy policy issues have been rising on the agenda of the national governments and the international organizations. Indeed, this is not a totally new phenomenon but a return of the importance of the energy politics after a while at least since the oil crises of the 1970s. Given this international background, both the EU and the RF have been asserting themselves as they are among the leading energy import and export countries respectively in the post-Cold War world politics. Their interaction deserves to be analysed in depth to understand the transformation of international energy politics in our times. Hence, this dissertation attempts to provide a scientific analysis of the energy trade relationship between the EU and the RF. It is an interesting endeavour to try to understand how the EU and the RF interact with each other on both conflictual and cooperative bases.

At this point, theoretical aspect of this study gains importance. Despite some criticisms of being a temporary academic fashion to a large extent by sceptic researchers like Susan Strange (1988), international regime theory still remains as a useful analytical tool in International Relations studies (IR) to examine phenomena like the energy trade policy relationship of the EU and the RF. Regime theory helps to gain a better

understanding of the mainly cooperative EU-RF relationship. Regime elements have stabilizing and pro-institutionalization effects on the EU-RF energy trade relations. Sub-varities of the international regime theory offer different perspectives which emphasize knowledge, identity or interests. Multidimensional aspects of international energy politics is ready to benefit from all these perspectives to some extent. In this study, I, first provide a comparative discussion of these points of view. Next, I emphasize the explanatory power of the interest-based international regime theory perspective as represented by Robert Keohane and Joseph Nye as an appropriate explanatory framework that can be applied to the study of the energy trade relationship between the EU and the RF.

1.4. Main Research Question

Can we describe the EU-RF *"*interdependence*"* in natural gas and oil trade (intervening variable) as an "international regime" (1991-2008) (dependent variable) considering the impacts of the energy policy transformation in the EU towards supranationalism (independent variable 1); convergence of the energy policy and foreign policy of the EU (independent variable 2); the energy policy transformation in the RF towards pragmatic statism (independent variable 3); convergence of the energy policy and foreign policy of the RF (independent variable 4) in the light of the theoretical *"*interdependence approach*"* formulated by Robert Keohane and Joseph Nye in a series of their separate and co-authered works (Keohane

and Nye 1977; Keohane 1984; Keohane and Nye 1987; Keohane and Nye 1989) within the framework of IR? It has to be noted that all variables are more or less connected with each other, so they should not be considered in isolation from each other just because they are separately organized under some separate categories for analytical simplicity. Time scope of this dissertation is limited to the 1991-2008 period but a few post-2008 commentaries will be also provided.

1.5. Hypothesis

My main hypothesis (Hypothesis 1) is as follows:

The EU-RF energy trade relationship (1991-2008) is an example of partial international regime based on the totality of the Energy Charter Treaty (ECT), Partnership and Cooperation Treaty (PCA) and the Energy Dialogue.

The partiality of the regime is a result of the non-ratification of the ECT by the RF. Nevertheless, there are at least six factors, which makes it possible to interpret the EU-RF energy trade relationship as a case of (partial) international regime: (1) Signing and provisional implementation of the ECT by the RF until 2009 despite its non-ratification in the Duma. The RF still remains as a signatory state to the ECT, and hence, a participant of the ECT framework (as of 2011); (2) Decision of an ad hoc tribunal sitting at

the Permanent Court of Arbitration in the Hague for the continuation of the ECT's legally binding power over the RF until 2029; (3) Ongoing EU-RF negotiations (to be completed in late 2011-early 2012) to launch a new treaty which will combine and enhance the elements of the ECT, PCA and the Energy Dialogue in a more consolidated manner; (4) Particular contributions of the PCA and the Energy Dialogue to the institutionalization of the EU-RF energy trade relationship at the official and technical expertise level. The PCA and the Energy Dialogue provided the basis for joint guidelines and decision-making procedures; (5) Rising mutual energy trade volume which is the primary basis for the EU-RF interdependence; (6) Fundamental commitment of the EU-RF to enhance their energy trade despite their protectionist reflexes. Based on the pillars of the ECT, PCA and the Energy Dialogue, these factors enables us to define the EU-RF energy trade relationship (1991-2008) as a case of partial regime formation that evolves towards a fuller regime framework (post-2008 period). Wider explanations of these factors will be provided in the relevant chapters.

Box 1. List of Variables of the Main Hypothesis (Hypothesis 1):

Independent variable 1 (A): The Transformation of the European Union's Energy Policy towards Supranationalism

Independent variable 2 (B): Convergence of the Energy Policy and the Foreign Policy of the European Union

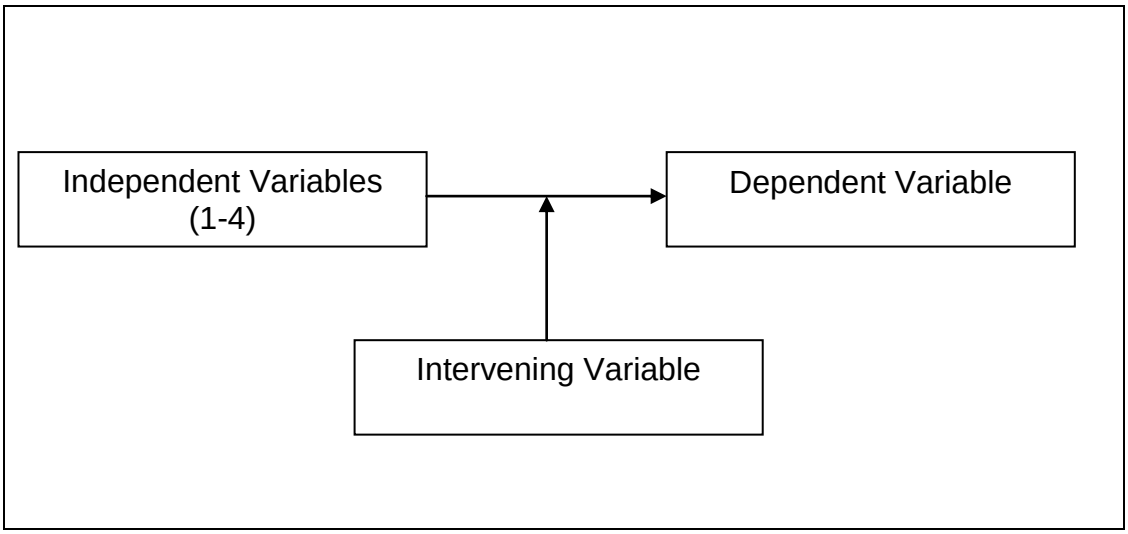
Independent variable 3 (C): The Transformation of the Russian Federation's Energy Policy towards Pragmatic Statism

Independent variable 4 (D): Convergence of the Energy Policy and the Foreign Policy of the Russian Federation

Intervening variable (E): EU-RF energy interdependence in natural gas and oil trade

Dependent variable (F): International regime formation between the EU and the RF in energy trade

Box 2. Relationship Among the Variables of the Main Hypothesis (Hypothesis 1):



Other complementary hypotheses related with the first (main) hypothesis are as follows:

Hypothesis 2:

European Union's energy policy has transformed towards supranationalism.

Hypothesis 3:

Energy policy and foreign policy of the European Union have practically and officially approached towards each other.

Detailed discussion of hypothesis 2 and hypothesis 3 are presented in Chapter 2.

Hypothesis 4:

Russian Federation's energy policy has transformed towards pragmatic statism.

Hypothesis 5:

Energy policy and foreign policy of the Russian Federation have practically and officially approached towards each other.

Hypothesis 4 and hypothesis 5 are examined in Chapter 3.

1.6. Literature Review

Study of international regimes has been one of the most important developments in IR with regard to understand the mechanisms of international cooperation. International regime theory was introduced in the 1980s as a reply to the large ignorance of the international institutions in the neorealist IR theory (Krasner 1983a, 1983b). Neoliberal regime theorists like Keohane (1984) discovered that even if the anarchical structure of the

international system reveals problems to undertake collective action and puts constraints on the world countries to cooperate, they can still collaborate in many fields thanks to the effects of the growing impact on interdependence. Countries accept rules through international organizations or informal regulations and develop a common understanding of acceptable and non-acceptable type of behaviour in their relations. Another reason for the growing interest in the study of international regime has been the observed inefficiency of the hierarchical and over-developed international organizations in practice.

Study of international regimes have diverted the research focus in the IR from the classical international organizations like the UN to a new variety of issue areas. Such examples of international regimes are rules regarding international telecommunications (Cowhey 1990). the Arctic Environmental Protection Strategy (Young 1989) and GATT (Grieco 1990). Later studies of international regimes have been shaped by the new debate between rationalism representing both neorealism and neoliberalism on the one hand and contructivism on the other hand. This focus shift in the debate has been between rationalism's material structures like power and interest and constructivisms social structures like ideas and norms. Of course, there have been a number of sceptic views like Susan Strange (1988) who claims that international regimes are hardly existent or not existent at all.

The international regimes literature can be grouped under the two major following categories for the purposes of this dissertation. These are (1) general studies which deal with the core definitional and theoretical issues and (2) the case-specific studies which apply international regimes theory to the studies of leading issues of the field like environment, European Union integration, food, health, human rights, globalization, IR, international law and international trade. Selection of these case-specific works reflect the major trends in the overall international regime theory field. Of course, there are numerous overlaps among all these sub-literatures. For example, a general theoretical work may suggest novel insights for international trade regime issues or a publication on the international environmental regimes may attempt to make broad theoretical contributions. Therefore, categorization of the literature here is mainly an operational one for the scope of this dissertation. This dissertation seeks to benefit from all these works whenever possible to derive insights regarding the definitional and theoretical data they would present.

John Ruggie has been the first researcher that introduced an early definition of international regimes. Ruggie has suggested the following definition to provide a relevant concept that would define the perfomance of the international organizations regarding international cooperation. Ruggie argues that:

> *[i]n depicting the 'collective response' of states to collective situations occasioned by science and technology, I will differentiate among three levels of institutionalization: (1) the purely cognitive, which I will call 'epistemic communities; (2) that consisting of sets of mutual expectations, generally agreed rules, regulations and plans, in accordance with which organizational energies and financial commitments are allocated, and which we are calling 'international regimes; and (3) international organizations (*Ruggie 1975: 569).

Strange (1981, 1982, 1988, 1998) has a critical perspective on international regimes. Strange argues that regime theory is only a temporary theory devised to legitimize American global hegemony working through international institutions and other arrangements. Regimes are simply biased to favour American interests everywhere, especially in international economy. Strange's criticisms are valuable as long as they would remind us that the international relations are not governed by symmetrical and just practices and distribution of power. This is especially the case considering the extent of global American power which was at its height when Strange first stepped into the field. It is perfectly legitimate to argue that international bodies like IMF and the World Bank function as tools of US-dominated global economy. Additionally, Strange's views are still considerably relevant in the post-Cold War and post-September 11 periods. A number of works in the IR literature argue that the US power is in decline but it is obivous that the US is still the strongest country in the world in economic, military and technological

terms. Despite all these justifications on the side of Strange, Strange's criticism of regime theory is excessive because it categorically denies the legitimacy and autonomy of all examples of regimes. All regime cases do not have to reflect American interests per se. The EU-RF energy trade is an example of that. It is correct that both the EU and the RF are only secondary powers compared to the US and they constantly face structural pressure to be compatible with the US in one way or another in any policy area, but the EU-RF energy trade regime is not devised to foster American interests in the EU or the RF. Briefly speaking, Strange's criticism of international regimes is only partially relevant when it comes to highlight the relationship between international regimes and American interests.

Gale (1998) criticizes Strange's perspective for being static about the nature of the global political economy and the role of regimes in it. According to Gale, regime theory does not have to be neoliberal or neorealism oriented, and/or, hence, pro-American hegemony. On the contary, regime theory and regime cases can be assessed within a neo-Gramscian framework which is basically a novel interpretation of Marxism. Such an application of regime theory can enable us to analyse the global political economy with a focus on the global civil society actors. According to Gale, a neo-Gramscian regime theory proves that regimes may serve non-hegemonic purposes and open new paves for the involvement of civil society actors in global politics.

Ruggie's pioneering definition was later developed at an experts conference chaired by Stephen Krasner in the early 1980s. The specific definition emerged in the conference was gradually accepted in the literature as the most common definition of international regimes. Krasner formulated this consensus definition as follows:

> *[R]egimes are sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations. Principles are beliefs of fact, causation, and rectitude. Norms are standards of behavior defined in terms of rights and obligations. Rules are specific prescriptions or proscriptions for action. Decision-making procedures are prevailing practices for making and implementing collective choice (Krasner 1983: 2*).

According to Krasner, this definition draws attention to the relationships among the various elements of regime structures. Secondly, it also shows the two different levels of regime change. Accordingly, a regime itself changes if its principles or norms change and, subsequently, a new regime emerges. However, changes in rules and procedures are internal developments and do not result in a regime change (Krasner 1983: 3-4).

Since 1980s, Young has been one of the most prolific contributors to the literature of international regimes especially in the field of environmental

politics. His earlier works are mainly occupied with the formation of international regimes. He basically suggests that international regimes are social institutions arising from the interactions of the related actors over a period of time. Regimes may appear as spontaneous orders, negotiated orders or imposed orders. Changes in regimes occur as a result of internal contradictions, shifts in power structures and exogenous pressures. Young's later works mainly deal with the linkage between "governance" and "regime" concepts. Young basically postulates that governance is a type of deepened regime based on more decentralized interaction among the interested actors (especially civil society actors) in an issue area on a truly global scale. He develops his ideas on the governance-regime relationship through two major paths. Firstly, based on the premise that international regimes are dynamic structures, Young examines the effectiveness of international regimes and their change processes over time. Secondly, he tries to derive insights from the collective action perspective developed by economics, sociology and anthropology. Young's interest in governance based on the theoretical and practical infrastructure provided by the regimes is an early sign of similar works by other authors until today.

Following Young, researchers like Zacher (1999), Lynn, Heinrich, Hill (2001), Held and McGrew (2002), Luck and Doyle (2004), Drezner (2007), Martin (2008), and Yu (2008) further elaborate on the governance-regime relationship by focusing on specific case studies (e.g. environment, globalization, internet, intellectual property rights, food security). Apart from

his above mentioned theoretical works, most of Young's work has focused on the empirical dimension of environmental regimes. One of his latest works has been the development of an international environmental regimes data set in collaboration with Breitmeir and Zurn (Breitmeier, Young and Zurn 2007).

O'Meara (1984) considers that international regimes cannot be explained within the then conventional framework of IR theories. International regimes are an anomaly for the state and power orientedness of IR. International regimes can help the IR to move beyond this restricted theoretical perspective. O'Meara suggests John Burton's World Society model or cobweb theory as a concrete tool for this transformation. Burton maps world society as an amalgamation of cobwebs of not only states but individuals interacting with each other with varying densities. Domestic politics and world politics cannot be separated from each other. Given the systemic pressure on them, states try to benefit from the international regimes to control the complexity of world politics in a semi-futile manner. According to O'Meara, Burton's tool is important because presents a kind of progressive option for the state-centric IR paradigms to acknowledge the complexity of world politics that goes beyond the traditional capabilities of states. Regimes are an option to manage this complexity to some level (O'Meara 1984).

Strange's analysis has not been the only type of criticism directed at the regime theory. Above mentioned definition of international regimes nearly standardized by Ruggie (1975) and Krasner (1983) is widely accepted in the literature as a consensus definition but opposing views calling for revisions also exist. For example, Kratochwil and Ruggie (1986) question the internal coherence of this definition. According to them, rules and procedures deal with observable behaviors but principles and norms are related with shared beliefs. Kratochwill and Ruggie point that reliance on covergent expectations as the source of regimes results in viewing regimes in an intersubjective manner. The definition is also criticized for being too complex composed of numerous elements.

With regard to the complexity problem about how to define international regimes, Robert Keohane brings a relatively simpler definition. Keohane defines international regimes as *"institutions with explicit rules, agreed upon by governments, that pertain to particular sets of issues in international relations" (*Keohane 1989: 3). According to Keohane, international regimes are basically a kind of international institutions that can be defined as *"persistent and connected sets of rules (formal and informal*) *that prescribe roles, constrain activity, and shape expectations"* (Keohane 1989: 3). International organizations can be classified under three categories which are formal intergovernmental organizations (IGOs) or transnational nongovernmental organizations (NGOs), international regimes and, finally, conventions (informal institutions). Keohane argues that conventions evolve

into regimes which in turn evolve into organization through increased institutionalization. Keohane's definition is not shared by all researchers but it has still some weight in the literature.

Keohane and Nye (1989) provide a neoliberal interpretation of interdependence and international regimes by suggesting precise definitions (Their definitions are also widely employed in this dissertation). Having pointed that actions of a state are now readily affected or even determined by a combination of internal and external forces, they define interdependence as situations shaped by mutual interactions among different countries. Such interactions are often represented by international flow of money, people, goods and intellectual values across national boundaries. Interdependence occurs when reciprocal but not necessarily symmetrical transactions costs emerge. If there are no "significant cost effects", there is simply the case of interconnectedness. Interdependence may or may not be mutually beneficial. Keohane and Nye warn that especially asymmetric interdependence naturally produces a clearly uneven relationship among the actors involved and provides one or few actors relatively more leverage on the actors. Interdependence does not idealistically point to a fully even relationship but basically reflects a relationship based on mutual dependence among the relevant actors. So, even tough interdependence is more conducive to cooperation it does not necessarily guarantee it (Keohane and Nye 1989: 8-9).

Keohane and Nye also examine the main characteristics of international regimes. Governments are the sole founders of international regimes. They establish regimes through the introduction of a set of procedures, rules and institutions to perform, regulate or control specific tasks in a given international policy field (Keohane and Nye 1989: 5). Major examples of such policy domains are international monetary policy, environmental protection, fisheries conservation, global meteorological coordination, international food policy, international shipping policy, activities of multinational corporations, international trade and international telecommunications policy (Keohane and Nye 1989: 19-20).

Since international rules are not as powerful and systematic as domestic rules, international regimes are often misunderstood as weak arrangements but this is not the case. Be they formal and comprehensive or informal and partial, international regimes have the capacity to influence interdependent relations among a few or many countries. Regimes may or may not be incorporated into formal treaties. Their success depends on the specific issue-area or time period in different cases. The EU itself has been a successful and comprehensive case of regime formation and maintenance in its own right. OECD is another positive example. The WTO which descended from the GATT is the best known international trade regime. The WTO regime also examplifies the power of international treaties to empower and consolidate an international regime. Keohane and Nye also point that international regimes derive their power from the loyalty and commitment of

their participants. If the participants neglect the tasks to maintain a regime, that regime simply fades away over time (Keohane and Nye 1989: 19-20).

Partiality aspect of international regimes as elaborated by Keohane and Nye is a key point in this dissertation's hypothesis. Reiterer also discusses the partiality of regimes in the case of ASEM (The Asia–Europe Meeting).[2] Adhering to Krasner's definiton, Reiterer states that:

> *"The elements of this [Krasner's] definition are useful tools for evaluating cooperation in ASEM as they allow a dynamic interpretation taking into account the pragmatic and functional development of ASEM. As mentioned above, the ASEM process has produced in its economic pillar best practices not only for state actors but also businesses which are additional to AECF 2000 [Asia-Europe Cooperation Framework adopted in 2000] which contains "principles, norms, rules and decision making procedures". […] However, the body of rules laid down in AECF 2000, various follow-up agreements on ASEM working methods and the actual practice of conducting ASEM matters, not least through the special feature of four co-ordinators, provide enough elements to qualify ASEM as a partial regime or a regime in statu nascendi ["in status of birth"] as the*

[2] ASEM is an interregional forum established in 1996 in Bangkok. ASEM consists of the EU, ASEAN Plus Three (ASEAN, China, Japan, South Korea) countries, India, Mongolia, Pakistan. Three policy pillars of the ASEM are political dialogue, security and the economy, education and culture. Main objective of ASEM is to deepen the EU-Asian relations. Biannual meetings of heads of state are main decision-making structures. Lower level official meetings (e.g. ministerial) also take place. ASEM does not have a secretariat and institutional body. Asia-Europe Foundation, a non-profit organization, is the only body established by the ASEM process (ASEM InfoBoard Unspecified Date).

expectations of partners have not converged at the same intensity in the three pillars of ASEM." (Reiterer 2004: 17)

As seen from the analysis of Keohane, Nye and Reiterer partiality is one of the possible characteristics of international regimes. As it will be discussed in detail in the following chapters, some partiality features like body of rules, follow-up agreements on working methods and actual practice of handling issue area matters through mutual coordination are well present in the ECT, PCA, Energy Dialogue pillars of the EU-RF partial energy regime. Indeed, the EU-RF relationship is much more official, detailed and institutionalized compared to the ASEM. Compared to the ASEM which has a pretty loose institutionalization level, it is very reasonable to define the EU-RF energy trade relationship as a partial regime at the very least. This point is further supported by the views of researchers like Stokhof (2004), Yepes (2004), Bersick (2004) who do not hesitate to accept the ASEM as a full/regular regime. To put in a simpler way, if ASEM is a (partial) regime, then the EU-RF energy trade relationship is more than eligible to be defined as another (partial) regime.

A number of authors compare international regimes theory to the English School Theory of IR. As a version of liberal IR theory with constructivist leanings, the English school basically accepts that the states exist in a kind of international society at the international level. The lack of a central international authority does not impede this situation. War, great

powers diplomacy, balance of power and international law are the leading factors that define this international society. Even tough English School is generally associated with the British Empire's legacy, authors like Martin Wight point to the medieval concept of *societas Christiana*. Evans and Wilson argue that international regime theory and the English School have things to learn from each other (Evans and Wilson 1992).

Evans and Wilson make their comparison in six areas: Groatianism (leading intellectual source of English School; views of 17th century Dutch jurist Huig de Groot who viewed international politics as an activity of international society in which states are not bound only by prudence and expediency but also morality and law, see Cutler 1991); power and interests; institutions; interdependence; intellectual origins and methodology. To conclude, major weakness of the regime theory appears as its lack of historical depth regarding the transformation of the international system and the international history of thought. Regime theory is occupied with issues of progress in the scientific, technological and economic field. On the other hand, English School has problems to handle the economic and technological variables. It also largely ommits the various forms of international cooperation shaped by economic and technological factors. According to Evans and Wilson (1992), these weaknesses give both theories to learn from each other and develop themselves.

In the same vein, Buzan examines the similarities and differences between the international regime theory and the English School. In line with Evans and Wilson (1992). Buzan concludes that both theories can form a synthesis that would show that the English School's international society concept is an intellectual prerequisite and necessity for the development of international regimes. Convergence of international regime theory and the English School can also open channels for a broader approachment between the realist and liberal paradigms of the IR (Buzan 1993).

Hurrell (1993) makes a similar examination between the English School's international society and the international regime theory. Hurrell makes a comparison between the two regarding international cooperation and international law. He tries to place international regimes within the international society approach. Regime theory is useful as it has introduced more rationalist explanations about international norms, reciprocity and different forms of cooperation. However, regime theory also shows weaknesses when it comes to normative issues. Regime theory also ommits the specific and technical characteristics of international law. Hurrell implies that international society approach has a broader perspective than the regime theory as the former widely appreciates international law which provides the means for procedural rules that define power games and the identity of the players. International law is the bearer of the notion of obligation in the minds of the decision-makers.

Comparisons between international regime theory and other approaches do not necessarily lead to calls for theoretical syntheses within the larger framework of IR. For example, Crawford (1996) claims that it is a futile attempt to try to place the regime theory and other liberal approaches within the classical dominant IR approaches, namely, realism. This is the case considering the problems of realism to understand and explain the complexities of the international system apart from its state and power oriented premises. Crawford reaches this conclusion after a broader examination on the role of the theory in IR studies. He also criticizes the American-centric neoliberal tendencies of both the mainstream regime theory and the IR in general. Crawford's statements suggest that regime theory is far from forming a synthesis with conventional approaches.

Levy et al. (1995) provide a then up-to-date review of the regime theory literature. Apart from this contribution, their actual objective is to contribute to the new turn in the literature which focuses on what makes international regimes more efficient rather than what causes their formation them in the first place. The authors argue that regime effectiveness has generally become a more important issue as regime formation has been already evaluated in depth in the literature. Before moving to deal with the regime effectiveness question, the authors briefly discuss the robustness of international regimes. They argue that once established international regimes can be quite persistent and robust. International regimes can simply survive even when their original surrounding significantly changes. Changes

in power distribution, overall relations, commitment/implementation gaps and unsatisfying outcomes are examples of the challenges which would be faced by a robust regime. The authors also point that regime robustness studies do not necessarily explain regime decline or decay. Regime decline is ought to be dealt by newer studies in the future. The authors assess regime effectiveness by referring to regime consequences. International regimes can produce direct, indirect, internal, external, positive and negative results. To conclude, Levy et al. identify a set of factors (e.g. power patterns, distribution of influence, nature of the issue area) that determine regime efficiency.

Samhat (1997) examines different forms of political community as discussed in IR theories: state; international society and functional society. Secondly, she extends her examination into an exploration of the debate between neorealism and neoliberalism with regard to international regimes. Samhat epmhasizes the so called interpretivist turn found in the application of knowledge and ideas to institutions as undertaken by the neoliberals. Thirdly, Samhat incorporates critical theory into her discussion with an emphasis on critical theory's interpretivism and emancipation. She derives three criteria from those discussions to analyse regimes as political communities. The criteria are (a) adherence to ethical principles; (b) involvement of non-state actors in international politics; and (c) worldwide inclusion. Samhat applies these criteria to the issue areas of International Framework Convention on Climate change and evolving place of human

rights in international politics. Samhat concludes that international practices and politics need a normative commitment which can filled by the recognition of international regimes not as extension of statist politics but as legitimate bearers of that normative content. Universal inclusion of all interested actors in international regimes is prerequisite for that transformation (Samhat 1997).

Kibaroglu's (2002) work on the Eupharates-Tigris rivers system is a notable case study of how interdependence would be governed among neighbouring countries (Turkey, Syria, Iraq) regarding basic natural resources. Kibaroglu's analysis departs from the concerns of avoiding ineffective management of the water sources and, secondly, possible future conflict among these countries for the control of water. Having analysed the actual political economy of hydro-political interdependence in the region, Kibaroglu suggests a normative regime framework in the form of comprehensive institutional setting to govern the then uncoordinated interdependence in question towards more water security. Core principle of her regime model is the "equitable and reasonable utilisation" of regional water resources. According to her analysis, such a regional regime can be also useful for more cooperation regarding regional electricity and oil trade as well. Kibaroglu's work is an example of a detailed "suggested regime" based on a detailed analysis of an actual interdependence case.

Some recent works on international regimes show an ongoing tendency on the implementation of regime rules and efficiency of regimes with an accompanying focus on regime formation as well. Sjöstedt (2003) argues that regime effectiveness has been given too much attention in the literature at the expense of obtaining basic knowledge about regime formation and calls for more research on regime formation. Regime effectiveness is closely linked to the formation and change dynamics of regimes. Sjöstedt also points that there is still an ongoing difficulty and ambiguity when it comes to find fully satisfactory criteria to distinguish the components (principles, norms, rules, procedures) of a regime from each other. Yet conventional categorization of these components are still analytically useful. Zartman (2003) tries to bring a new focus on regime formation in addition to its efficiency and implementation issues. According to Zartman, regime building is not only a matter of international legislation and implementation but an ongoing process of negotiation. Postagreement negotiations taking place among the building actors and their sub-units (e.g. national bureaucracies) is as important as the the preagreement negotiations which basically establish regimes in question. Founding parties are influenced by regimes but they keep searching for ways of adjusting regime rules to their approach as much as possible. In other words, regimes are highly dynamic structures in which continous sets of negotiations always go on.

Furstenberg (2008) makes another novel analysis on the question of regime efficiency. Furstenberg argues that many international regimes, especially his case study Kyoto Protocol, includes too many overpromising commitments which make it difficult to assess their actual performance. Highlighting both the evolutionary and consequential aspects of Kyoto Protocol, he puts that regime building states systematically place overpromising components in regimes for matters of domestic politics. Lack of sufficient coordination among the regime building states is another problem which hinders performance measurement. Furstenberg states that overpromising regime targets and coordination frameworks need to be revised for obtaining rational outcomes.

Democratization and transparency issues are another aspect of international regimes. Broadly in line with earlier researchers who have studied the problematic relationship between international regimes and global civil society, Payne and Samhat (2004) examine the democratic gap in international insitutions and regimes. They consider that international regimes are getting more democratic in response to growing protests of non-governmental bodies against the secretive and excluding structures and practices of most international institutions especially in the 20th century, notably the World Trade Organization. Payne and Samhat argue that more inclusion of international civil society actors in international regimes is a solution for their legitimacy problem.

Breitmeier (2008) too, deals with the legitimacy problem of international regimes. Breitmeier discusses the impact of international regime on the justification of obedience in international politics and the importance of institutional mechanisms and inclusion of non-state actors for the enhancement of the legitimacy of international regimes. He concludes that the contribution of these factors to the legitimacy of international regimes is important but not absolute. Breitmeier also points that importance of states still persist in the formation and transformation of international regimes despite the relative rise of global civil society.

Considering the specific topic (EU-RF energy trade) of this dissertation, a brief selection of the relevant literature can be provided as follows. General or international (mainly USA originated) energy studies literature can be examplified as Daniel Yergin's *The Prize: The Epic Quest for Oil, Money and Power* (1993).; Michael T. Klare's *Resource Wars* (2001) and *Blood and Oil* (2004).; Ferdinand E. Banks's *Energy Economics* (2000).; George Anderson's "Markets, Geopolitics, Energy Security and Sustainability" (2004).; Philippe Le Billon's (ed.). *Geopolitics of Resource Wars: Resource Dependence, Governance and Violence* (2005).; M. Balat's "Status of Fossil Energy Resources: A Global Perspective" (2007).; and Katherine Blundell's *Energy: Beyond Oil* (2007). These works reflect the geopolitics oriented analysis in the mainstream energy policy and energy security literature with emphasis on the "great powers" and USA hegemony.

Examplary works on the EU studies and EU energy policy including Svein S. Andersen's "European Integration and the Changing Paradigm of Energy Policy - Discussion Notes" (2000).; Jeffrey Harrop's The Political Economy of Integration in the European Union (2000).; Martha M. Roggenkamp's et al (eds.). Energy Law in Europe: National, EU and International Law and Institutions (2001).; Anil Hira and L. Amaya's, "Does energy integrate?" (2003).; Marek Jaczewski and Tomasz Golec's "Energy Problems of Central East Europe" (2004).; and Jan Kjärstad and F. Johnsson's "Prospects of the European gas market" (2007) examine the internal energy policy questions of the EU with regard to several factors including official decision making, enlargement and geopolitics of the Union.

Some of the books and articles on general Russian studies and RF Energy policy are James H. Billington's "The West's Stake in Russia's Future" (1997).; Christian von Hirschhausen and Hela Engerer's "Post-Soviet Gas Sector Restructuring in the CIS: A Political Economy Approach" (1998).; Gawdat Bahgat's "The New Geopolitics of Oil: The United States, Saudi Arabia, and Russia" (2003).; David Kennedy's "Liberalisation of the Russian Power Sector" (2003) among others. Major themes of this section of the RF Energy Policy literature evolves around the disscussions of liberalization and internationalization of the RF's energy market. Again, as in the case of the general works on energy, economics and geopolitics are other important considerations.

There is also gradually developing small literature on the EU-RF energy relations. This literature can be accepted as a kind of derivative of the mainstream energy policy and security literature. However, its major difference or tendency is its focus on the EU's energy security under the assumption that the EU is more or less capable of being an unified and equal partner of the RF and their relations is a kind of interdependence. There are only very few examples of work which aim to analyse the EU-RF energy trade from a fully presented theoretical perspective. Proedrou (2007) probably appears as the only satisfactory exception. He extensively relies on the approaches of Keohane and Nye as this dissertation would do. His work proves that the interdependence-regime formation framework of Keohane and Nye is still very relevant, up-to-date and sufficient to provide a solid theoretical perspective to examine the EU-RF energy trade relationship.

However, Proedrou's work is short of extending the interdependence analysis to a more comprehensive regime theory perspective. This dissertation aims to fill this gap by providing a detailed discussion on the interdependence-regime formation dimension of the EU-RF energy trade relationship. As a more recent work, Haukkala (2010) briefly refers to regime theory to explain the "general" EU-RF relations but Haukkala's work seems to be entirely ommitting the mutual energy trade relationship which is indeed a very important component of the EU-RF relations.

This dissertation can be broadly placed within the “regime formation” discussion/analyses of the international regimes literature. Unique contribution of this dissertation is its comprehensive application of international regime theory (more specifically interest-based approach formulated by Keohane and Nye) to the actual case of the EU-RF energy trade relationship. Main finding of the dissertation is its categorization of the EU-RF energy trade relationship as a case of partial regime formation based on interdependence. In this manner, this dissertation goes beyond similar works which deal with the EU-RF energy trade only as a form of interdependence or those works which discuss the general EU-RF relationship with no or little direct reference to the regime theory and/or the energy trade dimension of the EU-RF relationship.

Of course, this dissertation is not a conclusive work on the subject. It is always possible to interpret the same phenomenon from different perspectives. Considering the development line of the regime literature provided below, we know that regime literature has moved beyond fundamental questions on the formation and major characteristics of regimes. For example, regime efficiency and global governance have been the recently rising research areas in the field. Nevertheless, there is still plenty of room for research regarding the basic or classical questions on regime formation and characteristics. The EU-RF energy trade relationship is one of the subjects that fits into this category.

The EU-RF energy trade relationship is far from being sufficiently examined from the regime theory perspective. This is especially the case for its core features and transformation line. It is slightly premature to discuss the “efficiency” of this (partial) regime before studying its formative stage in depth in the first place. It would also be a theoretically over-stretching step to try to examine it from the global governance approach. Considering that we are still in the initial stages of examining the EU-RF energy trade relationship, this dissertation primarily deals with the basics (formation and fundamental structure) of this relationship.

As stated above international regime theory was born within the IR studies in the US in the 1970s and spread to Europe (Rittberger 1993). A Europe based definition of international regime theory classifies international regimes under three categories: power-based (realist). interest-based (neoliberal) and knowledge-based (cognitivism) approaches (Hasenclever, Mayer and Rittberger 1997). However, American researchers have developed a second categorization composed of neorealism, neoliberalism and constructivism (Katzenstein et al. 1999). However, these two sets of categories do not vary widely. Indeed, many of their aspects considerably overlap.

1.6.1. Categories of Regime Theories

1.6.1.1. Power-based Theories

Power-based theories of international regimes hold that competitive factors within the anarchical international structure drive the self-interested countries to rely on self-help rather than other-help. All states are recommended to focus on secondary gains (relative gains) even if they all have chance to benefit from mutual gains (absolute gains). The rationale behind this kind of action is to prevent other competitor states to still gain more power through secondary gains. This competitive pattern of state behaviour makes it difficult to establish and maintain international regimes (Grieco 1988). However, power-based theories still acknowledge the possibility that international regimes can emerge under specific circumstances.

Hegemonic stability theory is one of the power-based theories. It basically argues that the emergence of a hegemonic power increases the likeliness of regime formation. A regime would also decline when the supporting hegemonic power behind that regime falls. According to Kindleberger, who suggested the hegemonic stability theory first time as a result of his study of the interwars years of international economic crisis in the 1920s-1930s, a stabilizing power is needed for the stabilization of the world economy (Kindleberger 1973: 305). Kindleberger's theoretical

argument itself is based on Olson's concept of collective action. As Olson puts it, individuals work for a common interest only when this interest is nonexcludable, that is, once this common interest is made available all interested individuals will not hesitate to consume it. Also all individuals would consider that it is not profitable to the production of a public good, but to exploit others who are already working for that. Here the problem is that if all individuals act this way, that public good in question could not be produced at all. However, Olson states that public good can be produced under some certain conditions if the number of the individuals in question is very small or one particular individual or some of them are ready to work for the production of the public good on their own or a kind of coercion mechanism exists to push the individuals to contribute to the production of the public good (Olson 1965: 2, 49).

In Kindleberger's analysis a liberal world economy is a public good. Kindleberger's example is the role played by Britain in the nineteenth century until the end of the World War I. After the war, Britain lost its capacity to provide the basic infrastructure of the liberal world economy. Given the reluctance of the US to undertake this task, world economy suffered from growing protectionism and the coming of the Second World War. Robert Gilpin also contributed to the development of the hegemonic stability theory by examining the dominant role of the US to support the new economic world order after the war through international bodies like the GATT, World Bank and the IMF. Gilpin pointed out that this new American-led economic

world order known as the Bretton Woods system entered a period of decline beginning from the 1970s (Gilpin 1987).

Balance of power theory which takes its roots from ancient times is another example of the power-based international regime theories. Basic premise of this theory is that the a rise of a hegemonic power in the international system produces a negative effect on the prospects for international cooperation because this rise pushes the other countries to seek measures to counterbalance that hegemonic power. As Waltz puts, other states try to balance the hegemon by two means. Firstly, they try to develop their own power capabilities known as the internal balancing process. Secondly, they seek the help of potential allies in the form of an alliance or coalition if they cannot achieve success alone. This second process is called external balancing. Additionally, they may prefer to "bandwagon" with that hegemonic power but in most cases they do not even if they are remarkably weaker than the hegemon. They basically prefer to balance the hegemon because the feeling of threat they perceive is strong enough to push them to do something against the hegemon (Waltz 1979). Building on Waltz's explanations, Walt (1990) proposes another alternative view on the same phenomenon. According to Walt, states generally seek to balance against perceived threats based on the assessment of the hegemon's intentions rather than direct display of hegemonic power.

1.6.1.2. Interest-based Theories

Interest-based theories of international regimes basically argue that the growing interdependence among different countries in numerous issue areas increase the demand for regime formation. Thus, international regimes act as a kind of tool that facilitates the production of public goods. International regimes come into existence to deal with collective action issues, market crises, coordination needs and transaction costs which all pose obstacles to international cooperation. Interest-based theories acknowledge some of the arguments of the power-based theories such as the relationship between anarchy and self-interested behaviours of the states in the international system, but they furthermore claim that international cooperation can still emerge in the international system under certain circumstances. They also appreciate the importance of factors like power and anarchy in the international system but they state that such issues are simply exaggerated by the realists like Waltz and Gilpin. Interest-based theories argue that a form of informal global governance represented by international regimes is a real phenomenon even tough a formal international hierarchy of auhority does not exist (Keohane 1982, 1984, 1993; Milner 1997; Young 1998).

Robert Keohane has been the leading theorist of interest-based theories of international regimes.[3] According to Keohane, even if we accept anarchy as the ruling pattern of international relations, we still have to explain how institutionalized forms of cooperation can also exist. He states that states frequently make specific agreements in different policy areas with other states. In the deepening process of the world economy, states gradually discover that it is ineffective to negotiate each specific issue with other countries in a repeating cycle so they begin to seek some ground rules acceptable for everyone and negotiate new agreements beginning from this point. This is the exact role played by international regimes. International regimes can lower transaction costs, converge different perspectives and facilitate the negotiation process regarding different issue areas (Keohane 1982).

Keohane claims that power-based theoretical assumptions can still lead to interest-based results. Challenging the restrictive assumptions of Realism and game theory, he points that international cooperation still remains as a viable possibility even if anarchy and discord are underlined in the international system. Even the most self-interested states can take rational decisions to establish international regimes with other states based on mutual interests (Keohane 1984).

[3] Keohane has been also selected as the most influential International Relations scholar in a research about the global research and teaching rankings in International Relations in 2008 (Jordan et al. 2009).

Keohane also claims that states need international regimes even if a hegemonic state does not exist. Based on these arguments, Keohane has formulated his functional theory of international regimes known as “neoliberal institutionalism”. Keohane’s work is also important for he tests his theoretical perspective through cases studies on energy (oil), money and international trade. This dissertation heavily relies on his work for his specific interest in energy issues. Keohane’s final analysis postulates that advanced industrial countries have maintained a largely US-designed international political economy regime even after the relative decline of the US beginning from the 1970s as a global hegemon. These countries have simply preferred to resume this regime for its benefits especially regarding international stability. Maintenance of post-Second World War US style international political economy regime has avoided a return to the classic protectionist and isolationist economic policies of the pre-Second World War era especially in Europe (Keohane 1993).

1.6.1.3. Knowledge-based Theories

According to the knowledge-based theories, consensual knowledge or ideas shared by the relevant states result in regime formation. First step of regime formation is to reach a precise definition on the nature of the relevant issue area. Afterwards, states acknowledge the existence of this issue area and begin to discuss ways of handling this issue in a regime framework. Knowledge-based theories state that international structures and human

agents connect through interpretation. Human agents “intepret” international structures to make sense of them and that interpretation is influenced by their own past experiences, knowledge and ideas. Knowledge-based theories simultaneously accept that human agents behave purposefully and it is wrong to assume that actors’ interests as predetermined as actors are likely to define their interests differently. Actors’ interests need to be analysed in depth to understand how their preferences originally emerge (Hasenclever et al. 1997; Wendt 1987).

Hasenclever et al (1997) categorize knowledge-based theorists like Peter Haas as weak cognitivists because Haas and his fellow theorists seek to complement the gaps of the rationalists theories rather than fully challenging them. Peter Haas is known for stressing the function of epistemic communities for the emergence and survival of international regimes. Haas identifies an epistemic community as “a network of professionals with regonized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area.” (Haas 1992: 3). Growing interdependence among state actors and highly technical content of international policy areas cause difficulty and uncertainty for the official decision-makers when they deal with the problem of defining their national interests. These circumstances oblige the decision-makers to rely on technical knowledge of the relevant group of experts in the field, also known as the epistemic communities. Epistemic communities help decision-makers by demonstrating the complex cause and

effect relationships in the given issue areas, helping to clarifying state interests, formulating issues for multilateral debate, proposing scientific action plans and highlighting salient list of issues for the negotiation agenda (Haas 1992: 2).

Haas examplifies his views by using the case issue of pollution abatement in the Mediterranean Sea. According to Haas, epistemic communities have contributed to the solution of this problem by providing technical knowledge on the scientific details of the pollution and proposed a number of policy making choices to the decision-makers. Technical experts involved in the process have managed to persuade the government officials to revise their interests and to accept to cooperate with other governments regardless of the opinion differences among them (Haas 1989). Despite his emphasis on the contribution of the epistemic communities, Haas does not neglect the core capabilities of the state bodies. He notes that it is the governments themselves again to make a final decision when the scientists disagree with each other and fail to make a concrete policy proposal to the official decision makers. There is also the possibility of more formal convergence of scientific expertise and political power when scientists are appointed as official decision-makers or policy advisers (Haas 1992: 11).

Strong cognitivism, as termed by Hasenclever et al (1997) is another group of knowledge-based theories which radically challenges rationalism. Adler and Barnet (1998) and Alexander Wendt (1994, 1999) examine the

function of collective identity in the case of security communities or formation of international regimes. Wendt states that states form collective identities and interests through interaction and hence solve the collective action problem as examined by Olson (Wendt 1994). Wendt identifies interdependence and common fate - two factors which are closely linked with international regime formation – as the triggers of collective identity formation. For example, international trade between different states can result in interdependence which in turn stipulates the formation of an international trade regime among these states. Wendt's concept of common fate refers to the shared perception among the states that their fates are inherently bound in an issue area. For example, states seek to establish an international security regime when they are persuaded that they they should join their forces against a common enemy instead of handling this challenge unilaterally. What is interesting about Wendt's arguments is that his use of interdependence and common fate are not really distinguishable form their use by the interest-based theories and power-based theories at least on the surface. Wendt's framework owes its originality to the connection it establishes between concepts of interdependence and common fate not only on the basis of state behaviour type but also of collective identity perceptions (Wendt 1999).

To conclude, there are several approaches to the study of international regimes. I will provide an applied analysis of the interest-based neoliberal theories represented by Keohane and Nye with regard to the EU-

RF energy trade relations in the analysis section of Chapter 4. Despite the richness of the international regime theory on the case studies of, for example, oceans, environmental protection or international financial organizations, study of energy issues was largely underdeveloped. Works of Keohane and Nye were especially valuble in this regard as they largely dealt with the international energy (more precisely oil) trade as a relevant case study. To sum up, my final argument is that EU-RF energy trade relationship reflects the characteristics of a partial regime formation which can be relatively better understood with the interest-based theories and perspective provided by the works of Robert Keohane and Joseph Nye in particular.

1.7. Research Methodology

My primary research methodology is a qualitative analysis of the literature and expert interviews held in Moscow in December 2008 to enrich my analysis on the RF's energy policy. Additionally, I develop a research hypothesis and aim to apply it to the case of EU-RF energy trade relations. This undertaking practically falls within the broad framework of theoretical studies as discussed in the literature review which aim to apply regime theory to actual cases. So, my research methodology is based on a totality of qualitative research, expert interviews and an application of my research hypothesis.

1.8. Data

Firstly, I made an intensive review of the literature and official document analysis on the world energy politics, EU's energy policy and the energy trade partnership between the EU and the RF. It has to be noted that I wrote most parts of Chapter 3 on the RF's energy sources using the Russian media sources. A brief examination of the general Russian studies literature would easily reveal that this was a necessity. Even a reading of Goldman (2008) alone is a very good example to understand this point. Considering that many books written on Russian (energy) politics derive their data "solely" from mainstream international media like Financial Times, my detailed coverage of the Russian media sources can be accepted as an additional input for this dissertation. Extensive use of Russian and relevant international media sources enabled me to reach some details which were scarcely provided in the academic literature. Examination of the earliest years of foreign energy companies in the RF market (e.g. Phibro) was an example of that. Details of that period could be provided only via media sources.

Secondly, I conducted semi-structured interviews with energy policy experts specializing in the RF's energy policy (Dr. Andrei Belyi and Diplomat Ceren Yazgan Yetiz) in Moscow in December 2008. A third interview scheduled to be held in Moscow had to be cancelled due to the busy program of the interviewee. Thirdly, I benefited from the materials I gathered

during my short term literature research visit to the UK universities in London in April 2007 financed by the Center for European Studies, METU. Finally, as explained in detail above in this chapter, I undertook an application of my hypothetical model to the EU-RF energy trade relationship. This model was developed in line with the insights I derived from the international regimes literature.

1.9. Organization of the Dissertation

The organization of the dissertation is as follows. Chapter 2, as it follows this introductory chapter, studies the EU's energy policy regarding the domestic and external factors that shape it. Chapter 2 provides an analysis of the EU's energy policy between 1991 and 2008. The chapter also presents first two of the four independent variables that constitute the research ypothesis. These variables are "transformation of the EU's energy policy towards supranationalism" and the "convergence of the energy policy and the foreign policy of the European Union". First variable will be discussed with a focus on the domestic/internal aspects of the EU energy policy. Chapter 2 will also look at the foreign/external dimension of the EU energy policy regarding its connection to the EU's CFSP and the "external energy policy". A brief historical introduction to the EU energy policy between 1945-1991 will be also presented.

Chapter 3 examines the RF's energy policy with a similar perspective employed in Chapter 2. Firstly, the chapter introduces the historical background of the RF's energy policy before 1991. Next, third (transformation of the Russian Federation's energy policy towards pragmatic statism) and fourth (convergence of the energy policy and the foreign policy of the Russian Federation) independent variables on the domestic/internal and foreign/external energy politics of the RF are presented. Chapter 3 discusses how domestic factors like leadership styles, post-Soviet corporate transformation and the rise and fall of the oligarchs shaped the domestic energy agenda. Afterwards, the chapter studies the foreign/external dimension of the RF's energy policy with a detailed focus on the RF's relations with the neighbouring ex-Soviet countries.

First section of Chapter 4 reviews the interaction of the EU and the RF in official energy politics. Chapter 4 evaluates the EU-RF energy trade relationship through a hypothetical application of the insights of the regime theory. First part of Chapter 4 examines the details of the EU-RF Partnership and Cooperation Treaty (PCA). Energy Dialogue and other official forms of mutual contacts. Next, the chapter presents a theoretical discussion in line with the broad framework of the interest based international regime theory with a focus on Keohane and Nye. Here, I aim both to integrate my hypothesis into this discussion and provide a categorical presentation of the components of the EU-RF energy trade relationship as a partial regime (i.e. principles, norms, rules and decision-making procedures).

Main conclusion of this dissertation appears as that the EU-RF energy trade relationship is a case of partial regime formation. Chapter 5 provides a summary and assessment of this dissertation.

CHAPTER 2

ENERGY POLICY OF THE EUROPEAN UNION

2.1. Introduction

This chapter aims to provide an examination of the EU's energy policy between 1991 and 2008. The period 1991-2008 is selected for both the EU and the RF came into the scene in their contemporary forms after 1990. The chapter will provide an examination of the first two of the four independent variables that make up the main hypothetical structure of this thesis. These variables were also shown as complementary hypotheses 2 and 3 in Chapter 1. These are the "transformation of the European Union's energy policy" and "convergence of the energy policy and the foreign policy of the European Union". Transformation of the EU energy policy will be mainly dealt through the sections which focus on the domestic or internal aspects of the energy policy issues in the EU agenda.

Following the chronological development of the policy concerns, the chapter will also examine the foreign or external dimension of the EU energy policy by considering its growing interaction with the EU's CFSP and the emergence of a synthesis in the form of an "external energy policy". Study of these internal and external driving factors aims to provide a wider picture of the EU's energy policy at the regional and international level. However, it has

to be noted that the above mentioned division of internal and external variables is largely an operational one and there are important and analytically unavoidable overlaps, most importantly on the issue of security of supply. Yet, one of the arguments of this thesis is to point that such an analytical preference would be useful to examine the relationship between the EU and the RF in the field of energy trade and geopolitics in a step-by-step manner beginning from the EU energy policy itself. Before examining the period between 1991-2008, a brief introductory summary of the EU energy policy between 1945-1990 and an assessment of the major characteristics of the contemporary EU energy policy will be also presented in advance.

2.2. Major Energy Policy Developments in the EU Area in the Pre-1990 Era

Main stages of the development of the EU energy policy can be classified as 1957-1972; 1973-1985 and 1986-present. In the first period beginning with 1957 Treaty of Rome, energy supply was hardly a critical concern as cheap oil was abundant and coal was already replaced by oil. European integration was achieving key advances. However, oil and natural gas issues were not given an institutional place in the integration process. After 1973 energy quickly rose up in the EU agenda due the 1973 and 1978 oil embargo and rising oil and natural gas prises. But again, this was not enough to provide a consolidated and coherent policy space for energy

issues as will be dealt in detail in the coming parts of this chapter. After 1986, a third era began in which the efforts for a common EU energy policy revitalized. Today, the EU Commission has been continuing its advocacy for a common and supranational energy policy.

After the Second World War European countries faced a serious shortage of coal. The coal industry was massively harmed by the fighting armies for strategic goals. Output levels were lower than the pre-war figures. Being placed under the rule of the Allied Powers, Germany had no control over its coal resources. Social tension and strikes were on the rise due to the difficult working conditions in the coal mines and decreased living standards in whole Europe. Transport infrastructure was also harmed by the war. In order to deal with these challenges, Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, the Netherlands, Norway, Turkey, the UK, the US, USSR and Yugoslavia established the European Coal Organisation (ECO). First meeting of the organization was held on 18 May 1945 and its official status was approved on 1 January 1946. Its main task was to manage the fair distribution of coal among its members countries. In May 1947, the ECO was replaced the the Economic Commission for Europe under the Economic and Social Council of the United Nations. Oil had a limited role in the energy profile of Europe at that time as coal was still the dominant source of energy. Coal and steel were accepted as strategic goods of high economic and military importance. In 1950, Robert Schuman, the Foreign Minister of France, proposed the establishment of a ‘pool’ and

common market between France and Germany to co-regulate their steel and coal production. Major intention of the proposal was to materially avoid a new war between these countries in the future.

Negotiations between the parties which began on 20 June 1950 successfully ended and the treaty establishing the European Coal and Steel Community (ECSC) was signed on 18 April 1951 between Germany, Belgium, France, Italy, Luxembourg and the Netherlands. The Treaty entered into force on 24 July 1952. Signatory states were required to abolish financial preferences, import and export restrictions, dual pricing systems and all other discriminatory and restrictive practices in these sectors. The member states were still given the liberty to determine their course of relations with third countries. But, later in the process a common external tariff was to be accepted. Foreign Ministers of the ECSC countries met at the Messina Conference held between 1-3 June 1955 in Sicily, Italy and agreed on launching a new phase of economic integration. The plan was the establishment of a Western European atomic energy agency and a 'General Common Market' to abolish trade restrictions for all commodities. The Spaak Committee, chaired by the then Belgian Foreign Minister Paul-Henri Spaak was established on 9 July 1955 to prepare the draft texts of the Treaty on the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM). Treaty, both also known as the Rome Treaties. The Committe completed its work 20 April 1956. Signed on 25 March 1957, the Rome Treaties established the European Economic Community (EEC)

and European Atomic Energy Community (EAEC / EURATOM). The treaties went into force on 1 January 1958.

Beginning from the 1950s, the EU Commission was closely interested in developing a comprehensive energy policy and to solve the implementation gap problem regarding the provisions of the EU treaties. The 1957 EURATOM treaty took a further step and placed cooperation in nuclear power for civilian purposes under treaty coverage to deal with future demand and supply issues. Integration of advanced European economies was the driving idea behind the treaties and in principle they aimed at abolishing trade barriers between the member countries but in practice their impact was limited considering the formation of a unrestricted common internal market as seen in the case of nuclear energy.

Formation of a common market for non-nuclear energy sectors was covered by the EEC Rome Treaty. The EEC treaty was interested in addressing not only relatively more competitive sectors, but also oil, gas and electricity sectors whose structures were widely oligopolistic or monopolistic. These energy sectors were subject to the treaty's general principles for the creation of free markets, but their special characteristics were also addressed by the treaty's other provisions on state enterprises and their regulation. From the beginning, the gap between the intentions stated in the treaties and practices turned up to be larger than many of the other policy

areas. The Commission's attempts for a common energy policy had limited success.

None of these organizations ever developed a common energy framework or mandate to regulate energy issues at the national level. Indeed they were established to serve wider political and even military goals rather than pure economic or energy related ones in the post-Second World War era. During the Suez Crisis period, governments of the members states showed more concern about the supply situation but even during that period they did not accept to give up their national autonomy over energy issues. The ECSC, EEC and EURATOM were merged by the Merger Treaty signed on 8 April 1965 and entered into force on 1 July 1967. This treaty provided common institutions to the organizations. (Tonini 2008; Fimister 2008).

The 1967 Oil Embargo which lasted between 6 June 1967 and 1 September emerged as an international crisis. The Arab countries launched the embargo against all countries that supported Israel in the Six-Day War. Some Arab countries only targeted the US and the UK where others maintained it on a larger scale. The US and the European countries suffered relatively low losses due the lack of solidarity among the embargoing countries. Meanwhile, the EU Commission had renewed its attempts for the development of a common energy policy after the merger of the communities in 1967. The Commission's document titled "The First Guidelines Towards a EC Energy Policy" (European Commission 1968) noted that trade barriers in

the energy sector still persisted and there existed the necessity of the development of a common energy market. Such a market could provide security of energy supplies at the lowest prices with regard to the consumers' needs and competition conditions. For the achievement of this goal, the Commission recommended three objectives which included the implementation of a plan aiming sectoral data collection and forecasting to influence the investment strategies of the member states; a number of measures concerning tax harmonization, state monopolies and technical barriers and a third set of measures for ensuring security of energy supplies at the lowest possible price (Crane 2009: 25-28).

These proposals met with difficulties in practice in part because of the contradictions between different goals. Additionally, member states resisted to implement the measures. The Commission's package was approved by the Council in 1967 but the Council did not back their implementation and they were eventually neglected. After the experience of the 1967 Oil Embargo, the EU Council adopted directives in 1968 that obliged all member countries to maintain oil stocks that equivalent to 65 days of oil consumption (Council of the European Union 1968a, 1968b; Matlary 1997: 12).

The EC tried to undertake a crisis management role in the middle of the new oil embargo crisis of 1973 triggered by Arab-Israeli Yom Kippur War but the EC it could not even succeed to form a unitied position regarding the OPEC's oil embargo. The member states either preferred to follow their own

national policies or followed the guidance of the International Energy Agency (IEA). Established in the 1974, the IEA was a competitor of the EC in the energy policy field as the IEA had a higher number of member states covering all OECD member states except France. But despite the rise of the IEA, the EC and the Commission still felt the necessity of reassessing the energy policy issues on their own as the oil prices were on the rise (Matlary 1997: 17-18).

The Iranian Revolution of 1979 seriously disturbed the international oil prices. The Commission used this context to repeat its calls for a concrete energy policy towards environmental protection and energy source diversification. However, international oil prices fell down in the 1980s and the EU Commission's calls were regarded as ordinary statements. Nevertheless, some member states left traditional line of energy policy considerations. The UK took a liberal step to base its energy policy on market forces. In order to regulate the supply and demand sides of energy profile, the UK launched a deregulation process which included introducing competitive elements in the gas and electricity markets, and next privatization of the oil, gas and electricity industries. Other EC member states monitored the example of the UK for and partially implemented the same steps (Matlary 1997: 20).

Energy sector was not the only example of deregulation. It was rather a part of a wider deregulation process covering other parts of the economy.

Single European Market (SEM) also acknowledged the importance of energy sector in general economic policies at the EU level. However, the Commission was reluctant to include the energy policy in its plans for the SEM. The reason behind this choice was the legacy of energy policy failures in the past. Nevertheless, energy sector was clearly affected by the SEM through some measures concerning indirect taxation and procurement (El-Agraa and McGowan 2001: 300). Indeed, the SEM was practically a real opportunity for the return of energy into the EU agenda (Aalto 2008: 8-9).

The energy prices began to decrease in the early 1980s and the fall continued until the collapse of the oil prices in 1986. There were several reasons behind the collapse. Firstly, the high production levels in the OPEC countries boosted by the rising the prices of the 1970s triggered more oil exploration and production at the global level. Secondly, high oil prices promoted the adoption of energy efficiency technologies and diversification of energy supply sources. Thirdly, the economic recession in the 1980s lowered the demand. All these factors that emerged in the 1970s resulted in oil over-supply and decreasing demand in the 1980s. These developments also influenced the supply and demand profile of coal, gas and electricity as well. This also meant the end of fears of energy scarcity in Europe. This low price point in the international energy market and its above mentioned implications on the EU only barely facilitated the efforts of the Commission to introduce specific energy policy targets (European Commission 1995b: 9).

Fall of the Berlin Wall in 1989 was the second most important moment considering the EU's international energy relations since the oil crisis in 1973-1974. After 1989, the EU had an enthusiasm to advance its relations with the former Eastern bloc countries, especially the USSR. Energy was seen as a very useful and practical field for this purpose. Materially, the EU had a growing energy demand and the then Soviet area had vast energy reserves. Exploitation of these sources required new investment and technology and the Western countries could provide that. These conditions encouraged the EU to launch the Energy Charter to introduce an international energy investment scheme in the Soviet area (Ganova 2007: 6). After the dissolution of the USSR in December 1991, the ECT became mostly a matter of the EU-RF relations. As of early 2011, this initiative had some limited success. Details of the ECT issue will be provided in the following parts of this thesis.

2.3. The Transformation of the Internal Aspects of the European Union's Energy Policy

2.3.1. Maastricht Era

The Council Decision of October 1991 regarding the SAVE (promotion of energy efficiency in the community) programme was one of the first of its kind signalling close interaction of environmental protection, energy efficiency and security of supply under the highly 'intergovernmental'

framework of the EU energy policy since the 1990s onwards. The decision was a proof of the linkage between energy efficiency issue and the EU's global position for it highlighted that international cooperation was necessary to increase energy efficiency in the EU. This focus was quite in line with the international environmental trends. The EU countries were soon going to take part in the June 1992 in the United Nations Conference on Environment and Development (also known as the Rio Conference) on global climate change measures in June 1992. Rising global awareness on climate change was going to be a direct factor influencing the EU's energy policy.

Establishing the European Union, the Maastricht Treaty (signed on 7 February 1992 and entered into force on 1 November 1993) offered very little about the energy policy. Actually the preparation process and the 1991 original draft text seemed positive about the inclusion of a separate section about energy that would give energy issues a more legitimate and institutionalized place in the EU decision making framework. However there was not a consensus among the member states in favour of a energy title in the Treaty. Those countries lacking energy resources like Italy, Spain and Belgium were supporting the idea whereas those with significant energy resources like the oil-rich UK and the Netherlands and the coal-rich Germany were against giving the EU the competence to regulate energy issues under a common energy policy. Despite the expectations, the Maastricht Treaty even brought a weakening of the Commission's position in energy policy issues. The European Parliament (EP) was also reluctant to

challenge the competence of the member states about energy policy. Enlarging its co-decision making power was a more important priority of the EP (Egenhofer 1997).

Final text of the Maastricht Treaty included several secondary references on energy policy and a declaration which associated energy policy measures with civil protection and tourism. Besides that there were some institutional provisions about the Euratom which did not say much about a common energy policy (European Commission 1992). The coverage of the Maastricht Treaty about energy was going to be practical model for the forthcoming treaties except the Constitutional Treaty which would fail for a variety of wider political reasons in its ratification process.

2.3.2. Norway's Special Case

Norway's membership in the European Economic Area (EEA) on January 1994 as an European Free Trade Association (EFTA) member and the major natural gas supplier to the EU was crucial for the internal market and brought a partial boost for the common energy policy. However, Norway was partially in line with the EU energy policy. The majority of the EU legislation adopted by the EEA and EFTA countries in the process was only about environmental protection and energy efficiency. Adoption of the EU's electricity and gas directives by Norway was an important turning point. Since then Norway has been implementing the EU legislation with some

minor differences. Norway's place in the EEA secures the flow of this country's energy supply to the EU. The EU's energy security relationship with Norway is practically an internal issue of the EU not an external one. However this fact is not valid in the case of mandatory oil stockholdings. Norway does not follow EU legislation in this field. This is some kind of gap for the overall security supply framework of the EU (McCharty 2006: 108-111).

2.3.3. 1995 Energy Policy Papers

The Commission has long been a defendant of the adoption of a common energy policy. The February 1995 Green Paper was a cornerstone in this direction. The Green Paper openly noted that the multi-objective energy policy formulation was inherently contradictory (Dehousse 2007: 21-22). Protection of environment was not always working smoothly with the security of supply principle even though they were no longer treated as unrelated issues. The solution of the Commission was to acknowledge this inevitable contradiction and to work as much as possible to make environmental protection and security of supply work together under the framework of an internal energy market which in turn was a part of the wider EU internal market. The intervention of the public authorities in the market was permissible whenever it was necessary. The EU was evidently lacking the mechanisms to come with a concerted action to determine a set of priority actions for energy. Development of a comprehensive common

energy framework was hindered. Although the EU had clear responsibilities regarding coal and nuclear power, this did not bring similar competences in other energy sources (European Commission 1995a: 5-7, 66).

Policies of the EU on the internal market and foreign relations were particularly important for the EU's energy policy. Their contribution was complementary with the wider Internal Market project launched by the Single European Act to remove public or private trade barriers. With regard to energy, the objective of the Internal Market was to make energy services available to all kinds of consumers be it industrial users or private individuals under most economic conditions. The final objective was to reach economic advantages that would boost the competitiveness of the EU in the world. The internal energy market had to be extended to the electricity and natural gas sectors under the harmonization and standardization process to enable free competition in these sectors. The role of the private sector was explicit in the security of energy supply. According to the Green Paper, decisions and investments of the private energy companies were the primary means of the energy industry. The responsibility of the public authorities was to create a favourable environment for the development of the private energy sector enjoying sufficient financial and technical capabilities (European Commission 1995a: 13, 25).

The Commission was insistent to converge the EU level actions and national policies in the field of energy. Just like national economic policies

were accepted as common matters of interest in the EU, national energy policies had to be in line with the EU level considerations. The Commission recommended the moderate examination of the national energy policies by the Commission under a EU level framework and submission of the monitoring results to the EP and the EU Council. Achievement of the internal energy market was unquestionably related to convergence and harmonization among different national energy policies. Given the predicted relatively high growth of electricity and natural gas consumption to that of oil in the EU, the Green Paper underlined that internal energy market in the natural gas and electricity sectors had to be completed (European Commission 1995a: 40, 87, 96).

The February 1995 Energy Green Paper recommended the convergence of the national and EU level energy policy decisions. Encouragement of division between the regulatory and management aspects of the energy networks could be an example for that. At the external level, the EU needed to acknowledge security of energy supply as a policy objective. Security of supply concerns were also important for the EU's external economic and commercial relations and the competitiveness of the companies doing business in the EU area. From this perspective, the EU foreign policy was clearly very important as it mattered for the availability of external energy supplies which made up 50 percent of the EU's consumption. In addition to the internationalization of the global markets and the growth of energy consumption, the EU's foreign and commercial policies

would remain connected to the EU's energy policy. The secure energy supplies were also influential on the foreign and economic policies of the EU in return, as they helped to stabilize the EU's relations with third parties, especially with the energy producing countries (European Commission 1995a: 6-7, 14-15, 43).

According to the 1995 Green Paper, establishment of a bilateral or multilateral "regular dialogue" mechanism between the EU and the major energy exporting countries within or outside the IEA framework could be realized to consolidate the EU's security supply. This dialogue mechanism would complement the existing cooperation agreements with key energy producing country groupings like the Gulf Cooperation Council or the ex-Soviet countries. Promotion of the ECT by the EU in these countries was another suggested policy goal that would open the channels of investment and technology transfer to these countries in a way that would benefit the EU. Geographically, the Middle East, Central and Eastern Europe, Black Sea and the Mediterranean Sea area were pointed as the areas that the EU would focus on in this regard (European Commission 1995a: 26, 37, 113).

About a year after the Green Paper, the Commission published its Energy White Paper in December 1995 to carry its energy policies to the next level by launching a wider debate. The White Paper confirmed the broad energy policy objectives of the Green Paper by acknowledging the place of energy policy as a part of the overall EU economic policy in

connection with market integration, deregulation and limited public intervention to secure public interest, consumer protection, sustainable development, and economic and social cohesion. Competitiveness, security of supply and environmental protection were also reminded as the core objectives of the energy policy. The energy policy simply had to serve job creation and more efficiency in the private sector activities. Dealing with the EU's growing energy dependence and the implications of the national energy choices and use was another objective. In addition to its economic implications political significance of energy was growing as the EU was engaged in new geopolitical responsibilities in the world. This external geopolitical dimension of energy policy also necessitated the introduction of a comprehensive energy policy at the EU level. The Commission suggested the member states had to work together to serve this objective (European Commission 1995b: 2-5).

The White Paper also made an assessment of the previous Green Paper. The EU bodies had delivered their own comments on the Green Paper. The Council was generally positive and asking for the completion of the internal energy market. Security of supply could be achieved through a flexible diversification. Rational energy use, research and development and environmental protection were other issues favoured by EU Council. The perspective of the European Parliament (EP) was overlapping with that of the Council. Additionally, the EP was asking the maintenance of nuclear energy as a core component of the energy policy. The focus of the Economic

and Social Committee and the Committee of the Regions was on social and economic cohesion and employment. Private companies, trade unions and some environmental associations had their own demands about the several aspects of the energy policy (European Commission 1995b: 6-7).

Growing external energy dependence and implications of the climate change were alarming. The White Paper recommended the wider use of a number of already existing policy instruments like research and development, harmonization of energy legislation, trans-European networks, and external energy relations. These instruments were not always directly related with the energy policy but they could make substantial impact on energy issues (European Commission 1995b: 38).

The December 1995 Energy White Paper drew attention to the fact that the EU's security of energy supply can be strengthened by "internal policy corrections" in the EU market, fuel diversification, promotion of energy efficiency, extended use of renewable energy sources and a surveillance mechanism to monitor the energy situation. It also stressed the external dimension of the EU's energy supplies and the growth of energy consumption in the non-EU area as two important sources of concern for the EU in the coming period. In order to tackle with these challenges, the document recommended the use of the EU funds and multilateral agreements with the energy producing countries as solution tools. EU-based companies were also advised to expand their investments in the energy

supplying countries especially in the fields of technology transfers. According to the document, energy trade contacts and international cooperation actions could also overlap as seen in the case of EU's energy connections in the Middle East which could also contribute to the EU's involvement in the Middle Eastern peace process (European Commission 1995b: 4, 21-22, 27).

The importance of environmental protection and renewable resources in the EU energy policy was further underlined by a specific Green Paper in November 1996. Sharing the perspectives of the previous green paper and white paper, this one stated comprised a warning that a failure to increase the share of the renewables in the energy profile of the EU would result in negative implications for security of supply, economic and social cohesion and economic competitiveness (European Commission 1996: 19).

2.3.4. 1996 Electricity Directive

First electricity directive was adopted in December 1996 and entered into force in 1997 (European Parliament and the Council of the European Union 1996). It was later replaced by a new directive in June 2003 (European Parliament and the Council of the European Union 2003b; Aalto and Westphal 2008: 9). The 1996 electricity directive aimed to create a common market in the elecricity sector through harmonizing national practices and fostering competition. Increased efficiency in electricity production, transmission and distribution was regarded as the key to higher energy

security in this field. The 1996 electricity directive broadly aimed to secure that electricity undertakings were in line with the principles of a competitive market but it still acknowledged the existence of structural differences and different regulatory systems across the EU.

The implementation of the 1996 directive's general provisions was left to the member states. The directive also allowed the member states to impose public service obligations on electricity undertakings for reasons of security of supply, service quality, regularity and environmental protection while the directive made no reference to the trade dealings with the non-EU countries who supply electricity to the EU. In other words, the member states were left free in their trade relations with third countries (Haghighi 2007: 104-105).

2.3.5. Amsterdam Treaty, First Natural Gas Directive and Revision of the Oil Stocks Issue

Amending the 1992 Maastricht Treaty, the Treaty of Amsterdam was signed on 2 October 1997 and entered into force on 1 May 1999. Apart from some specific institutional references to the European Atomic Community the Amsterdam Treaty did not make a reference to an EU energy policy (European Commission 1997d). Amsterdam Treaty had a bigger focus on the environmental issues which was more or less related with the energy policy. Relatively important implication of Amsterdam Treaty for the energy policy was the signalling of the growing role of environmental protection,

energy efficiency, renewables and climate change including the promotion of the Kyoto Protocol issues as key factors driving the thinking on energy policy (Aalto and Westphal 2008: 10). The rise of the renewables in the energy policy thinking was confirmed by a Communication of the EU Commission in November 1997. The communication was a call for the financial and technical promotion of renewables by both public and private means in all aspects of energy policy in a liberal market setting to deal with the growing foreign business competition (European Commission 1997a).

The first natural gas directive was adopted in June 1998 and was later superceded by another gas directive in June 2003. Just like the 1996 electricity directive, the 1998 gas directive allowed the member states to apply public service obligations on the electricity sector for reasons of security provided that those measures were transparent, verifiable and non-discriminatory. Another resemblance to the 1996 electricity directive was the lack of any reference to the external competence through relations with the non-EU countries to address the security of supply matters. The member states had the right to make their own arrangements about security of supply. Although the directive noted that foreign gas exports to the EU were particularly important for those member states which were highly dependent on foreign suppliers, it did not provide any concrete external measures that would facilitate the EU's access to foreign sources of natural gas (Hancher 2003).

This lack of reference to the external dimension of gas supplies was probably a result of the perception that the existence of a common market with competitive elements would be sufficient to facilitate access to foreign gas supplies especially for the most disadvantaged EU member states in this field. After the adoption of the 1996 electricity and 1998 natural gas directives and first phase of their implementation, the EU turned its attention to establishing new links with the adjacent countries like Mediterranean countries, the Middle Eastern countries and the RF, all being important energy exporters to the EU. This approach was formalized through the energy dialogue with the RF, the EU-Mediterranean partnership and the contacts with the Gulf cooperation Council (European Parliament and the Council of the European Union 1998; European Parliament and the Council of the European Union 2003a; Arentsen 2004).

The Council issued a directive about the maintenance of minimum stocks of oil in the member states in December 1998 that replaced an earlier one issued in December 1968. Regarding the developments in the internal market, the directive considered that EU level measures for oil stocks maintenance was not an obstacle for the functioning of the internal market. The directive had two problems. Firstly, some member states had the capacity the obey the directive's provision that national oil stocks had to be sufficient for 90 days whereas some other countries did not have their infrastructural capacity. Second problem was that even if one member state had an oil stock sufficient for 90 days, part of that stock was actually owned

by private companies. So it was not possible to differentiate between 'national' and private oil stocks during a possible crisis situation (Council of the European Union 1998; Hancher and Janssen 2004: 1021-103).

2.3.6. The 2000 Energy Green Paper, the Nice Treaty and Institutional Reflections on Energy Policy Matters

The Commission issued its new Energy Green Paper in November 2000. Appreciating the achievement of internal energy market in electricity and gas, the Commission warned that current risks like falling electricity prices were hindering efforts to limit energy demand and tackle climate change. Transformation of the conditions of competitiveness in the coal, nuclear power, natural gas, oil and renewable energy sectors was another factor to be monitored in relation with the security of supply. In relation with its general energy policy agenda, the Commission stated that it was time to move forward beyond the issues of internal market, harmonization, environmental protection and taxation for the formulation of a more comprehensive energy policy. The driving force behind this necessity was the "interdependence" among the Member States. Any decision taken by a member state about, for example, climate change had a clear implication on other member states. The focus of the policy makers had to be on the demand side. Compared to the supply side actions, demand side measures to address energy use was giving the EU more space for manoeuvre. Main tool of the demand side

management of energy use was the promotion of energy saving in buildings and transport sector (European Commission 2000b: 3).

The Green Paper was also acknowledging that the existing treaty basis since the Treaty of Rome had very limited ground for energy policy and there has never been a real discussion on the importance of environment in energy policy. Use of anonymous voting rather than the previously used qualified majority voting in energy matters was presumably hindering simplier policy making. The 2000 Green Paper showed little optimism about the EU to influence supply side of its energy use. So, the document recommended the EU to focus on the demand side by introducing measures about energy saving in building and transport sector. This assumption placed external dimension of the EU's energy policy to a secondary position. In short, the suggestion was to manage the interdependence among the member states and challenges of energy consumption in a supranational form with a focus on the demand side and preferably with the help of qualified majority voting (European Commission 2000b: 11-12; Egenhofer 2006: 10; Amineh and Guang 2010: 10-11).

The 2000 Green Paper was introduced as a part of the EU's efforts to develop an analysis and strategy to deal with a potential energy supply crisis. However, the Green Paper hardly contained feasible and in-depth suggestions to secure the EU's security of energy supply. Most important strategy recommended by the Green Paper was the diversification of the

energy suppliers to the EU but there were no specific guidelines for the achievement of this goal. Another criticism against the Green Paper was that it focused too much on the demand side of the EU's energy profile (Peters 2005: 206; Aalto and Westphal 2008: 10).

Amending the 1992 Maastricht Treaty and Treaty of Rome by reforming the institutional structure of the EU enlarging towards the East, the Nice Treaty was signed on 26 February 2001 and entered into force on 1 February 2003. So, it filled the institutional reform gap which could not be filled by the Amsterdam Treaty. However, it had a very limited coverage of energy. Apart from the specific institutional provision on the Atomic Energy Community, the Nice Treaty (Article 2) only stated that issues of energy (and some other related environmental and town planning issues) were subject to unanimous voting (European Commission 2001c). This was a brief and somewhat secondary confirmation of intergovernmentalist spirit in the energy policy making.

A 2001 report of the EP on the 2000 Green Paper was fond of national energy policy measures. The member states had subsidized energy sources as long as it did not breach the general competition rules. The lack of a separate energy chapter in the EU treaties was only a partial problem as the EU still could take steps regarding the liberalization of the energy industry, promotion of the use of renewable energy sources, monitoring of the implementation of the Kyoto Protocol in the EU, research and development,

promoting energy saving measures, protecting consumers' interests, developing geopolitical connections to secure energy contracts, backing security of supply through facilitating cross-frontier tranmission of natural gas and electricity. However, the EP was still welcoming the inclusion of a energy chapter in the next EU treaty with a focus on energy efficiency. The EP also referred to the effects of local energy production on employment and social security. New energy investments in the renewables, clean coal technology, combined heat and power generation, energy saving systems and intelligent energy consumption could increase employment. And finally, liberalization of the access to energy market must be carried on in line with the principle of reciprocity (European Parliament 2000).

The EP's report defined energy security in broader terms by associating energy security with other factors like price instabilities, lack of resources, domestic and foreign political risks, public attitudes and infrastructure problems. Despite its acknowledgement of the necessity of one-sided favorable relations with energy exporting countries for the EU, the report did not refer to how the interests of those countries could be addressed. Besides, the report did not provide any proposal on how such a comprehensive relationship with the energy exporting countries could be established. The EP also recognized the importance of agreements signed between the energy exporting countries and the member states and stated that securing energy supply is primarily a national question. This preference

clearly is another reflection of the persistence of the member states to keep energy issues as a part of national competence (Haghighi 2007: 166-167).

The EP's report is in line with the majority's attitude in the EU countries. Energy supply security is considered to be achieved through reducing energy consumption and demand management. The importance of external relations with energy producing countries is openly acknowledged but it is still not considered vital. Efficient energy demand management appears as the favorite solution of the EU to tackle energy security issues. Design of an external cooperation framework with the energy exporters based on the principle of 'mutual interdependence' look like a secondary measure on the table. Growing abundance of directives and regulations on energy efficiency confirms the assessment that energy demand management has priority over an external energy policy as a tool to manage energy supply security issues (Haghighi 2007: 166-167).

The issue of the internal energy market was addressed by a Commission communication in September 2002 with a focus on oil. The Commission commented that the liberalization of the oil market would ensure the entrance of new operators, increase competition, secure regular internal energy supply to the customers and provide some security against the risks of external energy dependence. The activities of the EU for the opening of the natural gas and oil markets were complementary and promoting the general internal energy market. Despite this progress achieved for the

creation of the world's most integrated internal energy market in the EU area, the EU was still lacking necessary measures to deal with the security of external energy supplies be it oil or natural gas. This was a paradox pointed by the Commission. This paradox was a reflection of the fact that measures to promote the internal energy market on the one hand and the security of external oil and natural gas supplies were closely linked to each other. Risks like price manipulations or restrictions in the access to transport networks could hinder the whole process. As underlined by the Commission, achieving success in the security of external energy supplies was dependent on solving the problems of the internal energy market (European Commission 2002b: 4-5-).

2.4. Convergence of the Energy Policy and the Foreign Policy of the European Union

2.4.1. Rise of Security of Supply Concerns during the Iraq War and the Failure of the Constitutional Treaty

The split among the EU member states before the Iraq war of March 2003 highlighted the relationship between energy supply security and wider CFSP issues. Despite the high importance of the Middle East and more particularly the Gulf region for the energy security of the EU, the member countries had a relatively small role to lead the recent developments in the region. That was the case despite their former participation in the Gulf War.

Additionally, the member states clearly lacked a common CFSP policy towards Iraq. During this period, the UK and Spain sided with the US to attack Iraq whereas Germany and France openly opposed the idea. Rest of the EU countries felt themselves obliged to choose one of these blocks. This intra-EU drift became the most serious example of the lack of a common foreign policy at the EU level (Özcan 2008: 55-56; Wunderlich 2008: 145).

The crisis about the Iraq war in the EU is a reminder of the 1973 international energy crisis. During that crisis, some EU countries were selectively targeted by the energy exporting countries for their support of Israel. For example, the Netherlands had to suffer the oil embargo for its pro-Israeli stance whereas France did not face the same treatment. Had the CFSP existed during the 1973 crisis the EU countries would possibly follow a common policy to support or to not to support Israel. Such a strategy could lessen the international impact of the oil embargo. As seen in this comparison with the 2003 Iraq crisis, the relationship between the CFSP and energy security is a difficult one. It has to be noted that even if all the EU countries had adopted a common attitude towards the Iraq war, the US could still occupy Iraq. However, a united stance to be displayed by the EU could have contributed to the global stability to some degree. The intra-EU split led to different policy steps by the EU countries. Some countries chose to deploy their troops in Iraq and faced new threats. Explosion of vital pipelines in Iraq brought undeniable damages to access to energy and political stability in the region with problematic implications for the EU. The case of Iraq war with its

similarities to the 1973 oil crisis clearly highlights the linkage between the energy supply security and wider security issues in the case of the CFSP. The cohesiveness of the actions of the member states matters both in energy policy and CFSP (Smith 2004: 85-86 ; Zielonka 2007: 110; Youngs 2009: 4-5, 169-171).

The May 2003 Communication of the Commission took a new approach by putting relatively more emphasis on the external dimension of the supply security. This new approach of the Commission recommended the EU to project the stability and sustainable development in the EU area to the countries surrounding the EU. In this context, key energy exporters to the EU like Algeria and the RF were given more importance. The document points that the RF and the Mediterranean countries have willingness to integrate their energy markets with the EU's energy market as exemplified by the EU-RF Energy Dialogue and the Euromed energy programmes. However, the communication places the ex-Soviet countries and the Mediterranean countries into different categories by stating that key Mediterranean countries like Algeria, Morocco and Tunisia are more likely to be gradually integrated with the EU's energy market whereas the participation of the Caspian countries can take a longer time. Regarding the RF, the communication predicts that things could be much harder as the RF has wider strategic and somewhat coercive attitude to form its energy policy especially with regard to the Caspian countries like Turkmenistan and Kazakhstan (European Commission 2003a).

Meanwhile, the EU managed to develop its internal energy acquis. The 2003 natural gas directive (European Parliament and the Council of the European Union 2003a) replaced the 1998 gas directive (European Parliament and the Council of the European Union 1998) in June 2003. The fifth article of the 2003 gas directive provided a component regarding externality by urging the development of internal resources to lower dependency on foreign sources. However, the directive again did not provide a framework guiding relations with the non-EU countries. Just like the electricity directive, it only required the Commission to monitor and prepare a general assessment of the member countries' relations with gas exporting countries and transit countries. Again in June 2003, a new electricity directive (European Parliament and the Council of the European Union 2003b) replaced the former one dated 1996 (European Parliament and the Council of the European 1996). The 2003 electricity directive brought some new measures for an electricity internal market but it did not have any significant references to the externality. The Commission was only given the task to prepare a general assessment of the EU countries' relations with third countries in this field including the EU's access to the foreign electricity networks. The member states were required to present a three monthly report about their relations with third countries. An overall guidance to regulate the EU's relations with the electricity exporting countries was not present (Aalto and Westphal 2008: 9; Haghighi 2007: 105).

The attempts for post-Nice revisions of the Union treaties led to the creation of the convention to examine the institutional structure of the EU. The Treaty establishing a Constitution for Europe was signed on 29 October 2004. The general ratification process of the EU Constitution ended with failure after its rejection in France and the Netherlands. Had it been approved by all member states, the Constitutional Treaty would have entered into force on 1 November 2006. The Constitutional Treaty was the first the EU treaty text that included a separate chapter on energy in its third part. The Constitution stated that energy was a 'area of shared competence'.

Other issues of shared competence were internal market, some aspects of social policy, economic, social and territorial cohesion, agriculture and fisheries excluding the conservation of marine biological resources, environment, consumer protection, transport, trans-European networks, area of freedom, security and justice, common safety concerns in public health matters (Article I-14). Alongside some other issues like town and country planning, land use and water use, waste management, decisions on energy had to be taken after consultation with the Committee of the Regions and the Economic and Social Committee (Article III-234). Establishment and development of trans-European networks for transport, telecommunications and energy infrastructures were to be undertaken by the EU to enable the EU citizens, economic operators and local communities to benefit from an internal EU area without borders (Article III-246). The separate chapter on energy stated that the EU policy on energy had to ensure the functioning of

the energy market, security of energy supply in the EU and promote energy efficiency, energy saving and development of new renewable energy forms all in the context of the internal market and environmental protection. Rules and frameworks to be adopted on energy policy had to be adopted after consultation of the Committee of the Regions and the Economic and Social Committee. Rules at the EU level could not affect the rights of a member state to determine its national energy exploitation policy, energy source choices and general energy supply structure (Article III-256). (European Commission 2004c).

Article 130(2) (c) of the Constitution (article III-256 in the final version of the Treaty establishing a Constitution for Europe) was probably inserted into the text because of Netherlands, Denmark and UK. These member states had relatively big energy reserves and strong national desire to regulate their energy exploitation methods on their own. Article III-256 of the Constitutional Treaty provided the energy security issue a wider perspective by stating that the EU was free to take measures to secure energy supply whenever necessary even in non-crisis situations. Before that, the EU could take measures only in times of crisis and definition of “crisis” was also problematic as seen in the case of debates about directive proposal made in September 2002 about the stocks management in the EU (European Commission 2004c).

The EU Constitution did not bring a specific definition for ‘energy’. The word ‘energy’ simply covered oil, natural gas and other sources as a general category. Thirdly, from a strictly legal point of view, the Constitution did not provide a specific section for the expiry of the Euratom Treaty and caused some vagueness about the relationship between the Euratom Treaty and the Constitution which was signed in October 2004. Article I-14 of the Constitution paved the way for the gradual limitation of the national competences of the member states by listing the energy sector among the shared competences. Had the Constitution entered into force, this provision could begin to work by resulting in a growing secondary legislation limiting the activities of the member states (Haghighi 2007: 81-83). But all this framework was left aside as the Constitution project went into a serious transformation process before the approaching Lisbon Treaty process.

2.4.2. A Renewed Focus on Energy Efficiency, Energy Takeover Disputes and the 2006 Green Paper

In order to achieve more or less compatible results in competitiveness, environmental protection and security supply, the Commission made a number of concrete policy suggestion in June 2005. These included the establishment of national Annual Energy Efficiency Action Plans, providing the EU citizens more information, improving taxation to promote environmental protection and better use of state aid for promoting energy efficiency. The Commission also delivered a set of debate questions to be

replied by all interested parties about energy efficiency dimension of the EU energy policy (European Commission 2005a: 4-11).

The debates about the takeover of national energy companies in several member states lasted between March 2006 and April 2007. These debates showed the protectionist reluctance of the member states to allow foreign or supranational participation in their national energy sectors. The bid made by the German E.ON to buy Spanish Endesa and the Italian Enel's offer to buy the French Suez faced the resistance of the Spanish and French governments who saw these companies as strategic "national champions" that cannot be sold to the foreigners. Despite some intervention by the EU, both takeover cases ended unsuccesfully for E.ON and Enel. This experience raised many doubts about the level of commitment of the EU countries to liberalize their energy markets and allow foreign participation in some key sectors. Not suprisingly, the proposal for the establishment of a EU energy regulatory agency was rejected by the EU member states in Brussels on 23-24 March 2006 when these takeover proposals were widely debated (Westphal 2006: 52).

The Commission provided a picture of the EU's coming energy and climate challenges in the short and medium term and the need for a common energy policy in its March 2006 Green Paper. The document listed six priority areas that needed urgent action. These included the completion of the internal European electricity and natural gas market, solidarity between

member states for the achievement of an internal energy market, tackling the security of supply issue for a more sustainable, diverse and efficient energy mix, an integrated approach to deal with the climate change, introduction of a strategic European energy technology plan for improving innovation and a coherent external energy policy. Completion of the internal European electricity and natural gas market was the primary objective suggested by the 2006 Green Paper. Solidarity objective regarding the achievement of an internal energy market addressed the enhancing the security of supply through the establishment of a European Energy Supply Observatory (European Commission 2006c).

The objective of dealing with the security and competitiveness of energy supply through a more sustainable and diverse energy profile included the launch of a proposed Strategic EU Energy Review and adoption of an overall strategic objective to balance the goals of sustainable energy use, security of supply and competitiveness. The priority area about the climate change made a number of proposals like the continuation of the EU's international leadership for 'widest possible international action' in line with the Lisbon objectives; a full review of the EU Emisssion Trading Scheme; adoption of an Action Plan on Energy Efficiency; promotion of the idea of an international agreement on energy efficiency; preparation of Renewable Energy Road Map and the development of the carbon capture and storage capacity. A strategic European energy technology plan as a priority area to encourage innovation dealt with the necessity of a strategic plan to promote research

about energy use in housing, transport, agriculture, agroindustries and related materials through the establishment of a proposed European Institute of Technology (European Commission 2006c).

The ‘sustainability’ dimension which was mentioned by the March 2006 energy Green Paper as a part of the EU’s energy strategy was critical for the overall strength of the energy policies in the EU. The reason behind the importance attached to sustainability in this context was perception of environmental concerns and the fight against the climate change as the rare examples of a reliable consensus among the member states to take common steps regaring energy. Sustainability was clearly associated with environmental protection. This linkage between energy and environment increased the strength of energy policy steps whenever relevant. This point is also underlined by the pivotal international role played by the EU to advocate the Kyoto protocol targeting to reduce carbon dioxide emissions on a global scale. The EU’s international stance promotes linking environmental issues with energy consumption, energy efficiency and use of new technologies. By including new technologies in the debate about energy politics and sustainable development the EU also enhances its global reach as new tecnologies and research findings clearly have both internal and external dimensions (Westphal 2006: 50-51).

The definiton of solidarity and competition was revised in relation with the growing social concerns in the 2006 Green Paper as a result of the doubling

oil prices in the early 2000s after the low energy prices of the 1990s. The attitude of the Commission toward the competition side of the energy policy is basically about keeping the prices low and this is not a new approach in itself. Introduced by the launch of the single market, competition policy has been driven by a global mix of liberalization, deregulation and privatization gathered under the title of neoliberalism dominating not only European energy markets but North America as well. Despite this shared acceptance of neoliberalism as the guiding economic model, there exists a disagreement between the member states and the Commission regarding the speed and coverage of the neoliberal EU directives to be implemented in the member countries. It is also necessary to remember that neoliberal wave was initialized by the 1997 electricity and 1998 natural gas directives in a time when the energy prices were still low and hence energy security was not perceived as a growing risk (Westphal 2006: 53).

The 2006 Green Paper also paid attention to the external dimensions of sustainability, competition and energy security. Thanks to the liberalization steps in the EU, the external importance of principles of reciprocity and equal access have increased in the energy markets. The fact that the international energy markets were characterized by rivalries between liberalized markets versus regulated and/or monopolized markets, and between free market prices and subsidized prices remained in place even after these developments. This is a key challenge for the management and regulation of the energy market at the EU level (Westphal 2006: 53). The 2006 Green

Paper stressed the creation for an external energy policy for the EU. Although the 1995 White Paper had referred to the creation of an external energy policy, the 2006 Green Paper has identified the elements of that policy.

Perceived as a part of the CFSP, the external energy policy was broadly consisted of establishing relations with energy producing and transit countries, inclusion of the neighbouring countries in a pan-European energy community, diversification of different sources of energy supplies, construction and maintenance of new infrastructure like oil and gas pipelines. However, the call for diversification of energy sources did not include a diversification of energy exporting countries and creating a more balanced energy dependence on them. The 2006 Green Paper placed the emphasis on the RF which paves the way for a 'true partnership' in connection with long term investments. Same attitude is also valid for the case of other key oil and gas exporting countries on which the EU is more or less dependent to satisfy its energy demand by securing regular energy supply. The document called for reciprocity and fairness regarding mutual and third party access to markets and infrastructures in the EU's energy relations with the RF.

Additionally the 2006 Green Paper proposed the adoption of a formal and targeted instrument that would be useful in times of external emergencies in the energy supply. This instrument is envisaged to monitor

external energy supply circumstances and provide early warning in times of an external energy crisis, and hence, enable a sound response capability for the EU. Monitoring of external supply circumstances would provide a high level of transparency and facilitate cooperation with energy supplying countries to solve physical problems in the energy supply. However, a monitoring mechanism is not sufficient to make a good contribution to the security of energy supply as additional cooperative arrangements with energy exporting countries would still be needed. Realization of such arrangements remains as a question for the future agenda of the EU.

2.4.3. Acknowledgment of the Further Convergence of the Energy Policy Issues and the Common Foreign and Security Policy

After the RF-Ukraine gas crisis in 30 December 2005, March 2006 Brussels Council presidency conclusions called the Commission to start working on preparing an action plan on energy efficiency by mid-2006, implementation of the biomass action plan", developing an interconnection plan for the EU's energy networks and promoting the ratification of the ECT and the conclusion of the Transit Protocol within the framework of the Energy Dialogue and the RF's G8 presidency (Council of the European Union 2006c: 17).

A policy paper of Javier Solana, the EU's High Representative for the Common Foreign and Security Policy, (Solana 2006) on external energy

policy dealt with the question of how the EU's external relations and the CFSP can serve the energy policy interests of the EU in the short and medium term. As defined by Solana, the convergence of the EU's external relations policy and energy policy objectives had to be:

> *coherent (backed up by all Union policies, the Member States and industry*). *strategic (fully recognising the geo-political dimensions of energy-related security issues*) a*nd focused (geared towards initiatives where Union-level action can have a clear impact in furthering its interests*). *[…] and consistent with the EU's broader foreign policy objectives such as conflict prevention and resolution, non-proliferation and promoting human rights (*Solana 2006: 1-3).

Solana recommended the development of initiatives at the bilateral, regional and multilateral level and their official adoption by 2007. Bilateral initiatives were related with the EU's policy decisions regarding the RF, Norway, Turkey, Ukraine, the ENP and its relations with top global energy producing and consuming countries. The EU had to work towards a comprehensive EU-RF agreement that would appreciate energy interdependence, aim to integrate the energy markets in a transparent, reciprocal and non-discriminatory model and come forward in the post-PCA framework. The EU-Norwegian strategic energy partnership needed to be continued with respect to the possible inclusion of Norway in the Energy Community Treaty. Norway's desire to join the Energy Community Treaty

could also be a model for Algeria. Supporting Turkey to use its full potential to be a key energy hub and the promotion of Turkey's future membership in the Energy Community Treaty were other initiatives. Likewise Ukraine was required to be placed in the Energy Community Treaty and a relevant energy chapter was recommended to be inserted in a EU-Ukrainian bilateral agreement in the future. Implementation of those ENP provisions on energy were expected to be implemented also in this general policy framework. Development of energy cooperation with key energy producer, transit and consumer countries in Africa, the Caucasus, the Caspian Basin, Central Asia, the Middle East and the Gulf, Latin America and East Asia (especially Japan, China, India) was another suggested policy objective at the bilateral level.

Regional level suggestions in Solana's paper included the extension of the EU's internal market to the EEA and ENP countries through the enlargement of the Energy Community Treaty and promoting the convergence of the regulatory rules in the ENP area to improve the investment climate. At the multilateral level, Solana's paper envisaged advancement of the EU's energy policy targets within the WTO framework; conclusion of the negotiation of the Energy Charter Transit Protocol and securing the ratification of the ECT by all signatories; using the G8 and the G8+5 to promote the EU's energy policy interests; strengthening energy cooperation with the IEA; advocating an international agreement to deal with energy efficiency and renewable energy sources (Solana 2006: 3-4).

June 2006 Council presidency conclusions invited the Presidency, the Commission and the High Representative to work together to develop and implement a coherent external energy policy using the capabilities of the CFSP and ESDP. So, Solana's external energy policy suggestions were largely adopted by the Council of the European Union (Council of the European Union 2006a: 10-11). October 2006 Commission Communication on external energy relations also shared the importance of these policy objectives (European Commission 2006a: 3-6).

2.4.4. New Efforts for a Supranational Energy Policy, the Lisbon Treaty and Energy Networks Revisited

Based on the 2006 Green Paper's commentary, Commission made some suggestions in its January 2007 Communication on a European energy policy ("First Strategic Energy Review"). The document was practically a strategic review on the energy policy issues. The Commission stated that the 'European Energy Policy' has to be linked to the EU's international objective to lower the greenhouse gas emissions by 30 percent in the developed countries until 2020 compared to the 1990 level. Additionally, 2050 global GHG emissions had be lowered by 50 percent compared to 1990 with a 60-80 percent decrease in the developed countries. The EU had to lower its greenhouse gases by at least 20 percent until 2020. All this specific targets would bring a 'new industrial revolution' for Europe and were directly linked

with the overall energy policy objectives, that are, competitiveness, security of supply and environmental protection. Hence, this Strategic Review underlined the broad priority objectives stated in the Green Paper (European Commission 2007a).

January 2007 Commission Communication on an energy policy for Europe made a renewed call for the EU Member States to an effective energy external policy through the establishment of partnerships with the non-EU energy producing and consuming countries based on trust, cooperation and interdependence. Furthermore, the Commission pointed that energy had to be accepted as a key component of the EU's all external relations to serve the objectives of security, economic stability, social development and combating with climate change on an international level (European Commission 2007a: 18).

In an annex to the document, the Commission outlined a number of energy policy priorities between 2007-2010. These included the following issues: (European Commission 2007a: 24-25).

1) advocating international agreements regarding the extension of emissions trading to the EU's global partners, Energy Charter Treaty and the development and use of clean and renewable energy technologies in cooperation with the IEA;

2) involvement of the EU in multilateral initiatives like the World Bank Global Gas Flaring Reduction Partnership and the Extractive Industries Transparency Initiative;
3) establishment of energy relations with the neighbouring countries in line with the strengthening of the Policy (ENP).;
4) examination of the prospects for a EU-ENP area energy treaty;
5) extension of the Energy Community Treaty towards Moldova, Norway, Turkey and Ukraine; building up energy relationships with Egypt, Libya and other Mashrek/Maghreb countries; reducing the number of disruptions or physical destruction of key energy infrastructure outside the EU borders through cooperation with relevant countries and international organizations;
6) developing EU-RF relations through the negotiation of a new long term, bilateral agreement that would back new energy investments based on market principles and the provisions of the Energy Charter Treaty and draft Transit Protocol;
7) deepening of energy relations with key energy producing and transit countries, through OPEC, the Gulf Cooperation Council, implemention of the Memoranda of Understanding with Azerbaijan and Kazakhstan and establishment of new ties with other Central Asian countries like Turkmenistan and Uzbekistan;
8) consideration of other energy supplies areas like Latin America and the Caribbean for energy diversification;

9) developing of a high level energy partnership between Africa and the EU;
10) cooperation with the US promote free and competitive global energy markets and energy efficiency; promoting clean coal technologies in China and India;
11) supporting nuclear non proliferation and safety in partnership with the the International Atomic Energy Agency;
12) using the EU's general international trade and investment agreements for energy purposes;
13) advancing cooperation with the EIB and EBRD to support energy partnerships and important projects like the Trans-Caspian energy corridor or the Sub Saharan–Maghreb–EU projects;
14) placing energy projects in the proposed Neighbourhood Investment Fund, as an ENP instrument;
15) appointing European coordinators for important projects, e.g. a European Co-coordinator for the Nabucco gas pipeline project from the Caspian Sea basin to Austria and Hungary.

Aiming to overcome the failure of the Constitutional Treaty, the Lisbon Treaty was signed on 13 December 2007 (entered into force in 1 December 2009). Continuing the legacy of the failed Constitutional Treaty, the Lisbon Treaty provided a separate chapter on energy (Title XXI – Energy – Article 194). Lisbon Treaty mainly preserved the content of the energy chapter previously introduced by the Constitutional Treaty except one new provision.

The Lisbon Treaty inserted the promotion of the interconnection of energy networks (i.e. connection of the electricity and gas networks of the member states within the so called “Trans-European Energy Networks” infrastructure) (Ehricke and Hacklander 2009: 749) as the fourth principle of the Union policy on energy in addition to the already existing three objectives, that are, functioning of the energy market, ensuring security of supply in the EU and promotion of energy efficiency, energy saving and development of new renewable forms of energy (European Commission 2007c).

November 2008 Green Paper on European energy networks also pointed that network development had to be accepted as a key element of energy policy. The document stated that further alignment of the EU network policy with EU energy policy was necessary. Following the guidelines of the earlier documents on energy policy, energy networks Green Paper called for the consideration of the updating or replacement of the TEN-E with a new instrument called EU Energy Security and Infrastructure Instrument as the TEN-E was not sufficient to meet the new energy policy challenges mainly due to its budget restraints. The EU Energy Security and Infrastructure Instrument could serve to complete the Internal Energy Market, empower the development of the EU’s renewable energy use, secure the EU’s security of supply through the introduction of a better energy grid in cooperation with the non-EU countries.

So, the energy networks Green Paper outlined a list of infrastructure projects which were in line with the contents of the second Strategic Energy Review. A Baltic Interconnection Plan was devised to connect the relatively isolated energy markets in Europe and enhance security of supply. This plan would be developed as part of a Baltic Sea Regional Strategy that would cover gas, electricity and storage. A number of existing projects would be placed under this framework. With regard to the new Southern Gas Corridor, the EU is strongly recommend to work with the relevant neighbourhood countries to secure the Nabucco pipeline and explore the prospects for a block purchasing model for Caspian gas export. Reaching an agreement with Turkey over the transit of Caspian gas in line with the EU energy acquis was another component of the policy proposals. Realization of LNG capacity infrastructure system, a Mediterranean Energy Ring covering electricity grids, North-South gas and electricity interconnections reaching Central and South-East Europe and a Blueprint for a North Sea offshore grid were other plan proposals that would enhance the EU's security of energy supply mainly in gas and electricity in partnership with its neighbours in the north, south and east (European Commission 2008c: 5-14).

2.4.5. Strategic Reviews of Energy Security

Referring to the new policy priorities decided in Spring 2007, the Commission's second Strategic Energy Review (European Commission 2008a: 2-18) released in November 2008 stated that the EU will remain

committed to the "20-20-20" initiative that includes lowering greenhouse gas emissions by 20 percent, increasing the share of renewable sources in the energy consumption to 20 percent compared to 8.5 percent in 2008 and increasing energy efficiency by 20 percent, all by 2020. In order to fulfill these objectives, the Second Strategic Energy Review proposed an EU Energy Security and Solidarity Action Plan which will also have policy implications for the period between 2020-2050. The plan focused on five points including the infrastructure development needs and the diversification of energy supplies; external energy relations; oil and natural gas stocks and energy crisis response mechanisms; energy efficiency and most efficient use of the EU's own energy resources.

In line with these broad principles the Second Strategic Review underlined the necessity of the following policy actions many of which were already envisaged in previous policy documents. Following points were relatively new contributions to the earlier suggestions:

1) Accession of Ukraine, Moldova and Turkey into the European Energy Community would accelerate energy reforms in these countries and contribute to the EU's security of supply. A new strategy on Belarus also needs to be developed in this regard.

2) The EU has to develop a new model of "energy interdependence" provisions in its general agreements with energy producing countries. These provisions should encourage upstream investments, development of the

necessary infrastructures, access to markets, dialogue on policy and market developments, dispute settlement, safety of critical infrastructures that face non-commercial risks outside the EU area. Transit arrangements that would secure normal flows even in periods of political crises need to be introduced, all in line with the EU *acquis* and in partnership with the EIB and EBRD.

3) A new comprehensive EU-RF agreement that would replace the 1997 PCA would be concluded in a way that would promote reform and liberalization in the RF's energy market and the RF's accession to the WTO. Meanwhile the EU-RF Energy Dialogue should be maintained.

4) A similar approach on broad lines can be adopted regarding the EU's relations with the countries of the Caspian region, OPEC countries, Iraq and the Gulf Cooperation Council.

5) Parallel models of cooperation can be maintained in the relations with the US, Canada, Japan, USA, China, India and leading energy consuming countries of Latin America and Africa like Brazil, Egypt, Libya and Nigeria. The Trans-Sahara Gas Pipeline is an examplary project for the EU to diversify its energy supply sources in Africa.

6) In order to tackle with the question of "speaking with one voice" in energy policy matters, the member states are not really asked to take a high level step like electing a Union level representative on energy policy but to take more moderate actions like providing the Commission more information about their national energy decisions especially on energy investments to develop a EU level early warning system against energy policy and market tensions. A report by the EU Council released in December 2008 also cited

these objectives as the fundamentals of the EU energy policy in order to combine the internal and external dimensions of energy policy issues at the EU level (Council of the European Union 2008). As of early 2011, a certain mentality of interdependence could be said to be enjoing some importance in the EU energy policy but there is not a novel wider framework to further attract the EU's neighbourhood area into the EU's energy policy guidelines.

2.5. Conclusion

This chapter provided an extended examination of how the domestic/internal and foreign/external dimension of the EU Energy Policy developed since 1991. The study of this process was critical to represent the first two variables of the main hypothesis of this thesis. They were also presented as complementary hypotheses 2 and 3. Examination of the internal and external aspects of the EU's energy policy confirmed these hypotheses. In other words, this chapter revealed that (1) the EU's energy policy has transformed towards more supranationalism and (2) energy policy and foreign policy of the EU have practically and officially converged. Initial sections of the chapter generally addressed the domestic/internal aspects of the EU energy policy. Beginning from the Maastricht Treaty, this policy domain was influenced by a combination of institutional decisions whose priorities shifted over time. Liberalization of the electricity and natural gas markets were relatively more important in the early 1990s as a result of the Single European Market and the related 'Single Energy Market' initiatives of

the 1980s. Towards the late 1990s and early 2000s, security of supply concerns gained more importance.

However, market liberalization was still important as the past directives on electricity and natural gas were updated and revised in 2003. During the whole process, the EU Commission made substantial efforts to advance the institutionalization of the energy policy by strengthening its supranational elements. However, this enthusiasm was rarely shared by the member states and other EU bodies. In the late 2000s, energy efficiency, renewable energy sources and European energy networks rose up in the EU agenda as a response to the key global security of supply challenges. Indeed, this dissertation argues that security of supply was probably the most dominant and enduring driving force which clearly influenced the domestic/internal aspects of the EU energy policy.

Security of supply was, of course, very important for the foreign/external dimension of the energy policy. It was also practically the most significant connection between the domestic/internal and foreign/external aspects of EU policy making. Those sections of the chapter which covered the period since the second half of the 1990s mainly provided a discussion of the external factors and the convergence of the CFSP and energy policy issues. In this period, the international dimension of the energy policy clearly gained more prominence. The Commission was again the most motivated EU body to bring an international dimension to the energy policy. Improvement of energy

trade relations with the developing and facing the challenges of the Enlargement process were the top priorities of the EU in this era as a result of the new security of supply concerns.

On the regional scale, the EU's focus was rather on the ex-communist countries, most notably the RF and, to a lesser extent, East Asia. Of course, developments in the Middle East were always considered of fundamental importance for the security of supply to the EU. Emergence of the concept of "external energy policy" was a symbol of these developments. Likewise, the development of the internal concerns also continued. Towards the late 2000s, renewed calls for more self-sufficiency was reflected on the renewed focus on energy efficiency, renewable energy sources and European energy networks. Once again, even this seemingly domestic/internal outlook was related with international challenges. The intention of the EU was to develop its internal capabilities to deal with external challenges regarding security of supply.

Finally, as noted in the Introduction, it can be repeated that the division made here between the domestic/internal and foreign/external aspects of the EU energy policy was not always a clear-cut one. There were some key overlaps as seen in the case of the security of supply concerns which dominated the EU's strategic thinking since the 1990s (It must also noted that there will be some other overlaps and even repetitions across different chapters whenever relevant or inevitable). However, such a division was still

useful and operational to study the development of the EU energy policy in detail. It enabled this chapter to develop a hypothetical framework to examine a remarkably important phenomenon. This analytical approach will be also mainly used in the next chapter to present a detailed examination of the RF energy policy both at the domestic/internal and foreign/external level.

CHAPTER 3

ENERGY POLICY OF THE RUSSIAN FEDERATION

3.1. Introduction

This chapter aims to introduce the origins and development of the RF's energy policy between 1990 and 2008. The chapter will continue the examination of the independent variables as introduced in the first chapter; more specifically the third and fourth independent variables, i.e. domestic/internal and foreign/external energy politics of the RF. More specifically, these variables are the "transformation of the Russian Federation's energy policy" and the "convergence of the energy policy and the foreign policy of the Russian Federation". These variables were also presented as complementary hypotheses 4 and 5 in Chapter 1. The chapter will first provide a historical development of the energy policy issues since the Soviet times. Next, the chapter will look at how domestic factors like leadership styles, post-Soviet corporate transformation and the rise and fall of the oligarchs shaped the domestic energy agenda. After that, the chapter will deal with the foreign or external dimension of the RF's energy policy by highlighting the accelerating state-sponsored interaction between with the energy policy and the foreign policy agendum.

The RF's specific "external energy policy" relations with its post-Soviet neighborhood will be especially examined in depth as mini-case studies. This examination is necessary to analyze the external dimension of the RF's energy policy. As was the case in the previous chapter on the EU's energy policy, examination of the interaction of the domestic/internal and foreign/external factors in the RF context also aims to provide a regional and international look at the thesis's subject matter. And again as it was the case in the previous chapter, it has to be remembered that this operational division of internal and external variables was preferred for analytical purposes to achieve a certain level of hypothetical simplicity. So, a number of overlaps among various sections of the chapter should be seen as inevitable at some point. Even though the chronological scope of this thesis covers the period between 1991 and 2008, the chapter will begin with an introductory section that will highlight the main dynamics of the Soviet era which considerably contributed to the present day developments.

3.2. Russian Energy Policy in the Pre-1990 Era

Oil was known in the broad Russian geography since at least the 1700s. Before the late 19th century oil was an important economic good but it was used only for simple medical, construction and, most importantly, lighting purposes. Contemporary use of oil as the main vehicular fuel was to begin in the late 19th century. As the Tsarist Russia expanded southwards and eastwards to occupy Caucasus, Central Asia and Siberia between 17th

and 19th centuries, resources of these areas became gradually important. The level of available technology and economical circumstances determined their form of exploitation. Peter the Great thought to deliver oil from Baku to St.Petersburg in the 1720s but the plan was discarded after his death (Matveichuk 2010).

By late 19th century, oil was produced in the world and the Tsarist Russia mainly in its current form of production. The advance of the petroleum industry in the US led by the Standard Oil company brought a global impetus. Baku's importance grew quickly with the arrival of the foreign investors like the Rothschild family and the Nobel Brothers. Baku oil became a regional competitor to the American Rockefeller and Standard Oil in the European market in the 1890s (Grace 2005: 6-8).

A few years before the Communist Revolution the Tsarist government changed the concession system to increase the official renevues. But foreign investors opposed the change and lowered the oil output. The era roughly between 1900-1917 saw a series of worker strikes and ethno-political unrest in the Baku area. The 1917 Bolshevik Revolution initially had a negative impact on the oil output. As the workers' committees overtook the managerial tasks, some administrative confusion also occurred. Most foreign investors met great losses in the Russian oil market. When the Ottoman Army seized Baku in September 1918 during the World War I, foreign investors saw this as an opportunity to end the communist rule in the Baku

area. The Ottoman Army was pushed out from the region by the arriving British forces in November 1918 to challenge the communists and serve Western interests better. Nevertheless, it was not the unfruitful military confrontation that saved the foreign investors' interests in part but the needs of the communist government in the post-WWI years (Alstadt 1992: 90-96).

Just like the RF government does today, the Soviet Union needed foreign technical and managerial help and allowed foreign involvement to some degree under Lenin's famous New Economic Policy (NEP). Western companies had initially decided to boycott Soviet oil exports but negotiations and mutual interests quickly solved that problem even before the actual implementation of the boycott. Non-Western companies from Japan were also allowed in the process. Beginning from 1920, several foreign companies participated in the Soviet oil market and restored the oil production output roughly to its pre-Revolution level. The Soviet Union revoked most of the foreign concession in 1930 when the oil output was at a good level. Most foreign companies left the Soviet Union but the Standard Oil and a Japanese consortium led by the Sakhalin Oil and Gas Development Company (SODECO) kept working until 1935 and 1944 respectively (US Congress Office of Technology Assessment 1982: 342). The Soviet Union also gave some additional concessions to these companies on an irregular manner until 1945 (Goldman 1980: 24-29).

On the official institutional level, administrative structure of the Soviet energy sector was subject to numerous changes especially in the Stalin and Khruschchev periods. Several committees, commissariats, ministries were abolished, merged and renamed in the process. The bureaucratic change swinged between centralization and decentralization due to a mix of ideological and practical reasons depending on the choices of the Soviet leadership. One of the few substantial changes was the autonomy gained by the natural gas industry in 1956. Ministry of Petroleum Industry mainly remained as the main actor in the last decades of the Soviet Union (Campbell 1968: 25-28).

During the Second World War, Soviet oil fields in the Caucasus was one of the top targets of the advancing German army in the Soviet territory. German army managed to occupy Maikop (present day capital of the Adyghey republic) and Grozny (present day capital of Chechnya) oil fields in the North Caucasus but Germany could not derive much benefit from them as these fields were badly harmed during the war. German forces failed to reach Baku fields which were the biggest prize during the Caucasus operation. When the WWII was over, much of the Soviet Petroleum infrastructure was destroyed and the output level has fallen to 22 million tons from the level of 31 million tons in 1940. The Soviet Union confiscated USD 1 billion worth technical Petroleum equipment from Romania to recover its own industry. Revival of the Baku fields was the priority objective but the

resources of the Volga-Ural region were also targeted to develop the Soviet Petroleum industry.

Whereas the Soviets achieved success to renew Baku fields and to exploit the Volga-Ural region, they could not develop the new technological infrastructure to reach deeper depths in those difficult fields where oil and gas are known to be located. Not only the Petroleum industry but whole Soviet system was interested in production of satisfactory enough goods in high amounts and not in their quality. So innovative solutions and high technological products almost never became one of the leading characteristics of the Soviet Petroleum industry. However, there were some partial exceptions. Turbo-drill system developed by the Soviet engineers was an example of high technology even admired by the American engineers for its superiority over the rotation drilling system. The turbo-drill system was enabling the Petroleum industry to reach greater depths. However, turbo-drill turned out to be successful only in the Volga-Ural region where the soil had a hard-rock structure. On the other hand, Baku soil was too soft to use the turbo-drill technology and so the new technology had limited benefits in the field (Gelfgat, Gelfgat and Lopatin 2003: 83-84).

Despite the large exploitation costs and need for foreign capital and technology, the Soviet Petroleum industry showed remarkable progress after the WWII. The Soviet industry managed to increase the annual oil and gas output, satisfy domestic consumption needs and export some of its

production abroad beginning from the 1950s. Whenever conditions were suitable, the Soviet Union did not hesitate fossil fuel resources as a diplomatic tool to reward its allies and punish rivals. This was the case even with the communist countries. In order to force Tito's Yugoslavia to be more harmonious with the Soviet policies, the Soviet Union suspended oil shipments to Yugoslavia in April 1948. Then the delivery was resumed but the total amount was significantly lowered. Soon afterwards, the Soviet Union completely ceased oil export to Yugoslavia until 1954. When Israel invaded Sinai in 1956, the Soviets protested Israel and suspended its oil export to this country (Goldman 1980: 59-60).

The Soviet-Chinese relations followed a similar course. When the Soviet Union and China had good relations in the 1950s, the Soviets exported high levels of oil to China and send experts to help the Chinese to develop their own Petroleum industry. A joint Soviet-Chinese Petroleum company was also established. The Soviet-Chinese relations detoriated in the mid-1960s for ideological reasons and the Soviets called back their experts. Nevertheless, the Soviets oddly continued to export high amounts of oil to China for a while. The export level was soon lowered and finally ceased by the Soviets in 1966 (Campbell 1968: 226-229).

East European countries were particularly dependent on the Soviet oil and gas exports in addition to the imposed communist order by the Soviet Union. The completion of the Druzhba oil pipeline including its branches (the

Soviet Union, Poland, East Germany, Hungary, Czechoslovakia) in 1964 and Bratsvo gas pipeline (the Soviet Union, Czechoslovakia, Poland, East Germany, Hungary, Bulgaria) in 1967 consolidated this dependence (Campbell 1968: 229; Goldman 1980: 59-60).

Interestingly, nobody in the communist bloc was happy about the nature of the intra-bloc energy trade. While the East Europeans were rightly complaning that the Soviet Union was charging more money for its energy export to these countries than does for the capitalist countries like Western Germany and Italy. Initial Soviet response to these claims was to point to the "artificial" characteristics of trade inside the communist bloc. According to the Soviet Union, Eastern Europeans were also charging more for their exports to the Soviet Union than they demand from the non-communist countries. According to the USSR, the USSR itself was indeed exploited by the East European by importing artificially expensive goods from these countries. The communist bloc trade was beneficial for the Soviet Union only in the short term and so the Soviet Union had to strongly encourage the East European to decrease their exports to the Soviet Union and seek new markets elsewhere. This could save the Soviet Union being exploited by the East Europeans. This new line of Soviet argument brought the inclusion of the East European countries in the oil and gas exploitation projects in the Soviet Union. However, the East Europeans were directly expected to share the investment costs if they wanted to import the final output to their customers. This new strategy was seen by the Soviets as a way of limiting the

exploitation of the Soviet Union by smaller communist countries (Goldman 1980: 60-61, 66).

Energy trade of the Soviet Union with the non-communist countries was not necessarily smooth at least at the beginning. Soviet oil exports were largely seen as a part of a plot to undermine the Western economies (more specifically the Western Europeans) and put them under pressure. It was true that the USSR would actually enjoy having control over the non-communist countries but this was not the major intention of the USSR. The USSR was in need of revitalising its petroleum industry which was seriously harmed during the WWII. So, the USSR was interested in stable relations with non-communist countries rather than manipulating the markets for spreading ideological influence. Soviet energy trade with the non-communist countries in Europe never reached a very high amount but many such countries became customers of the USSR beginning from the 1950s. The Suez Crisis did not much influence the Soviet petroleum industry and it, indeed, helped the USSR to expand its market share in Europe, especially in Italy. Finland was the most important customer. It was later followed by Sweden, Italy, Denmark, United Kingdom, Belgium, Greece, West Germany, Iceland, Israel, France, Japan and finally the US by 1971 even tough the Soviet oil exports were always more or less regarded as a part of communist plot to undermine the NATO system. The era of detente in the East-West relations facilitated the advance of Soviet energy exports to the Western countries (Chadwick, Long and Nissanke 1987: 70-79).

The Soviet influence on the international markets was more clear beginning from the days of the Korean War. The Soviets were selling oil abroad for remarkably lower prices than the Western oil companies do. This strategy helped the Soviets to expand their market share especially in the developing countries like Cuba, India, Sri Lanka and Guinea. Soviet pricing strategy encouraged Cuba and Sri Lanka to nationalize the assets of the Western Petroleum companies. Western companies reacted with a boycott against the Soviet exports (Fulda 1979: 266-267). Western companies also called the US Congress and NATO to take action against cheap Soviet oil exports. NATO finally called the Common Market countries to limit their Soviet oil imports to 10 percent of their total consumption. However, this did not bring a radical change in the European markets. The more striking but relatively indirect effect of the confrontation between the Western companies and the Soviets was seen elsewhere. Always being unsatisfied with the renevue they obtained from their deals with the Western countries, Saudi Arabia, Kuwait, Iran, Iraq and Venezuela were distressed by the price falls introduced by the Western oil companies in 1959-1960 to compete against the Soviets. These countries finally decided to established the Organization of Petroleum Exporting Countries (OPEC) to increase the price of their oil output. So, the low price strategy of the USSR brought indirect though very significant losses for the Western companies in the developing world. The Soviets defended themselves against the accusations of price discrimination by saying that they were not manipulating the international markets but just

seeking to restore their prewar position. The Soviets also assured the Arab countries that they had no intention of competing with them just for the sake of obtaining profits. Indeed, the USSR benefited from the maneouvres of the OPEC in its own way as international oil prices rises triggered by OPEC's actions were beneficial for the USSR (Goldman 1980: 70-71; Noreng 2006: 148-149; Parra 2004: 261-262).

Soviet natural gas exports developed relatively slower than its oil exports due to the technological restraints to deliver natural gas effectively. However, the importance of gas exports grew steadily and exceeded the importance of oil exports. Austria became was linked to the Bratstvo gas pipeline in September 1978. Czechoslovakia, Bulgaria, the German Democratic Republic, West Germany, Hungary, France, Italy and Finland were also added to the system in the 1970s. By 1980, the USSR was providing about 20 percent of the gas imports of its West European customers (Staar 1991: 168-169; Jensen, Shabad, and Wright 1983: 375).

Acknowledging the growing prospects for natural gas trade, the USSR invited American and Japanese companies to develop Soviet gas fields under the North Star and Yakutia projects in late 1970s. The huge cost of the projects around USD 6 billion could not be covered by American companies or the US Export-Import due to economic and legal restrictions in place in the US. The projects could be launced by finance obtained from France, West Germany, UK and Japan. Japanese companies also took part in the

Island of Sakhalin project (US Congress Office of Technology Assessment 1982: 342-347; Rodgers 1990: 256-260).

The USSR itself imported natural gas from Iran and Afghanistan. Until the opening of the Bratstvo pipeline the gas imports from these countries temporarily made the USSR dependent on imports but after the opening of the pipeline the USSR's exports exceeded its imports. The Yom Kippur War, oil embargo of the 1970s and the Iranian Revolution did not significantly influence the position of the USSR especially regarding its domestic consumption both in oil and gas trade. It had very little import dependence on foreign sellers. Indeed, the USSR occassionally enjoyed sympathy of the OPEC countries and other developing countries (Fulda 1979: 298; Goldman 1980: 82-83; US Congress Office of Technology Assessment 1982: 253; Freedman 1991: 41). However, the actual risk for the Soviet Petroleum industy was still inside the USSR. Its planned economy based on a semi-pragmatic interpretation of the Marxist economy was not really functioning well and the industry's low prices in the country and abroad were not necessarily reflecting the real costs and profits. Besides, the USSR system had larger ideological and political tensions in itself which were finally officially acknowledged by the Soviet leadership in the 1980s under the *Perestroika* and *Glasnost* programs. This larger process brought the end of the USSR as a whole with implications on the petroleum industry. Gas production and exports were going to be more important in this new period.

3.3. The Transformation of the Internal Aspects of the Russian Federation's Energy Policy

3.3.1. Disintegration and Re-Integration of the Russian Energy Sector Under State Power

In the last few years of the 1980s, the Soviet administration launched a limited wave of privatization that transferred public property rights of several thousand state enterprises to their employees and management staff, largely to the benefit of the latter. The officials in the Soviet Ministry of Gas managed to keep the ministry as a whole in the last years of the Soviet period. Hence, Soviet Ministry of Gas transformed itself into Gazprom as a state-owned company in August 1989. Soviet Minister of Gas Viktor Chernomyrdin became the first CEO of Gazprom. However, Soviet Ministry of Petroleum was divided into several establishments and privatized in the process. Gazprom remained under state control between 1989-1992 through the ownership of company's shares of stocks by the state. In mid-1992, Yeltsin started a mass privatization program for Gazprom. By November 1992, Gazprom was transformed into a private joint stock company. Gazprom began to sell its stocks in February 1993. By 1994, the state owned only 40 percent of the shares (Rosner 2006; Aslund 2007: 140-142; Kim 2003: 87-90).

When Chernomyrdin was appointed as Prime Minister in May 1992, Rem Vyakhirev, another top Gazprom executive, became Gazprom's second CEO. With ex-Gazprom CEO Chernomyrdin being the Prime Minister, and his former colleague Vyakhirev being the current Gazprom CEO, Gazprom enjoyed considerable freedom from governmental control and regulations. The company showed examples of maladministration and corporate fraud with regard to legal tax payments, payments of dividends to share holders, and the unlawful income payments to the Gazprom's executives. Gazprom made shady money transfers to Itera, a Russian company relocated from the RF to the USA and owned by the family members and relatives of the actual Gazprom executives. For a while, Itera practically served as the second biggest gas producing company in the RF. It was also used by Gazprom as a semi-hidden tool to expand in the Ukrainian energy market. Itera was going to be biggest reason for the removal of Chernomyrdin from Gazprom by Putinin 2001. Gazprom also made substantial financial contributions to political careers of Chernomyrdin and Yeltsin in Duma and presidential politics (Tavernise 1 August 2001; Jeffries 2002: 137; Kotz and Weir 2007: 227-228; Balmaceda 2008: 49).

The relationship between Yeltsin and Chernomyrdin detoriated when Yeltsin began to think that Chernomyrdin was too self-confident as a Prime Minister. Soon afterwards, Yeltsin made Chernomyrdin Gazprom's CEO for a second term and the government ordered Gazprom to pay its all tax debts. After the payment, Gazprom declared a financial loss for the first time. Segei

Kiriyenko (in office 23 March 1998 – 23 August 1998) replaced Chernomyrdin as Prime Minister but Chernomyrdin managed to return briefly (23 August 1998 – 11 September 1998) only to be replaced by Yevgeny Primakov (in office, 11 September 1998 – 12 May 1999) for good. During the 1990s, even foreign buyers could own Gazprom's stocks. For example, Ruhrgas bought 2.5 percent of Gazprom's shares for USD 660 million in December 1998 and another 1 percent for USD 210 million in May 1999. For a time Ruhrgas owned over 5 percent of Gazprom's shares and non-state shareholders mostly of RF origin had 61.63 percent of total shares (Goldman 2008: 83, 101).

Despite his lesser known KGB background, Putin is known to have openly advocated using national energy sources as leading tools of reviving the RF's superpower status in the post-Soviet Union era. To achieve this goal, the state had to intervene in and place direct control of the domestic energy sector. Subsequently, oligarchic businesses had to be restructed as subordinated large companies that would serve the state's interests in the RF and abroad. The RF also had to produce technology to become truly competitive in the world markets. Putin has publicly defended this argument in his dissertation submitted to the St. Petersburg Mining Institute in 1997 and his article titled "Mineral'no-syr'evye resursy v strategi razvitiia Rossiiskoi ekonomiki" [Mineral and Natural Resources in the Development Strategy of the Russian Economy] published in Zapiski Gornogo Instituta [Reports of the Mining Institute] in 1999 (Putin 1999).

Putin's vision was not entirely original. Similar state-centric views on the political dimension of the state-business relations in the energy sector or some other strategic sectors, all of which can be broadly categorized as "protectionist" were already voiced in the world. Indeed, official energy policy documents adopted and later updated by the RF governments in 1992, 1994 and 1996 were also stating energy policy as a strategic field that interacted with the economic, environmental, foreign and defence policies. During Putin's term these documents were updated in 2000 and 2003 (Milov, Coburn and Danchenko 2006: 285-287; The Ministry of Industry and Energy of the Russian Federation 2003). After becoming Prime Minister and, later, President of the RF, Putin began to implement his statist ideas in domestic and foreign policy. The RF did not proceed much when it comes to being an advanced technology producer. To a large extent, the RF remained dependent on its raw sources. However, Putin still achieved considerable success in the restructuring of the economy and politics in an authoritarian manner that increased state power but ignored democratization in general.

After his election as RF president in March 2000, Putin forced Viktor Chernomyrdin to resign from his post as Gazprom's chairman in June 2000. German Gref, Minister of Economic Development and Trade, had previously proposed a reform plan in June 2000 to divide Gazprom in the several independent bodies to undertake production, distribution and sale of gas separately. However, on 26 December 2002, Putin clearly blocked the

reform plan by declaring Gazprom as a strategic entity which could not be divided. Again at a speech at the 10th anniversary of Gazprom's establishment, Putin reaffirmed his position by stating that Gazprom was a powerful political tool to influence the rest of the world (Fredholm 2005: 19; Goichi 2005: 17).

Gazprom gradually became one of Putin's power tools in the 2000s. Aleksei Miller, one of Putin's old friends, became Gazprom's new chairman and Dmitri Medvedev, a reliable lawyer close to Putin, became the vice-chairman in May 2001. Itera lost its market position to a lesser known company named Novatek. Putin also removed Viktor Gerashchenko from his post as the RF Central Bank's chairman. The removal of Chernomyrdin, Vyakhirev and Gerashchenko were signals of Putin's determination to bring a new order to the politics. Until mid-2003 the RF energy policy was largely determined by an amalgamation of the competing interests of various public and private actors mainly in favour of the latter. Under Putin there began to emerge a relatively more uniform and protectionist energy policy. Putin made changes in the administrative posts of key public bodies and limited the influence of private actors. His fellow "siloviki" were appointed as the new public sector administrators all over the RF. Protectionism and state control became the driving factors of the official decisions. The administration also took a very active role to regulate the private sector that resulted in clashes like the Yukos affair (Aslund 2007: 229; Tkachenko 2008: 185).

During his meeting with German Chancellor Gerhard Schroeder in October 2003, Putin made it clear that the state would be directly in charge of Gazprom's affairs and the EU should not expect the disintegration of this monopolistic company (Fredholm 2005: 8-9). In order to avoid the dominance of foreign and/or private shareholders in the Gazprom's management Putin ordered the state-run Rosneft to buy 10.74 percent of Gazprom's shares in mid-2005. This purchase allowed the state to control 50.002 percent of Gazprom's shares. Before that, the state had 35-40 percent of the shares (Arvedlund 18 May 2005a; 18 May 2005b).

In order to increase state power in the energy sector, Putin was also interested in the plan of merging Gazprom and Rosneft. Despite the fate of the Soviet Ministry of Gas and Gazprom, Soviet Ministry of Petroleum Industry was transformed into a joint stock company called Rosneftegaz in September 1991. Rosneftegaz was primarily an oil company but it had some presence in the natural gas sector as well. Between 1991-1993, Rosneftegaz was divided into a number of separate state owned entities including Rosneft, Lukoil, Surgutneftegaz and Yukos. Lukoil, Surgutneftegaz and Yukos were privatized in 1995 under the loans for shares scheme. Rosneft was further divided into Sidanko, Onako, Slavneft, VNK, Tyumen Oil (TNK) and Sibneft but Rosneft as a separate entity survived between 1994-1995. Smaller descendants of Rosneft were also later privatized and/or merged with other companies (Goldman 2008: 61). The merger of Gazprom and Rosneft was accepted by the RF government in September 2004, the

plan was later officially cancelled in May 2005 as a result of the Rosneft's resistance. Rosneft was content with grasping pieces from the fall of Yukos. Rosneft had just won an auction for the ownership of Yuganskneftegaz, an affiliated company of Yukos (Goichi 2005: 14).

To explore the prospects of expanding the RF's influence in energy politics abroad, Putin took some experimental steps. The Gas Exporting Countries' Forum (GECF), a seemingly OPEC-like organization, was already in place since 2001 but it did not meet the expectations of the RF in terms of coordinated political action. In 2002, Putin had made a short-lived proposal for the establishment of a natural gas alliance among the Central Asian countries and the RF. Between 2006-2007, Putin explored the idea of establishing a so called "gas OPEC" during his visits to Iran, Algeria and Qatar. The idea had a fundamental obstacle. Unlike oil, gas, even as LNG, was far less flexible to be subject to daily, practical decisions to decrease or increase the production. The production, transfer and sale of gas was a more lengthy process. Secondly, oil trade allowed coordinated action among the producers to some extent, but gas trade was more of a monopolistic nature and, so, not many gas producers needed common action (Tkachenko 2008: 192; Luft and Korin 2009: 100-101). Hence, the RF's desire for the establishment of a kind of gas OPEC remained as an unrealized policy initiative. However, utilization of energy resources as a power tool in the RF foreign policy was largely achieved.

3.3.2. Subordination of the Oligarchs

A number of Russian businessmen had greatly benefited from the immediate post-Soviet privatizations and gained enormous fortunes in the Yeltsin era. Their economic power was easily extended to the political scene. The oligarchs had practically become Yeltsin's de facto coalition partners to rule the RF. The oligarchs left their clear print in the Yeltsin and Putin era. Examination of the oligarchs is very essential to the understanding of the domestic/internal dimension of the RF's energy policy. However, oligarchs, especially Khodorkovsky, were also important actors for the RF's external energy policy as well. This is especially the case when we keep their relations with foreign investors in mind. Putin had a real motivation to place oligarchs under state control and, if necessary, eliminate those which resisted this vision. While the majority of the oligarchs were subordinated to the authoritarian style of the government, some like Gusinsky and Berezovsky could not accept the new balance of power in the RF. Vladimir Gusinsky was a powerful oligarch who owned a large media network led by his company Media Most. Being critical of governmental policies, especially over the First Russian-Chechen War that began in 1994, Gusinsky was also disliked by the relatively more democratic Yeltsin. Despite his attempts to get rid of Gusinsky, Yeltsin could not have dared to close Gusinsky's media companies in the 1990s. When the Second Russian-Chechen War started in 1999, Gusinsky targeted Putin. After Putin's presidential election victory in

2000, relations between Gusinsky and Putin got worse (Phillips and Challacombe 2005; Guriev and Rachinsky 2005).

The course of affairs in the case of Berezovsky followed a similar pattern. Unlike Gusinsky, Berezovsky had better relations with Yeltsin and even Putin to some extent at first, but he, too, was critical of the political atmosphere in the post-Yeltsin era. Putin invited the RF's some top twenty-one oligarchs to a meeting in Kremlin on 28 July 2000. Gusinsky and Berezovsky were not invited. Putin told the attendants to stay away from politics if they want to keep their fortunes in the new era. In return, Putin would not going to question how they acquired their powerful position in the Yeltsin era. Most of the oligarchs accepted Putin's offer and managed to survive in the coming anti-oligarch cleansing. Putin's immediate gain from the deal was to get rid of most of media criticisms against his actions (Fortescue 2006: 105-106).

What Berezovsky probably had in mind was that he could be still tolerated by Putin as he was originally a supporter of Putin's initial rise to power as prime minister. Besides he was close the Yeltsin family and some other top officials. That was how Berezovsky ad acquired his wealth by obtaining Sibneft through a loan for shares auction in the Yeltsin era. He was also a sponsor of Yeltsin families expenditures and a supporter of Yeltsin's presidential election campaign in 1996. However, his fatal mistake was to join their media forces with Gusinsky to criticize Putin (Goldman 2008: 103).

RF Navy's nuclear submarine sank in August 2000 in a curious manner and the details of the incident received widespread attention both in the RF and the world. Berezovsky's ORT TV channel and Gusinsky's NTV openly criticized the official reaction to the accident and display news clips of Putin who kept enjoying his vacation in the Black Sea while the families of the dead soldiers were left alone in the Barents Sea where the submarine sank (Tyler 5 September 2000).

There were already rumours that Putin had ordered the arrest of Berezovsky. He fled to the UK in 2001 and left the control of his media and Sibneft assets to his juinor business partner Roman Abramovich who was among the oligarchs who could be tolerated by Putin return for their obedience. A few months later Gazprom took over Sibneft and Berezovsky's shares in Media Most. This was one of the key successes of Putin's policy to bring strong state control to the energy sector in the RF. Gazprom took over Vladimir Gusinsky's NTV, by then the only nationwide private television channel in the RF in April 2001. A Moscow court later ruled the transfer of 25 percent of Gusinski's larger Media-Most Holding's stock capital to Gazpom Media in May 2001. By 2002, Gazprom acquired all of Gusinsky's shares in Media-Most's media companies. These changes of ownership brought pro-government changes in the editorial policy of the related media establishments and some publications were closed. Finally, Gazprom purchased the famous RF newspaper Izvestiya (Evans, Henry and Sundstrom 2005: 80; Herspring 2005: 58-59; Halperin and Galic 2005: 245).

Khodorkovsky was brave enough to challenge Putin. He chose to remain active in politics. As the RF's richest man and owner of Yukos oil company, Khodorkovsky became a major supporter of the leading opposition parties including the Yabloko Party with a pro-Western leaning. He had supporters even in the Communist Party who lined up with the Yabloko Party in favour of Khodorkovsky. Thanks to his influence over the Duma, he managed to defeat two government proposals to increase taxes and environmental restraints on the oil sector. And most important of all, there were rumours that he was planning to run for the presidency in 2008 after the end of Putin's first term (Gitelman and Ro'I 2007: 279-280; Levitsky and Way 2010: 197-198).

Khodorkovsky's sharp criticism of Sergei Bogdanchikov, the CEO of the state-owned Rosneft and one of Putin's friends, in a live television broadcast on February 2003 became a decisive point in his fate. There, Khodorkovsky blamed Bogdanchikov for overpaying USD 622.6 million for Northern Oil owned by Andrei Vavilov, a senator in the Council of the Federation and a former deputy finance minister. Soon afterwards, Khodorkovsky publicly told Putin that his bureaucracy was full of thieves. Clearly, Khodorkovsky was not an innocent person in terms of shady business deals but his criticism was not negligible. Putin defended Bogdanchikov but told he would investigate the accusations. It is very likely that Putin made his decision to finish off Khodorkovsky and Yukos after this

incident. Putin and his circle saw Khodorkovsky as a threat to state authority and themselves (Nichol et al 2006: 44-45; Aslund 2007: 237).

Given Khodorkovsky's political presence, Yukos's business profile was also challenging and too successful for some state enterprises. Although blamed for over-pumping by some critics, Yukos has been increasing its oil output. Yukos had tried twice to merge with Sibneft first in 1998 and, secondly, shortly before Khodorkovsky's arrest in fall 2003. Khorkovsky had sent oil tankers to Houston, US, as part of his plans to export oil to the US. His plan to construct an oil pipeline to Murmansk on the Barents Sea was risky for the state owned Tatneft that had monopoly over all domestic and export oil pipelines. Khodorkovsky has also signed a deal with China to build a oil pipeline through Siberia to China. Weeks before his arrest, Khodorkovsky was very close to make a deal to sell large parts of Yukos's assets to either Exxon or Chevron. That would create a new TNK-BP style foreign partnership in the RF. Clearly, such independent foreign contacts were intervening in Putin's strict rule in the RF's domestic and foreign energy policy in one way or another (Puffer, Shekshnia and McCarthy 2004: 347-348; Hanson 2006: 152; Dixon 2008: 80-82).

The anti-Khodorkovsky operation began in June 2003 when Yukos's security chief Aleksei Pichugin was arrested for murder charges and later sentenced to 24 years (Kommersant, 18 August 2006). Next month, Platon Lebedev, a top Yukos official, was arrested for failing to invest enough in a

feritilizer company that was sold by the government (Tavernise 4 July 2003). However, Khodorkovsky did not seem affected by these arrests. He held a meeting with US Vice President Dick Cheney about Exxon-Mobil's pending offer to buy major parts of Yukos's assets in July 2003 during his trip to the US. He also met Bill Gates and some leading US private and public figures (Tavernise 18 July 2003). Khodorkovsky was indeed expecting to be arrested but did not try to leave the RF. Instead, he was thinking that he was powerful enough to be released free even if he was arrested. He was eventually arrested on 25 October 2003 for charges of corporate fraud, tax evasion, grand theft, forgery, embezzlement, and extortion.

Khodorkovsky was initially sentenced to eight years to be extended to fifteen years. Key enterprises of Yukos like Yuganskneftegaz were sold at auctions. Finally, Yukos itself was declared bankrupt by the Moscow Arbitration Court's decision on 2 August 2006. Meanwhile, 73 percent of Sibneft, Berezovsky's former company, was silently purchased by Gazprom for USD 13.1bn in September 2005 and renamed as Gazprom Neft. After Sibneft's takeover by Gazprom, Gazprom gained a major role in the oil sector and began to control 30 percent of the RF's oil output (Goldman 2008: 118-123). As of December 2008, Khodorkovsky was in jail in the RF, Berezovsky and Gusinsky were in exile in the UK and Israel respectively.

3.4. Convergence of the Energy Policy and the Foreign Policy of the Russian Federation

3.4.1. Foreign Energy Companies in the Russian Federation

The general RF energy policy since the late 1990s has been to keep the country wide energy infrastructure under state control and foreign companies were allowed to use and develop the energy infrastructure and reserves only when the RF did not have sufficient means to do the job. For example, foreign involvement in the Sakhalin and Barents Sea Shtokman field were allowed under those circumstances. Past experience also shows that the RF authorities were also ready to restrict the once officially allowed foreign involvement in the energy sector as soon as the RF obtains the capabilities to replace the foreign technology and expertise to exploit the natural reserves in the RF.

Indeed, dislike of foreign involvement in the RF energy sector became more apparent during Putin's term. That was one of the reasons explaning why Putin was so sensitive about Khodorkovsky's actions. In addition to his open criticism of Putin and his men, Khodorkovsky was planning to sell a significant part of Yukos's shares to Exxon-Mobil and Chevron. Foreign capital was not really welcomed by the RF authorities and public back then. Even the seemingly liberal minded Russian businessmen were not very fond of competing with the foreign companies in the RF energy sector. The legal

system of the RF did not help the foreign companies much to take their problems to the courts. In short, foreign companies had to make business in the RF under increasingly less liberal market rules and legal regulations in the Putin era.

3.4.1.1. Phibro Energy Products's White Nights company

Phibro Energy, a subsidiary of Salomon Inc. established a joint venture company named "White Nights" with Anglo-Suisse group and Varyegganneftegaz Oil and Gas Production Association to drill well in three oil fields in western Siberia. White Nights was one of the first examples of its kind. White Nights was allowed to work in the RF as the Soviet capacity to drill the cold Siberian territory was very weak. According to the estimations of the White Nights, the oil output rate from the Varyegganneftegaz field would annually rise by 25 percent. All the output to be obtained by the White Nights above that level would be shared among the partners as profit. Basically, the White Nights managed to use Western technology to achieve that output level but the enterprise was still seen as a failure for the Western partners. After the payment of the tax, relevant fees and "bribes", the profit was not that high (Crane 1992: 107; New York Times 27 February 1993; Spar 2003: 152-155). Eventually, INA, Croatian state oil company, bought White Nights in 1998 for USD 20 million and sold it to Rosneft in 2002 for USD 76 million (Alexander's Gas and Oil Connections 5 September 2002).

3.4.1.2. Conoco

Conoco entered the Soviet oil sector in 1989 and established a joint venture named “Polar Nights” with Rosneft in 1991 to drill in Timan Pechora Basin near Arkhangelsk. Conoco faced various form of interferences and bureaucratic complexities displayed by the federal and local government, especially by Vladimir Butov, governor of the Nenets Autonomous District which encompassed the oil fields. Unlike Exxon, Amoco, Texaco and Norsk Hydro which gave up working the region for the same difficulties, Conoco insisted to stay and deal with the bureaucratic difficulties especially numerous tax payments and export tariffs. Conoco was also denied access to the export pipeline and an oil field which the company has planned to exploit. Despite its USD 600 million investment in the RF, Conoco profited relatively little (Goldman 2008:84-85; Spar 2003: 156-159). In 2001, Conoco merged with Phillips Co. to establish ConocoPhillips.

ConocoPhillips was not really wishing to continue its investments in the RF but it figured out global oil companies like itself could not afford neglecting the RF’s gas and oil vast resources just because of political difficulties. So, ConocoPhillips CEO James Mulva and Lukoil CEO Vagit Alekperov obtained Putin’s permission in July 2004 for the ConocoPhillips to buy 20 percent of Lukoil’s shares for USD 7 billion. After the 2004 ConocoPhillips-Lukoil deal, ConocoPhillips gained access to the crude oil reserves for a cost of USD 1.70 a barrel. Considering that cost of that

transaction per barrel would normally cost USD 40, ConocoPhillips eventually obtained a significant profit in the RF market (Goldman 2008:85).

Thanks to its partnership with Lukoil, ConocoPhillips did not have much difficulty in the RF market until 2006. However, the company met the risk of being excluded from new the Shtokman field project in mid-2006 when Gazprom said it would consider only one of the four possible foreign candidates to take in the project, namely, ConocoPhillips, Statoil, Norsk Hydro and Total. The company had indeed signed a memorandum of understanding with Gazprom about the Shtokman field in December 2004 (Businesswire 22 December 2004). The exact reason behind this partner selection problem was the search of the RF for retaliation for the opposition of the US against the accession of the RF to the WTO. However, the RF officials claimed that this issue was a technical one which could last one year to be decided (Grib 4 August 2006).

In July 2007, Total turned out to be the successful winner of the competition to take part in the Shtokman project supervised by Gazprom. ConocoPhillips stated that they were still in touch with Gazprom to be in the Shtokman project (Reuters 17 July 2007). In August 2008, James Mulva, Chief Executive of ConocoPhillips, said their intention to stay in the RF market would not change at the official launch ceremony of the The South Khylchuyu oil field, a joint project of the ConocoPhillips and Luoik, in the Arctic Zone (Mosolova, 28 August 2008). In late 2008, ConocoPhillips and

Exxon-Mobil were considered by Gazprom again as possible candidates this time in the LNG project in Yamal. It was also stated that Gazprom and ConocoPhillips could also work together in Alaska as well (Mosolova 18 November 2008).

3.4.1.3. Royal Dutch/Shell-led consortium

In the past, the Soviet authorities had allowed Japanese companies to work Sakhalin-1 in the 1970s. Japanese involvement continued until mid-1980s with scarcely satisfactory results (Bradshaw 1990: 257-259). Royal Dutch/Shell became the first Western company to sign a production sharing agreement (PSA) with the RF in June 1994 to drill in the Sakhalin-1I oil and gas fields where extremely harsh geographical conditions prevailed. Under the PSA framework, Royal Dutch/Shell had the right to recoup its costs before sharing its project with the RF government. In short, PSA framework was more favorable for the Royal Dutch/Shell or any private company compared to a normal operating agreement. In return, the RF was accessing to foreign technology to exploit the riches in its soil (Salpukas 24 March 1994). In the Sakhalin-1I project, the Shell-led consortium had two Japanese partners, Mitsui and Mitsubishi, which had a 25 and 20 percent of the equities respectively. 55 percent of the equities was belong to the Shell. The consortium was composed of foreign companies. The Shell has initially announced that the project would cost USD 10 billion but in 2005 the cost rose to USD 20-22 billion (Forbes 14 June 2005).

Not surprisingly, this change provoked the RF to demand a revision in the original PSA that would make Gazprom the new partner in the consortium. Russian Natural Resources Ministry also blamed consortium for violating environmental standards and causing an environmental damage that costed USD 10-30 billion. In December 2005, Shell offered to sell 25 percent plus one of its shares to Gazprom in return for the 50 percent of stakes in Gazprom's Zapolyarnoye Neocomian hydrocarbon field in West Siberia by making an asset swap in December 2005 (Forbes 7 June 2005). However, during the continuing talks in December 2006, it turned out that Shell and its Japanese partners could eventually bow to give about 40-45 percent of the total assets in the consortium (Hotten 12 December 2006). The deal was completed in April 2007 when it was announced that Gazprom was going to pay USD 7.45 billion for 51 percent of the total shares. So, Gazprom has managed to not only be a partner but to gain the controlling assets of the consortium (Forbes 18 April 2007). As a part of the deal, Shell also accepted to pay the RF an annual dividend that could worth up to USD 275 million beginning from 2010 (Hawkes 26 April 2007). Majority of the Sakhalin-1I production facilities were finally completed in December 2008 and first oil export was made to Japan as planned (Rianovosti 12 December 2008).

3.4.1.4. Total

French Total made a 29-years PSA that can be extended to 33 years with the RF government in December 1995 to drill the Khargyaga oil field in the Nenets Autonomous District. No other RF company had the sufficient technology to undertake the job. Total owned a 50 percent share in the project where Hydro (Norway) and Nenets Oil Company (RF) owned 40 percent and 10 percent respectively (Rianovosti 27 October 2006; Kommersant 29 August 2007). During the project, Total was charged a penalty for failing to drill a maximum number of oil wells as it could. It also faced a second penalty for not pumping the associated gas released during oil drill back to the well but burning it. Total barely managed to keep its PSA license after these penalties. In September 2004, Total made a USD 1 billion deal with Novatek to invest in this company but the deal was cancelled under Gazprom's pressure which wanted to restrict foreign financial involvement in the RF energy companies (Goldman 2008:132-133). The Ministry of Natural Resources has also blamed Total for failing to meet the production targets and using new technologies and equipment in the Kharyaga field according to the PSA (Rianovosti 27 October 2006).

The dissatisfaction of the Ministry of Natural Resources with Total were largely perceived as a part of Kremlin's plan to tighten state control over the foreign energy companies as was the case in the withdrawal of permit for the Sakhalin-1I project, announcement of an investigation about

the Kharyaga oil field and the Kovykta gas field in September 2006 (Rianovosti 27 October 2006). The Ministry of Natural Resources said they would stop their environmental damage claims against Total as they did in the recent months if this company would take steps to compansate for the environmental harm caused in the Kharyaga oil field (Rianovosti 27 October 2006). A commission of the agency for the management of natural resources stated that they would consider the future of the license renewal problem of Total in the Kharyaga field in February 2007 as the company was accused by failing to obey the relevant environmental regulations like the ones the burning of excess natural gas in the production process (Rianovosti 22 December 2006).

Meanwhile, Gazprom showed its interest to acquire stakes in the Kharyaga project after Total's alleged failure as they did in the similar case of Sakhalin-1I project (Rianovosti 22 December 2006). In March 2007, The Federal Service for the Oversight of the Environment, Technology and Nuclear Management concluded an investigation about the Kharyaga field. As a result of the investigation, Total was found to be responsible for the environmental harm, failing to take sufficient measures to eliminate environmental damage during its operations in the field (Rianovosti 13 March 2007; Rianovosti 22 March 2007). Despite Total's growing negative image in the Kharyaga project, the RF Industry and Energy Ministry soon stated that the RF's official share of profit in the project was USD 107 million in 2006. This meant the project was a financial gain for the RF (Rianovosti 9 April

2007). In April 2007, the RF Audit Chamber said Total took a number of positive steps to obey the RF's environmental laws regarding the company's operations in the Kharyaga field (Rianovosti 12 April 2007).

Subsequently, RF Audit Chamber decided that it would not be necessary to revise the PSAs on the Kharyaga oil field and Sakhalin-1 gas field as the operating companies agreed to obey the relevant environmental laws and recommendations of the governmental bodies (Rianovosti 21 June 2007). The RF government approved a cost rise for the Kharyaga oil field by 12 percent to USD 164 million in 2007. This decision regarding the cost rise enabled Total to make more investment in the field. At the same time, Total was announced as the new partner of Gazprom to develop the Arctic Shtokman project in the Barents Sea. Above mentioned decisions by the RF government and Gazprom revived Total's position in the RF (Rianovosti 12 July 2007). Later, Total got involved in the exploitation of the Shtokman gas field. Gazprom had first rejected non-Russian companies's access to the field but facing severe geographical difficulties it had later changed its mind. According to the deal signed between Gazprom and Total in December 2007, Total got a 25 percent share in the project while Gazprom remained as the owner of the total production (Forbes 7 December 2007). By late 2008, the RF government approved the state-run Zarubezhneft company, which was established in 1967, to make talks with Total to acquire 20 percent of the shares of the Kharyaga project (Rianovosti 5 September 2008).

3.4.1.5. Exxon-Mobil-led consortium

The Exxon-Mobil-led consortium signed a PSA with the RF in 1996 to drill the Sakhalin-1 natural gas field whose total reserves were estimated 485 billion cubic meters (billion cubic meters). The cost of the project was USD 12 billion. Sakhalinmorneftegaz (11.5 percent) and Rosneft (8.5 percent) were the Russian partners of the project. The Exxon-Mobil (30 percent). the Japanse SODECO (30 percent) and the Indian ONGC Videsh (20 percent) were the major partners (Rianovosti 3 February 2005). The exploration stage of the project lasted until 2001 in which the development stage began (Exxon Neftegaz Unspecified Date).

Gazprom and ExxonMobil announced they would cooperate in the Sakhalin-1 project in November 2004 while ExxonMobil also started talks with China National Petroleum Corporation (CNPC) to built a new USD 9.4-1.4 million worth gas pipeline to China from the Sakhalin-1 well through building of extension pipeline in the RF's Khabarovsk territory. ExxonMobil's deal with China also ended the prospects for Japan's participation in the project to import gas from the Sakhalin-1 well (Rianovosti 3 November 2004). According to Sergei Bogdanchikov, president of the Rosneft oil company, Japan has frozen its two-years interest in the project until 2013 (Rianovosti 3 February 2005).

In 2005, Gazprom announced that ExxonMobil was one of the ten foreign companies that applied to become Gazprom's PSA project partner in the USD 10 billion worth Shtokman gas field project. The project was planned to begin in 2010. As the potenatial candidates, US (Chevron, ConocoPhillips and Exxon Mobil). Norway (Hydro, Statoil). Japan (Mitsui, Sumitomo Corporation). France (Total). UK and the Netherlands (Royal/Dutch/Shell). Norwegian companies were initially considered to be more advantegous. RF was considering these companies as tools to smooth territorial problems with Norway and their experience in the North Sea. Main intention of the RF was to sell LNG to the North American and European markets from the Shtokman field (Rianovosti 8 August 2005; 9 August 2005). Later, Total was going to be the winning candidate to take part in the Shtokman field.

The RF Ministry of Natural Resources launched an expert panel in September 2005 to examine to extend ExxonMobil's license in the Sakhalin-1 to the RF's Pacific coast if the company could prove that the two reserves were geologically related (Rianovosti 29 September 2005). Soon, ExxonMobil started gas production in the Sakhalin-1 well (Rianovosti 2 October 2005). In June 2006, Rosneft stated that gas export from Sakhalin-1 to the Asian countries would start in October 2006 and the talks with China were proceeding (Rianovosti 26 June 2006). However, Shin-Nippon Sekiyu, a Japanese refinery company, surprisingly announced that oil would be

exported to Japan from the Sakhalin-1 well in Fall 2006 (Rianovosti 22 August 2006).

In October 2006, the RF Audit Chamber said ExxonMobil failed to obey many terms of the PSA regarding work plan and expenditure schemes, e.g. starting oil production with a two-year delay in 2003 and still failing to begin gas export by 2006 in the Sakhalin-1 well. The Chamber also complaint that the RF would get 15 percent or less of the hydrocarbon output in the field. The Chamber's non-binding decision meant a warning for more serious investigations in the future. A project expert also said oil production from Sakhalin-1 was expected to meet a bottleneck after an initial peak due to the disagreement between ExxonMobil and the RF regarding the suggested geographical extension of ExxonMobil's licence (Rianovosti 6 October 2006; St.Petersburg Times 10 October 2006).

Departure of the the first oil tanker delivering oil from Sakhalin-1 well to the East Asian market (Japan, Korea, India) in October 2006 was a success for the project. This was achieved despite the then cold relations between the RF and ExxonMobil. The delivery itself was indeed delayed by the bureaucratic obstacles of the government officers however ExxonMobil did not openly complain about it. Company officials and experts said Sakhalin would meet 22 percent of Asia's energy demand by 2010 (Bloomberg 19 October 2006; Rianovosti 12 April 2007). The RF authorities signalled a relatively positive attitude towards the foreign energy companies.

Andrei Dementyev, Deputy Industry and Energy Minister, said foreign energy investments under the PSA regime in the RF would considerably contribute to the RF budget. He stated that implementation of the Sakhalin-1 project would yielded about USD 101 million by 2005, USD 28 million of which would go to the federal budget while remaining USD 73 million would go to the Sakhalin's regional budget. Total income of the RF from the project would be about USD 52.2 billion by 2054 when the project ended (Rianovosti 1 November 2006).

However, ExxonMobil's relations with the RF government became problematic once again when Oleg Mitvol, deputy head of the Federal Service for the Oversight of Natural Resources, told that they would start an investigation about the environmental harm caused by ExxonMobil's operations in the Sakhalin-1 well in 2007. However, it was later announced that the investigation would be carried in Spring 2007. The investigation was already planned in late 2006, but the official environmental agency had preferred to deal with Sakhalin-2 first at that time (Rianovosti 12 December 2006; 28 March 2007). In February 2007, governor of the Sakhalin Oblast revealed that they were having an disagreement with the shareholders of the Sakhalin-1 consortium regarding the method of gas transport. Local administration favoured transporting LNG by sea to Japan to create new jobs in the region while the consortium advocated building a gas pipeline to China, a seemingly more profitable option. The RF government officials

commented that a final decision was not made yet but a gas pipeline to China seemed a better plan for the moment (Rianovosti 27 February 2007).

In March 2007, Federal Agency for the Oversight of Natural Resources decided to conduct their environmental and bureaucratic investigation about the Sakhalin-1 project in Spring 2007 (Rianovosti 28 March 2007). Next month, Gazprom revealed it was having consultations with the Sakhalin-1 consortium partners to buy and export all gas production of the Sakhalin-1 project (Rianovosti 28 April 2007). A Gazprom official stated Gazprom is having trouble to reach a final consensus with China about gas export to China as the RF thinks that gas production of Sakhalin-1 will be first used to meet the RF's gas demand and China prioritizes ExxonMobil over Gazprom to make a deal regarding the gas export from the Sakhalin-1 well (Rianovosti 10 June 2007). Andrei Dementyev, deputy energy minister, backed Gazprom's intention to block ExxonMobil's gas sale to China as he said Sakhalin-1 must first meet domestic gas demand of the RF. He said an early gas export to China from the Sakhalin-1 well would cause a gas consumption crisis in the RF (Rianovosti 19 June 2007).

Alexander Ananenkov, a high level Gazprom official, defended Gazprom's action to block ExxonMobil's gas sale to China. Claiming that foreign companies were not supplying gas to meet the RF's domestic gas first but exporting gas abroad, Ananenkov stated Gazprom's business model based on equal investment in joint projects can be the model to be followed

by the RF companies and their foreign partners. He also added that Gazprom was still holding talks with ExxonMobil about that company's own gas export plan to China instead of the RF's own Far Eastern regional market first (Rianovosti 26 December 2007).

In February 2008, Gazprom said it was about to sign a deal with ExxonMobil in April or May 2008 about Gazprom's purchase of total gas output of Sakhalin-1 well. This announcement signalled that Kremlin controlled Gazprom was going to achieve another success to bring more state control to the RF's energy market and the operations of the foreign companies. Some analysts commented that despite Gazprom's agreement with ExxonMobil over gas export to China, Gazprom had its own plans to export gas to China for a probably cheaper price than Exxonmobil demanded from China (Dyomkin 7 February 2008). In late 2008, Gazprom announced that a gas pipeline that would pump gas from the Sakhalin-1 and Sakhalin-2 wells to the mainland RF and Asia-Pacific countries would be operational in Spring 2011 (Rianovosti 30 September 2008).

3.4.1.6. TNK-BP

Having bought 10 percent of Russian Sidanco company in 1997 with the open support of the UK government as the biggest Western investment in the RF energy market then, BP Amoco moved ahead to increase in Sidanco by deciding to make more investment in April 1999. Sidanko was a

good investment as it owned Kovytkinskoye gas field in Siberia which could be exploited to sell natural gas to East Asia. Sidanko was also preferable because it was owned by, Vladimir Potanin, a pro-Western businessman with close links to Kremlin. As a strong international energy company, BP Amoco was self-confident about the difficulties of doing business in the RF but developments proved that the RF's business climate and culture were much harder than initially predicted (New York Times 24 April 1999). Things soon began to go wrong for BP Amoco's investment in Sidanko and Sidanko's own future. A number of Russian companies that were minority shareholders of Sidanko took the advantage of the bankcruptcy law to claim some of Sidanko's production facilities. The developments led to a full scale bankcruptcy risk for Sidanko and BP Amoco's shares in this company.

In August 1999, executives of BP Amoco and Sidenko met at Tony Blair's office in London to discuss their strategy regarding the growing risk of Sidanko's bankruptcy and takeover by Tyumen Oil company. As the RF laws made bankcruptcies of even somewhat healthy companies like Sidanko relatively easy, Tyumen had the support of the laws on its side. The situation was closely followed by everyone doing business in the RF. Some analysts accused BP Amoco in the first place for underestimating the potential of its competitors like Tyumen Oil in the RF market. Being accused of using some legal mechanisms to obtain Chernogorneft, Sidanko's main production unit subsidiary, Tyumen, however, rejected its involvement in Sidanko's bankrupcty process but BP Amoco kept believing that Tyumen was also

influential over the court decisions by exploiting the Russian laws which barely protected the rights of foreign parties (Banerjee 13August 1999).

In order to prevent the takeover of Sidanko by Tyumen Oil and lose its USD 571 million investment in Sidanko, BP Amoco and the UK government appealed to the RF government but they got no positive response. As a part of the rescue plan, BP Amoco mainly sought to increase its share to at least 25 percent from 10 percent to be able to influence decisions of Sidanko (Banerjee 13August 1999). BP AMOCO also applied a number of Western banks like the European Bank for Reconstruction and Development (EBRD) and the Export-Import Bank of the United States which had provided credit to Sidanko and now could finance a rescue operation for Sidanko but the banks did not show interest in the proposal. However, decisions of the Russian courts on the bankcruptcy process of Sidanko also proved negative for the European banks who could not rescue their money as creditors. This was suprising by Western standards which would generally favour creditors in the similar bankcruptcy cases (Banerjee 13August 1999).

During the whole process, BP Amoco realized that Sidanko itself was not a good investment choice in the first place as its financial and physical infrastructure were indeed insufficient to carry out a profitable business operation in partnership with a foreign company. Its production facilities were geographically dispersed in Siberia and its financial records were shady. Additionally, Western executives appointed to Sidanko’s posts by BP Amoco

were not compatible enough to deal with the complexities of the Russian business culture. They could not fully take control of the development in Sidanko and Russian executives followed their own agenda. While dealing with the complexities of the Sidanko's bankcrupcty, BP Amoco had to move ahead alone without Vladimir Potanin who silently left the stage and adopted a low profile (Banerjee 13August 1999).

In September 1999, BP Amoco and other Western creditors led by Germany's Dresdner Bank reached an agreement with the RF government about Sidanko's bankcruptcy, the biggest industrial bankruptcy case in the RF. According to the agreement, the RF government would manage the claims of these parties over Sidanko and still keep Sidanko as a single unit by not allowing the auction of separate subsidiaries, especially Chernogorneft, while the Western countries would transfer their credit rights in Sidanko to the RF government. Even though the deal was not totally binding for the RF government to follow a specific action plan, BP Amoco and others still welcomed the intervention of the RF government on their behalf. The RF government's motivation to accept the agreement was probably to improve the image of the RF's foreign investment climate (Banerjee 8 September 1999).

The deal with the RF government soon turned out weak as Tyumen Oil succeeded to acquire Kondpetroleum, a subisidiary of Sidanko, for a low price of USD 52 million in October 1999. So, Tyumen made another step

forward to acquire Chernogorneft, the most valuable subsidiary of Sidanko. Despite BP Amoco's lobbying success in the US Congress to block the USD 500 million loan by the US Export-Import Bank's to Tyumen Oil, BP Amoco generally seemed as the losing side in its competition with Tyumen Oil. Tyumen Oil was still powerful in the RF as it was owned by the powerful AAR group, made up by Access/Renova and the Alpha Group. AAR group had very high level connections in the RF's ruling elite (Banerjee 23 October 1999).

The Sputnik Fund involving investors like George Soros and Harvard University was another 10 percent shareholder of Sidanko. Struggling with Tyumen Oil Company, the Sputnik Fund won a small legal victory in Nizhnyvartovsk, city of Chernogorneft, to postpone the auction sale of Chernogorneft, set in late November 1999. The court's decision gave extra time to the Sputnik Fund and other foreign investors to find a solution to the bankcrupcy problem. Allegedly working on behalf of BP Amoco, the Sputnik Fund claimed it was working on its own to prove that Tyumen Oil had obstructed the Fund to take part in the coming auction. In November 1999, the Sputnik Fund also filed suit in New York against Access Industries Inc, a primary shareholder of Tyumen Oil, for unlegally buying Kondpetroleum and trying to do same for Chernogorneft, two key subsidiaries of Sidanko (Banerjee 24 November 1999).

Despite its contribution to the notorious image of the RF's investment climate, Tyumen Oil seemingly remained as a potential receiver of Western loans as a successful company in the RF market (Banerjee 30 November 1999). Tyumen Oil invited BP Amoco to work jointly to develop Chernogorneft but BP Amoco did not respond positively (Banerjee 2 December 1999). Things got more political in December 1999 when some White House officials called the Export-Import Bank of the United States, a non-partizan bank, to block a USD 500 million loan to Tyumen Oil. The intention behind this call was to signal that the US was not tolerating the RF's brutal war in Chechnya, poor economic reform and high levels of corruption in the public administration. The call was indirectly supported by the some officials of the US Department of State on grounds of human rights violations in the RF even though the Export-Import Bank was not getting direct orders from the US government (EBRD). too, raised its voice about the negative conditions in the RF market (Stevenson 17 December 1999). BP Amoco and other investors like George Soros were behind this policy change in Washington towards the RF. The criticisms of the Republicans against the ruling Democrat Part for being too soft and supportive about the RF were also influential (Sanger 22 December 1999).

In later December 1999, Secretary of State Madeleine K. Albright openly called the Export-Import Bank to block the loan to the Tyumen Oil. Her direct involvement was caused the increase of the RF's military attacks against the Chechens even though the official statements noted that it had

nothing with the situation in Chechnya but problems of rule of law in the RF. Albright's open call was legally justified by the 1978 "Chafee Amendment", named for Senator John Chafee of Rhode Island, which enabled the Secretary of State to block the bank's decisions when they were in conflict with the "national interest" of the US concerning human rights, not economic conditions, in another country. Despite Albirght's power, the Export-Import Bank showed some futile resistance that the bank's decisions should be based on economic realities not politics. The political impact of Albright's decision was more important than the economic meaning of the loan as it signaled that the US was loosening its economic engagement policy with the RF and refraining from encouraging the US companies to invest in the RF as a problematic transition economy (Sanger 22 December 1999).

The pressure of the US Secretary of State on the US Export-Import Bank was probably the most important factor which persuaded Tyumen Oil to reach an agreement with BP Amoco hours before the meeting of the bank's board of directors to take a binding decision. According to still fragile agreement, Tyumen would return Chernogorneft to Sidanko which was practically controlled by the BP Amoco to get 26 percent equity share in Sidanko. BP Amoco would keep its 10 percent share in Sidanko. Some analysts commented that the RF government was also involved to persuade Tyumen Oil to make a deal with BP Amoco (Banerjee 22 December 1999). Eventually, Albright dropped her objection to the Tyumen Oil loan in April 2000, 6 months after the Tyumen Oil-BP Amoco deal (Wald 1 April 2000).

In early 2001, BP stated it would sell 7 percent of its total share in Lukoil for USD 657 million to use the money to make investments elsewhere in the RF (Tavernise 30 January 2001). Meanwhile, BP Amoco also decided to sell its 9.52 percent stake in Kazakhstan's Kashagan oil field to TotalElf for USD 400 million. TotalElf gained a key position in the consortium after this sale. BP Amoco explained its Kashagan consortium sale by its hopelessness to increase its shares in the consortium in the first place. According to the market analysts, the Lukoil and Kashagan sales were part of BP Amoco's strategy to recover from the damage of the Sidanko's problematic bankruptcy process which was barely solved recently (Pala 3 February 2001). In June 2001, Tyumen Oil jeopardized its hardly achieved deal with BP Amoco by buying a 40 percent stake of Sidanko from Kantupan Holdings, a Cyprus registered investing company, through its subsidiaries. Considering that the Tyumen Oil-BP Amoco deal over Sidanko was not totally finalized, Tyumen Oil's renewed attempt to gain control over Sidanko was perceived by some analysts as a bargaining chip to renegotiate the agreement. Although Tyumen Oil stated that it was still interested to keep BP Amoco as its partner in Sidanko's executive board, BP Amoco was clearly against Tyumen Oil's new purchase of Sidanko's shares (Tavernise 1 June 2001).

A few days later, Tyumen made a second but indirect advance *vis-à-vis* BP Amoco when it announced it acquired most of ZAO Rospan's debts, a

Siberian gas producing company owned by Gazprom. Gazprom maintained its majority control in Rospan through its subsidiary, Itera. Just like in the case of Sidanko's Chernogorneft, Tyumen Oil managed to gain its new place in Rospan in the recent bankruptcy process of this company when Itera could pay only some Rosplan's debts to rescue the company (New York Times 7 June 2001). Course of the relationship between BP Amoco and Tyumen Oil was transformed once again when the two companies revived their agreement in August 2001. According to the new version of the agreement, BP Amoco would get 25 percent of Sidanko's shares. Rest of the shares will be owned by Tyumen Oil which would also buy 44 percent of the shares of Interros owned by Vladimir Potanin, BP Amoco's original partner in the RF. The agreement practically made the companies as partners in Sidanko (Tavernise 2 August 2001).

Having solved its problems with Tyumen Oil over Sidanko, BP Amoco announced its intention to create the biggest foreign investment in the RF worth USD 4.5 billion in partnership with Russian TNK company by early 2003. The deal was particularly important as TNK was also partly owned by the same Russian companies, Alpha Group and Access/Renova, which also owned Tyumen Oil. So, BP Amoco, Alpha Group and Acess/Renova were to end their past rivalry through the realization of a much larger partnerhip project than the Sidanko case. BP Amoco were to get 50 percent of the shares while the rest was to be owned by the Alpha Group and Access/Renova. The agreement gave BP Amoco a clear advantage

compared to its Western rivals like Shell and ExxonMobil in the RF market and global energy business in general (Macalister 11 February 2003; Tran 11 February 2003).

The deal was personally backed by British Prime Tony Blair who had already worked hard to persuade RF President Putin to allow BP Amoco to advance its operations in the RF. Same was repeated in the case of BP Amoco and TNK partnership deal as Blair intervened in the process to get the blessing of Putin about the agreement. Only a few days after the announcement of the planned TNK agreement, BP had to face the accusations by some environmental groups like Greenpeace which claimed BP's partnership with TNK would harm BP Amoco's image regarding environmental protection. Likewise, a more serious criticism against BP Amoco came from the lawyer of NoreX Petroleum, a Canadian company, who said BP Amoco was soon to be forced to deal with the tax fraud and racketeering charges against its new Russian partners in the TNK deal. NoreX Petroleum had filed a civil suit in the US against the TNK in 2002. NoreX Petroleum had claimed TNK had used mafioso methods to overtake Yugraneft, a Russian subsidiary of NoreX Petroleum (Trickey 27 February 2002). So, in 2003, BP Amoco had to handle the bad public image of its Russian partners due to the complex financial crime allegations regarding NoreX Petroleum under the laws of the RF, US and the UK (Macalister 14 February 2003).

Despite this early negative picture about TNK-BP project, Lord Browne, BP's CEO, said they were committed to making business in relatively unstable and risky international markets like the RF, Iraq, Africa etc. as long as they could gain profit from their investments (Morgan 16 February 2003). When the TNK-BP deal was officially signed in the presence of Tony Blair and Vladimir Putin in London on 26 June 2003, BP also signaled that it has decided to confront the complex legal accusations against Alpha Group and Access/Renova (Macalister 26 June 2003). Lord Browne said they made clear to Mikhail Friedman, Alpha Group's CEO, that BP was ready to defend itself legally regarding the legal accusations against their Russian partners and BP itself could not be held responsible for the past actions of other companies (Macalister 27 June 2003).

In August 2003, BP stated it was interested in enlarging TNK-BP with a 50 percent share of Slavneft, a joint venture of TNK, owned by Alpha Group and Access/Renova, and Sibneft owned by Roman Abramovich. Even though Abramovich was not considered to be given a seat in the TNK-BP's executive board and the RF government had already approved the TNK-BP as a new company, Rosneft, BP's other important Russian partner, said they wanted to work with BP exclusively, not TNK-BP in Siberia (Griffiths 30 August 2003). Following BP's example, US companies ExxonMobil and ChevronTexaco separately announced they were interested in buying about 25 percent of Yukos-Sibneft when Yukos, owned by Mikhail Khodorkovsky, and Sibneft merge in the near future. Some market analysts also said Royal

Dutch/Shell and Total would be also interested in buying shares of Yukos-Sibneft (Johnston 16 September 2003). However, BP's plans about Yukos-Sibneft were seriously troubled when Khodorkovsky was arrested in October 2003. However, BP stated it would continue seeking new investment opportunities in the RF's energy market (Milner 29 October 2003).

BP had difficult times once again in December 2003 when CIA released a number of documents about alleged bribery by Simon Kukes, former CEO of TNK and new CEO of Yukos after Khodorkovsky's arrest. The documents highlighted that Kukes had bribed some officials in the bankruptcy process of Chernogorneft. The documents were released as a part of the ongoing investigations about the Alpha Group and Access/Renova. Paradoxically, the CIA documents had supported BP's earlier claims against the Tyumen Oil but harmed its new partnership relationship and corporate public image in the context of TNK-BP's business operations. The news about the CIA documents arrived at a time when it was made publicly clear that Yukos-Sibneft was definitely cancelled with the alleged intervention of Putin. Some market analysts claimed the news were related with Khodorkovsky's presumed desire to remove Kukes from Yukos (Macalister 10 December 2003).

In Early 2004, BP announced it has successfully concluded the talks with Alpha Group and Access/Renova about the inclusion of 50 percent of Slavneft's shares to TNK-BP. BP paid its Russian partners USD 1.4 billion

for the shares (Rianovosti 19 January 2004). Vice-Premier Viktor Khristenko indirectly congrulated the TNK-BP-Slavneft merger as he stated that failure Yukos-Sibneft merger was an unfortunate event but new and successful mergers should be expected in the RF under the conditions of globalization (Rianovosti 20 January 2004). Trying to make things clear with its Russian partners once again, BP said it was against the revision of the TNK-BP's founding agreement as demanded by its Russian partners who want get an early profit payment from TNK-BP (Rianovosti 5 May 2004).

Keeping its ownership of 50 percent of Slavneft's shares, TNK-BP became the oil production leader in the RF by late 2004 by passing Lukoil and Yukos (Rianovosti 3 December 2004). However, TNK-BP's success was not flawless. The company faced higher tax claims by the RF authorities in April 2005 (Rianovosti 12 April 2005). While tax claims were taken to the court, Lord Browne met with Putin to solve the problem (Rianovosti 13 April 2005; 22 April 2005). While Putin and his aides said they appreciated TNK-BP's work in the RF and did not think that TNK-BP would share the fate of Yukos, Russia's Natural Resources Minister said TNK-BP may face sanctions for delaying the development of Kovykta gas field in East Siberia (Rianovosti 22 April 2005; 25 April 2005; 12 May 2005). The Moscow Arbitration Court lowered the tax claims against TNK-BP for 2001 from USD 140 million to USD 1.4 million in September 2005 (Rianovosti 4 October 2005).

TNK-BP continued its business operations with lesser problems until 2008. But things get more problematic again when police seized document from the TNK-BP's office in Moscow as a part of the re-occurring tax investigation (Rianovosti 19 March 2008). Meanwhile, Russian co-owners of the company said the rumours that they were thinking to sell their shares to Gazprom were groundless but they demanded the removal of Robert Dudley, American CEO of TNK-BP, from his post. Dudley was also later questioned by the police (Rianovosti 24 April 2008; 30 May 2008; 5 June 2008). Alpha Group and Access/Renova, Russian co-owners of the TNK-BP, soon stated that they will sue BP in a Russian court as they blamed Dudley for favouring BP in TNK-BP's operations and held a executive board meeting where Russian co-owners were not present (Rianovosti 11 June 2008). To deal with the dispute with its Russian partners, Tony Hayward, BP's new CEO, met with Russian Deputy Prime Minister Igor Sechin and Gazprom CEO Alexei Miller in Moscow. The visit signaled that BP probably decided to replace Gazprom with its problematic Russian partners in the near future (Mityayev 19 June 2008). BP's relations with its Russian partners reached a new low when a Moscow court barred Dudley from office for 2 years (Rianovosti 14 August 2008). Subsequent news also revealed the possibility that tax investigations and court trials against TNK-BP would continue (Rianovosti 11 September 2008).

3.4.1.7. Overview

A number of patterns can be identified regarding the presence of the foreign energy companies in the RF:

1) Business activities of some foreign energy companies in the RF dates back to the Soviet times. However, past experience in the USSR does not guarantee success in the contemporary RF. Case of Conoco is an example of the post-Soviet challenges.
2) Almost all foreign companies had to face official and non-official obstacles in the RF market for reasons of corruption and/or protectionism. However, majority of them still found it profitable to stay in the RF rather than leaving this market in the face of serious problems. The RF market was simply too big and promising to ignore.
3) Establishment of partnerships with Russian companies appeared as a way of overcoming structural difficulties in the RF market. However, not all partnership experiences were successful.
4) Overall diplomatic problems of the RF with the host country of a foreign company was often negatively reflected in the operations of that company. For example, RF-US problems caused artificial problems for the US companies in the RF.
5) Despite the protectionist tendencies of the RF authorities (especially in the Putin era), the RF always acknowledged that it needed foreign companies to increase its output as only foreign

companies had the necessary new technology. Recovery of Gazprom could not fill this technologic gap on the Russian side.

6) Hence, the parties were basically in an interdependent relationship despite difficulties. Whereas the foreign companies insisted in staying in the RF despite corruption and protectionism, the RF kept allowing foreign companies to work in the RF despite the rise of statism, protectionism and authoritarianism in the Putin era.

In conclusion, the case of foreign energy investors shows that the state power has clearly become the driving force in the economy and politics of the RF vis-à-vis domestic and foreign private energy companies. According to an expert view, the case of the TNK-BP was not an isolated affair but part of a complex web of issues, which included visible and invisible other parallel debates like the stock exchange trading deals or Alpha Group's political connections (Interview with Yetiz, Moscow, 6 December 2008). Shell's failure to keep its promise about the cost of the project actually justified the state's long awaited intervention desire. Having gained his first success before the not so democratic oligarchs in the early 2000s, Putin and his way of thinking consolidated its influence also against foreign companies. Despite having more or less liberal leanings, Medvedev's position as the new president did not change this picture.

3.4.2. Major Foreign Energy Relations and Disputes in the Ex-Communist Neighbourhood

Following mini-cases are provided to highlight some patterns of the RF's engagement in its ex-Soviet neighbourhood which is now largely,if not fully, a part of the EU. Importance of this area results from the large scale infrastructural and policy related engagement of the RF in these countries based on the Soviet legacy. However, geographical scope is limited to the East European and South Caucasian countries which are located on or near the energy transit lines between the EU and the RF. The intention is not to analyze all relevant countries but to get a sufficient analytical "slice" from the region. Countries like Hungary, Poland, Czech Republic and Slovakia are not included here for that reason. Most details of the RF's engagement in Central Asia are also ommitted to keep the focus on the the EU-RF neighbourhood area. Details on Turkey were not provided separately but whenever relevant. Examination of the following country examples is essential to understand the foreign/external dimension of the RF's energy policy.

3.4.2.1. Latvia

Following the demands of Estonia, Latvia and Lithuania for the removal of Russian troops from their countries, Yeltsin cut energy supply to the Baltic countries in winter 1992-1993 to influence their political poisiton

and to punish them for their non-payment of the increased energy prices. These countries were especially vulnerable to energy cuts as their economy totally based on exports from the RF. The RF resumed its oil export to Latvia after the solution of a problem about the joint ownership of a pipeline in April 1994. On 10 April 1998, the RF lowered oil supply to Latvia by 15 percent to protest Latvia's so-called discriminative citizenship law regarding the rights of the Russian minority living in Latvia. However, the RF administration refrained from calling this action as an open economic section but a restructuring of the oil trade with Latvia (New York Times 10 April 1998). By 2002-2003, the RF-Latvia energy trade relations were strained again over the RF's attempts to acquire Ventspils Nafta, Latvia's most important oil refinery company. Ventspils was the second most important oil export point for the RF after Novorossisk. However, as Transneft has just completed the upgrading of the oil export infrastructure in Primorsk, the RF's dependence on Ventspils was practically lessened. Under these circumstances, both the RF administration and some RF oil companies especially Transneft applied a de facto embargo on Ventspils refinery. Latvia claimed the RF's action as politically motivated and even applied the EU but the EU did not show a deep interest in Latvia's problem (Elletson and Rosner 2005: 15).

3.4.2.2. Lithuania

Soon after Lithuania's independence on 11 March 1990, the Soviet Union had ceased energy supply to Lithuania in protest but as Lithuania did

not step back the Soviet Union decided to resume energy flow. This was an open case of the use of energy as a diplomatic weapon in Soviet affairs (Fredholm 2005: 17). In February 1992, the RF cut oil supply to Lithuania for four days due to a payment problem. In return, Lithuania claimed that the RF Central Bank withheld Lithunian funds and Russian companies owned Lithuania more than 5 billion roubles. The RF cut all oil supply and reduced gas supply to Lithunia by 55 percent in summer 1992 again due to the payment problem. The RF also demanded Lithuania to stop re-selling RF oil to third countries and increased the price of its exports. (Clines 1 July 1990). In late fall 1992, the RF once again cut energy supply to Lithuania in a way seriously undermining the output of the Mazeikiu refinery, a key asset and biggest tax payer for Lithuania. This time, the RF's intention was to influence the result of the upcoming elections in favour of the pro-Russian Democratic Labour Party (former communists). The Democratic Labour Party eventually won the elections and it underlined Lithuania's energy dependence on the RF (The Baltic Times 2 February 2005). Between 1998-1999, Transneft cut oil supplies to Lithuania for nine times for different reasons to force Lithuania to let Transneft and Lukoil control this country's energy infrastructure (Larsson 2006: 185).

In 2001, the Lithuanian government decided to sell Mazeikiu Nafta refinery company to the American Williams International instead of a Russian one. In return, Lukoil practically restricted RF oil export to Lithuania. Eventually, Yukos bought the major share in Mazeikiu Nafta (Wines, 19

September 2002). Gazprom had already more 25 percent of shares of the Lithuanian Lietuvos Dujos energy company and in January 2004 it wanted to buy the rest. After an initial resistance, the Lithuanian government agreed to sell a 34 percent share to Gazprom for USD 37 millions. These takeovers deepened Lithuania's highly asymmetrical dependence on the RF and Gazprom (Mite 13 January 2004). The Lithuanian government made an offer to Yukos to buy back its shares in Mazeikiu Nafta in January 2005. After a brief energy cut in early February 2005, the Yukos executives told Lithuanian government the cut was a technical problem and they did not consider to sell those shares back (The Baltic Times 2 February 2005). Meanwhile Yukos was having difficult times within the RF and was just about to loose its market position to other RF companies. The RF government officially asked Lithuania to stop Yukos's business operations in Mazeikiu Nafta in early 2005 (Forbes 1 June 2005).

Eventually, Yukos dropped its plan to buy another 9.72 percent of shares in Mazeikiu Nafta in 2005 due to its serious financial problems and began to consider to sell its shares to another company. The Lithuanian government seemingly approved this attitude as long as the new buyer was acceptable to Lithuania. Kazakhstan's Kazmunaygas intended to takeover Yukos's shares but the RF blocked Kazmunaygas (Mortished 28 November 2005). Finally, Lithuanian government organized the sale of Mazeikiu Nafta to the Polish PKN Orlen SA in 2006. The decision clearly frustrated Lukoil and the RF administration. The RF administration still tried to acquire

Yukos's shares in this company as a payment of Yukos's tax debts in the RF (Kim and Seputyte 31 July 2006).

Lithunia suffered the impacts of a technical break in the RF's Druzhba pipeline between 29-31 July 2006 as Druzhba pipeline provided Lithuania's 90 percent of oil imports. Druzhba pipeline also suplied Europe about one tenth of its oil. The incident underlined Lithuania's dependence on the RF's energy infrastructure. The RF sent shipments to the Mazeikiu Nafta to cover the break of the pipeline but this method was simply more expensive for Lithuania (Stratfor 1 August 2006). However, the Druzhba pipeline break problem somewhow went on at least until October 2006 as the RF tried to use the problem as an advantage in its bargain to acquire the Mazeikiu Nafta company. Transneft rejected Lithuania's offer to help to repair the pipeline and said the process would last until February or March 2007 (Eubusiness.com 08 March 2007).

In March 2007, The EU's energy commissioner Andris Piebalgs said he would talk with the RF for the full reopening of the Druzhba-1 pipeline to Lithuania's Mazeikiu refinery in the EU-RF summit in May 2007 (Eubusiness.com 08 March 2007). Furthermore, Lithuanian President Valdas Adamkus said they would block a prospective EU-RF trade and energy trade if the Druzhba-1 pipeline is not repaired. He also added that this was not a technical but a political problem among the parties (Eglitis 14 June 2007). Finally, on 1 June 2007, the RF Energy and Industry Minister Viktor

Khristenko said they would not repair the pipeline but continue supply Lithuania oil via sea, a more expensive option for Lithuania. The Lithuania-RF energy relations were already thorny due to Lithuania's sale of the Mazeikiu Nafta refinery to a Polish company in 2006 and Khristenko's negative statement just followed Lithuania's recent decision to join the US missile defense shield in Europe.

This final tension in the Lithuania-RF relations would also have implications for Estonia and Lativa as well as they both used oil exports from Mazeikiu Nafta refinery through the Druzhba pipeline. As a whole, Lithuania, Latvia, Estonia and, additionally, Poland were all against the RF's actions in the energy trade field and they seemed grouped up against the RF and any approachment between the EU-RF (Stratfor 1 June 2007). Transneft confirmed Khristenko's words by announcing on 16 August 2007 that the Druzhba-1 pipeline would remain closed indefinetely due to technical issues like the pipeline's age. According to Transneft's President Semyon Vainshtok Druzhba's lifespan was 42 years old and 12 years more than an average pipeline which would be aged 30 years. However, Vainshtok's statement was not very persuasive as most of the RF's pipelines were about 40 years old on average (Stratfor 17 August 2006).

3.4.2.3. Estonia

On 25 June 1993, the RF halted gas export to Estonia to influence Estonia's politics towards its ethnic Russian minority who were settled in Estonia by Stalin in the 1940s after the adoption of a new citizenship and residency rights law. However, Gazprom's official statement was that this was not a political but an economic one in response to Estonia's non-payment of gas debt for two and a half months (Bridge 26 June 1993; Fredholm 2005: 17). Soviet legacy and ethnic Russians living in Estonia kept being a problem for the Estonian-RF political and energy trade relations. The RF stopped at least a quarter of its oil export to Estonia on 2 May 2007 following the street protests of ethnic Russians to protest the removal of a Soviet war memorial in Estonia. The official explanation behind the oil export cut was the maintenance work in the RF's railway system via which a quarter of RF's oil export to Estonia is provided. This interruption also influenced the RF's coal export to Estonia. The cut caused economic loss and mass unemployment risk in Estonia well until December 2007 and beyond even if the RF's state railways authority decided to resume oil exports on 17 May 2007 (Zhdannikov 2 May 2007; Sheeter 19 December 2007; RFERL 17 May 2007).

Due to the general negative mood in the RF-Estonian relations, the Russian Severstaltrans company announced on 18 July 2007 that it would sell its fuel oil terminal in Estonia to TNK-BP or Royal Shell Dutch. The

reason behind this decision was the negative impact of the RF's oil export cuts to Estonia via railway on the profitability of even this Russian company (Reuters 18 July 2007). A top level presidential summit between the Estonian and RF presidents took place on 28 June 2008 but the meeting produced no positive results to improve the relations. Estonian President Toomas Hendrik Ilves even talked about the possibility of the independence of the Finno-Ugric peoples, who are ethnically related to the Estonians, from the RF. His comments received criticism in the RF media and political circles (Javno 28 June 2008). Russian Transport Minister Igor Levitin and deputy PM Sergei Ivanov said on 7 July 2008 that the RF would stop exporting oil to Europe through the Baltic ports by 2015 to end their transit dependence on the Baltic countries. According to the plan, the RF's Ust-Luga port will be developed until 2015 to replace the Baltic destination (Hobemagi 7 July 2008).

Estonian Business Lobby group representing Estonia's business circles called the Estonian government on 18 November 2008 to improve relations with the RF as Estonia's exports to the RF grow faster than Estonia's exports to the EU and number of RF tourists were on the rise. Complaining about the fall of RF's oil exports to Estonia due to Estonia's problems with the ethnic Russian minority, the Soviet memoria issue and the RF's decision to re-route its international oil exports via a non-Baltic destination, the group also called the RF to respect Estonia's decisions (Ummelas 18 November 2008).

3.4.2.4. Moldova

Due to a debt payment problem and a contractual issue between Moldova and the RF in 1998, Gazprom threatened Moldova to cut gas export. In return, Moldova threatened the RF by cutting the RF's transit gas export to Bulgaria, Turkey and Greece. The problem was also connected to the negotiations on the presence of Russian soldiers in Transnistria in which Moldova had little or no control. Finally, Moldova agreed to hand over parts of its gas supply infrastructure system to Gazprom in 1998 to pay its gas import debts. However, the RF cut gas supply once again in 1999. The conditions remained more or less normal until 2003 in which Moldova again had serious difficulty with its gas import debt. During the RF-Ukrainian gas dispute in January 2006 the RF also indirectly cut gas supply to Moldova which also affected Greece, Bulgaria, and Turkey. In the process, Gazprom also increased gas supply price to Moldova. The RF seemed to have used its dispute with Ukrainian to gain advantages in the Transnistrian issue with Moldova (Larsson 2006: 226-227). Increase of gas export prices to Moldova (USD 110 per 1000 cubic metres of gas) was also a part of the Gazprom's new strategy to increase prices for all those ex-Soviet countries which previously enjoyed relatively lower prices than the average European level. Gazprom stated that it would demand world level prices from its foreign customers. Yet, interestingly, Moldova's President Vladimir Voronin called

the new temporary deal as a “triumph for pragmatism” as it would not damage Moldova’s economy (BBC 17 January 2006).

On 16 July 2008, the Moldovan government said Moldova will pay USD 253 per 1000 cubic meters of natural gas to Gazprom according to a new deal which will remain in force until summer 2009. Moldova’s administration still found the incresed prices as more or less reasonable for Moldova compared to the European price levels (Rianovosti 16 July 2008). As a part of the new deal process, the Moldovan government also rejected the responsibility of paying Transnistria’s gas price debt to Gazprom despite Gazprom’s initial request (Moldova.org 22 July 2008). After the new gas price deal, the RF-Moldovan energy trade relations relatively improved as Moldova invited Gazprom to join its oil and gas exploration survey in February 2008. The governments began to talk of developing general economic relations (Rianovosti 20 February 2008). On 3 December 2008, Moldova expressed its expectation from the RF to lower gas export price in mid-2009 as Gazprom’s gas export price for Moldova is revised quarterly every year in line with the international hydrocarbon market prices. The Moldovan government anticipating that a positive revision in the gas price would help Moldova to tackle with the impacts of the global economic crisis (RosBusinessConsulting News 3 December 2008).

3.4.2.5. Belarus

Belarus and the RF had a difficult era in the 1990s to decide whether they should remain as neighbours or become founders of of a common state or a similar type of union. Meanwhile, they had numerous arrangements and disputes in their energy trade relations. In 1994, The RF persuaded Belarus to allow the deployment of RF soldiers in Belarus in exchange for gas supply. Gas debt of Belarus to the RF reached as high as USD 428 millions by 1995 but, unlike most other cases, the RF did not undertake a punitive action due the ongoing bilateral negotiations on the Belarus-RF customs union, Belarus-RF state union and the Yamal pipeline. Connecting the RF, Belarus, Poland, Germany, Yamal became operational in 1997 and its full construction ended in 2005. As of 1995, Yamal pipeline was still in the construction process so there had to be no serious problems between the RF and Belarus. Additionally, Yeltsin did not want a crisis with Belarus before the approaching presidential elections in the RF (Bruce 2005: 2, 5).

The RF and Belarus got engaged in another series of negotiations in 1996 on the extension of the RF's military presence in Belarus in exchange for the cancellation of Belarus's gas debt to the RF. Finally, Gazprom tolerated a kind of unfavourable agreement with Belarus due to the political reasons presented above. According to allegations about the deal, the RF government covered Gazprom's loss to de facto cancel Belarus's debt through a set arrangements among the RF government, Gazprom and

Belarus. Gazprom took a tougher attitude towards Belarus in 1997 after the negotiations on the state union failed, Yeltsin was re-elected and Gazprom faced with its own huge tax debt amounting to USD 1.2 billion. As Belarus lost its former political importance to the RF, Gazprom did not hesitate to gradully lower gas supply to Belarus in 1997 (Larsson 2006: 221-222).

Things changed again positively when the RF-Belarus state union talks re-emerged in late 1998. In this process, Belarus managed to obtain bank credits from the RF under favourable terms to pay back its debt to Gazprom which in turn used the money to pay its own tax debt. On the Belarussian side, the Ministry of Defence was the actual beneficiary of the bank credits obtained from the RF and, as expectedly, the Ministry used the money to buy military eqipment from the RF. The deal was also including the export of Belarussian goods to the RF in a way that helped Belarus to earn money to pay back its debt to Gazprom through cash, barter and state bonds. During Putin's first term as Prime Minister in 1999, the RF-Belarussian relations were initially smooth as the Belarussian section of the Yamal pipeline which increased Belarus's importance *vis-à-vis* Ukraine was opened. However, Putin still took a pragmatic line and reduced gas supply to Ukraine on several occasions and the RF-Belarussian relations fluctuated in the following term (Larsson 2006: 222-223).

Belarus and the RF continued their state union and search for a new gas price deal simultaneously in 2001-2002. Regarding the gas prices,

Belarus offered the RF 50 percent of stakes of Beltransgaz, pipeline operator of Belarus, in exchange for a more favourable gas price. Meanwhile, the RF suggested that the countries would establish either a full common state or a EU-like organization which would require Lukashenko to leave his post as president. Not surprisingly, Lukashenko rejected this political option and also stopped the parallel talks on the gas price and did not pay Belarus's debt to Gazprom. In return, Gazprom cut gas supplies by 50 percent and demanded Belarus to fully privatize Beltransgaz (Interfax 6 November 2002; The Moscow Times 21 November 2002). In fall 2003, Belarussian administration agreed to lease Beltransgaz to Gazprom for 99 years for increased gas supplies with a re-export right of Belarus. However, Belarussian did not ratify the agreement as the company worthed USD 5 billion whereas the RF was going to pay only USD 600 million. As a result, Gazprom temporarily cut gas supply to Belarus. Belarus could only artificially diversify its gas exporters and bought gas from minor Russian companies like Transnafta and Itera which were either owned by Gazprom or obtained its gas from Gazprom (Bruce 2005: 8).

In early 2004, Gazprom cut gas supply to Belarus and Poland, Latvia, Lithuania were also affected from this cut. The companies said the cut was a result of of Belarus's unpaid debts. Belarussian President Lukashenko reacted by saying that the RF-Belarussian relations will be severely damaged by this move which was apparently approved by the RF administration (ITAR-TASS 19 February 2004; Interfax 16 March 2004). A

while later, a new deal was reached by the RF and Belarus in 2005 but Belarus still increased the fees for the RF's transit gas export sent to Europe via Belarus (Interfax 27 December 2005; 30 December 2005). Gazprom cut gas supply to Belarus again in late 2006 through the Druzhba pipeline for three days, also affecting Germany and Poland as 20 percent of the RF's gas export to Europe passes through Belarus. The reason for this last cut was Gazprom's demand for a price rise in the gas supply to Belarus. Belarus agreed to the price rise but increased the transit fee imposed on the RF's transit oil export to Europe via Belarus (Humphries, 1 January 2007). A while later the RF and Belarus made a more favourable deal for Belarus but afterwards Belarus still failed to pay its gas import debt to the RF. Nevertheless, Belarus managed to pay its debt later (Gorst 1 August 2007; Gorst and Lapper 2 August 2007; Agence France-Presse 3 August 2007).

In order to gain a bargaining chip towards the RF, Belarus tried to promote the idea that its relationships with the EU was to be improved in the energy sector. However, this attempt was not based on substantial developments and Belarus-RF relations went on a bilateral basis (Nezavisimaya Gazeta 5 September 2007). Belarussian President Alexander Lukashenko openly blaimed Gazprom for still trying to increase prices for Belarus. He also said the RF's efforts to establish a common energy market among the CIS countries was meaningless (Interfax 22 September 2007). Under the shadow of these accusations, the RF-Belarus gas price talks were held between November and December 2007 (Rianovosti 11 October 2007).

The sides reached an agreement in late 2007 on Gazprom's selling gas to Belarus at USD 119 per thousand cubic meters. Gazprom said this price was actually stated in the 2006 agreement and so Gazprom was not going to increase gas price for Belarus. Indeed, Belarus was one of the most advantages customers of Gazprom among the CIS countries (Interfax 16 December 2007).

RF-Belarussian relations were rather smooth both in energy trade and general economic relations in 2008. As an example of positive developments in mutual energy trade relations, Belarus gave Itera a concession on the Dobrushskoye chalk deposit (Interfax 31 January 2008). The country also raised export duties on oil to the level of RF's duties in order to harmonize Belarussian system with that of the RF (Interfax 1 February 2008). This was followed by a rise in Gazprom's shares in Beltransgaz up to 25 percent (Interfax 13 February 2008) and launch of talks to increase transit gas supply from the RF through Belarus (Interfax 15 February 2008). Meanwhile Belarus's relations with the West sharply detoriated as Lukashenko declared US diplomats *persona non grata* in May 2008 as a retaliation against the launch of the trade sanctions by the US against the Belarus's national energy company Belneftekhim in November 2007 to punish Lukashenko for his poor human rights policy (Deutsche Press-Agentur 2 May 2008). Lukashenko extended his criticism of the US to the EU as he blaimed the EU for being pro-American towards Belarus and being against his leadership. He also threatened the EU at the expsense of the RF by saying he could

block energy supply to the EU obtained from the RF through the Yamal-Europe gas pipeline and Druzhba oil pipeline. Although the RF did not comment openly, this last threat of Lukashenko against the Western countries was very likely to disturb the RF as the risk of Belarussian blackmailing could damage the RF's energy trade gains (Kommersant 15 May 2008).

Belarus asked for a revision of the 2006 gas trade agreement with the RF in June 2008 by pointing out that energy market forecasts made in the agreement were not materialized and that the RF was making its own renewed energy policy planning (Interfax 18 June 2008). Given the lack of new long term agreement for the moment, Belarus and the RF reached a temporary supplementary agreement that allowed Belarus to enjoy the existing price level of USD 119 for 1000 cubic meters for the first half of 2008 instead of a recently announced level of USD 128 for 1000 cubic meters take will be in place in the second half of 2008 (Interfax 30 June 2008). Soon after this agreement, Gazprom blaimed Belarus for not paying the previously agreed price for gas delieveries for the second half of 2008 and said it would go to court to sue Belarus (AFX UK 16 July 2008). Facing Gazprom's reaction, Belarus paid its full debt to Gazprom in July 2008 but demanded a revision on prices afterwards. Pointing to the recent rise in oil prices and the RF's plans to double the price of its gas exports by 2011, Belarus demanded that the 2006 gas agreement should be officially revised to avoid a energy price rise disaster for Belarus (Interfax 1 August 2008).

Facing the burden of the international financial crisis, Belarus turned to the West once again as it began talks with the IMF for a USD 2 billion loan in September 2008. However, the country also increased its efforts to get another USD 2 billion credit from the RF probably in return for its expected recognition of the independence of Abkhazia and South Ossetia. However, Belarus denied the credit talks were not related with Abkhazia and South Ossetia (Financial Times 29 October 2008). Nevertheless, the RF and Belarus took another important step in their mutual economic relationship by reaching an agreement to use Russian rubles in their oil and gas payments in 2009 (Interfax 15 November 2008). When Lukashenko visited Moscow in December 2008 to obtain favorable prices to import gas from the RF, some media sources claimed that the RF would the regonition of the independence of Abkhazia and South Ossetia by Belarus in exchange for that favour. Meanwhile, Belarussian officials openly stated that they were ready to pay USD 140 rather the actual price of USD 128 for RF's gas while the RF demanded a price of USD 240 for 1000 cubic meters. It was also commented in the media that Belarus would offer to sell the RF a controlling stake in Beltransgaz in which Gazprom already had 25 percent of the stakes (Deutsche Press-Agentur 22 December 2008). Following the end of the talks, Gazprom vaguely stated that Belarus would pay more than USD 129 in 2009 but less than what was demanded by the original contract and that new price could be lowered depending on the changes of the oil price (Interfax 27 December 2008). By the end of 2008, Belarus seemed to secure a

relatively favourable condition compared to the European gas customers of the RF but what was achieved was still less than Belarus actually demanded.

3.4.2.6. Ukraine

Ukraine has always been dependent on the RF on energy matters due to its lack of sufficient fossil sources and high levels of energy insufficiency. There are several examples of disputes in the RF-Ukrainian energy relations since the early 1990s in parallel to the generally problematic political relations. After a period of tension between Ukraine and the RF in 1992, the RF gave Ukraine an ultimatum in 1993 to transfer its nuclear weapons and the Black Sea Fleet of warships to the RF and 25 percent of the RF's gas supply to Ukraine was cut a week before a presidential summit between the countries (Dobbs 10 April 1992). Official explanation of the supply cut was Ukraine's non-payment of its debt to the RF but this was indeed a political move to put pressure on Ukraine. Ukrainian president Kravchuk initially accepted the RF's terms on the nuclear weapons and the Black Sea Fleet (Bohlen 4 September 1993) but later he was forced to step back given the domestic reaction against his decision (ITAR-TASS 26 March 1997). After a serious of uneasy negotiations the parties reached an agreement on the Black Sea fleet in May 1997. The agreement allowed the RF to keep its portion of the ex-Soviet navy at the Ukrainian port of Sevastopol for 20 years (Gordon 29 May 1997). Another source of tension in

the Ukranian-RF diplomatic, and hence, energy trade relations in the same period was the joining of Ukraine to the Commonwealth of Independent States (CIS) customs union. Despite Ukraine's unwillingness, the RF was forcing Ukraine to join the CIS customs union. The RF increased the price of its gas supply to Ukraine above the world price level in 1995 to persuade Ukraine to join this customs union (Balmaceda 2008:27). However, CIS customs union project long remained as a limited initiative that included Belarus, Kazakhstan and the RF. Ukraine did not join it (ITAR-TASS 18 February 2008).

Since the mid-1990s, Ukraine had significant oil or gas trade contacts not only with the RF, but also with other countries. Of course, not all these interactions were totally positive. Turkmenistan briefly cut oil supply to Ukraine in March 1997 and the RF did not take a step to compensate Ukraine's loss in this period (Clover 30 January 1998). However, Turkmenistan did not blame Ukrainian government directly but intermediary Ukrainian companies as the reasons of this cut (Houston Chronicle 29 March 1997). After this problem with Turkmenistan, Ukraine kept working to consolidate its energy trade relations with other ex-Soviet or neighbouring countries like Iran and Turkey. Ukraine concluded a major trade deal with Uzbekistan in May 1997 to buy Uzbek gas and cotton in return for hard currency and Ukrainian goods in part (Interfax 8 May 1997). Again in 1997, Ukraine declared its official intention to buy Iranian oil and launched official discussion with Iran on the matter (Interfax 9 June 1997). Ukraine and

Turkey signed an cooperation agreement on June 1997 which allowed Ukraine to take part in the construction of Samsun-Ceyhan oil pipeline in Turkey (Interfax 18 June 1997). As part of its limited diversification strategy, Ukraine also revealed its interest purchase Kazakh gas and oil and to take part in energy projects in Kazakhstan (Interfax 14 October 1997).

Next crisis with the RF came on 19-22 July 1997 when Gazprom drastically cut its gas supplies to both Ukraine and Belarus twice for debt reasons. While Belarus showed a harsher reaction against the cut, Ukraine took a more modest approach by noting two major Ukrainian gas supplying companies, Unified Energy Systems of Ukraine and Interhaz, owed Gazprom USD 100m and USD 150m respectively. Gazprom decided to resume gas supplies on 22 July (Interfax 22 July 1997). A few months after this crisis, Ukraine stated that its gas demand would grow and it was interested to buy more gas from the RF under more favourable conditions in the coming year (ITAR-TASS 11 Sep. 1997). Ukraine's search for a more favorable agreement with the RF became partly successful when the parties finalized a new energy trade plan in late 1997. According to the agreement, Ukraine accepted to lower its tariff on the transit RF gas to Europe via Ukraine in return for a low price to buy gas from the RF (Interfax 13 December 1997). Having reached a agreement at least for a while, both the RF and Ukraine moved ahead to advance their relations with the Central Asian oil and gas exporting countries. Of course the RF had more leverage in the region. Victor Chernomyrdin, RF's prime minister, made a rare kind of

visit to Turkmenistan in January 1998 to consolidate the RF's recently somewhat troubled influence over this country (Clover and Thornhill 21 January 1998). Ukraine and Turkmenistan signed a new gas sale agreement a week later to increase the gas amount Ukraine purchased from Turkmenistan (Clover 30 January 1998). The agreement between Ukraine and Turkmenistan was a step forward for both countries in their mutual relations but this was not a totally independent relationship from the RF factor as the RF's shadow over these countries was to resume in any case.

In early 1998, Ukrainian leadership decided deal to with the internal problems in the national energy sector. Ukrainian president Kuchma blaimed Ukraine's gas companies and some political circles, including the ex-prime minister Pavlo Lazarenko, for undermining Ukraine's energy market. Kuchma said these circles exploited legal holes to avoid tax payments and even caused problems with foreign countries like the RF as these companies did not pay their debts to foreign suppliers. Despite Kuchma's call for a more transparent energy market, most analysts pointed that Kuchma's move a purely political to beat Lazarenko in the coming elections in March 1998 (Clover 17 February 1998). The uneasy combination between the energy market debates and political competition in Ukrainian politics became more complex when Yulia Timoshenko, owner of United Energy Systems (UES) which previously received a generous contract from Lazarenko's government and future "Orange Revolution" prime minister of Ukraine, stepped ahead into the political arena as Kuchenko's approaching opponent (Clover 20

February 1998). The development pointed that Kuchenko was intending to widen his power base both in the energy sector and domestic politics simulatenously as he and his opponents began to use the energy sector problems as the major pretext to blame each other.

Just as Ukraine made another move to strengthen its energy sector and transit country posisition by signing a new pipeline network construction protocol with Shell in February 1998 (Clover 21 February 1998). A while later, Ukrainian president Kuchma held a meeting with BP to discuss the issue of transporting Caspian oil via Ukraine (Interfax 14 May 1998). While both initiatives to develop contacts with Western companies were not very substantial but still somewhat important in their own right, general picture of Ukraine's external energy relations did not change much. Perennial gas debt with the RF showed up again in February 1998 as Gazprom demanded Ukraine to pay its USD 1 billion debt (Clover 9 March 1998; ITAR-TASS 21 April 1998). After a period of discussions, Ukraine and the RF signed an agreement in May 1998 to reschedule Ukraine's gas debt. Pointing that most of Ukraine's debts were actually owned bu private Ukrainian gas delivery companies, Ukrainian government stated that Ukraine could pay off its all debt as soon as possible (Interfax 15 May 1998).

Having reached another temporary debt payment agreement with the RF, Ukraine turned its attention once again to foreign companies to build new oil and gas pipelines across Ukraine. However, Ukraine paid attention to

include the Russian companies in the process (Interfax 12 June 1998; 25 June 1998). Despite these initiatives, the flow of events in the Ukrainian-RF energy trade relations remained mostly the same. The RF has cut off gas supply to Ukraine by 30 percent in September 1998 for Ukraine's debts (Interfax 7 September 1998). Apparently, this cut was probably a part of a wider agenda in the RF-Ukrainian relations. Soon after these gas supply decreases, Kuchma and Yeltsin had a meeting where Kuchma praised Ukraine's prospects of entering a free trade zone with the RF and CIS countries as the best way of getting out of the economic crisis in Ukraine (Clover 21 September 1998). Even tough Kuchma's statements about the CIS free trade zone were not directly related with the recent gas supply problem, it was likely that the RF was expecting a kind concession from Ukraine in the CIS issues in return for not using its gas supply adavantage on Ukraine. Whereas Ukraine paid attention to maintain good relations with the RF, it kept its contacts with Western energy companies. Kuchma had a meeting with Euan Baird, CEO of Schlumberger, an American company, to discuss the prospects for expansion of this company's business operations in Ukraine. Kuchma commented the meeting as a sign of international confidence in Ukraine's investment climate (ITAR-TASS 25 September 1998).

RF-Ukrainian gas trade relations showed some signs of stability as Gazprom stated it would increase its gas supply to Ukraine in 1999 under its agreement with the private Ukrainian company, Naftogaz Ukrayiny (ITAR-

TASS 17 December 1998). More importantly, Gazprom also allowed the transiting Turkmen gas supplies via the RF to Ukraine. This decision solved the transit delivery problem between Ukraine and Turkmenistan since March 1997 when Turkmenistan suspended gas delivery to Ukraine for its unpaid debts (Interfax 27 December 1998). Over the two year period between 1999 and 2001, the RF-Ukrainian energy trade relations faced several bottlenecks regarding gas debt payment problems (ITAR-TASS 3 July 1999) total or partial gas cuts (Clove 3 March 1999) and sometimes electricity cuts (Interfax 10 December 1999) together with the claims and counter-claims over the recurring issues like Ukraine's siphoning off transit RF gas from the pipelines in Ukraine (Interfax 13 January 1999; DINAU News Agency 10 October 2000). Meanwhile the parties made a few moves or bluffs to bypass each other (e.g. the RF's plans to develop its infrastructure in Rostov to lower Ukraine's importance) as the main exporter country or the transit country depending on point of view from the perspective of Ukraine or the RF (Rossiyskaya Gazeta 10 January 1999; ITAR-TASS 13 July 1999; Reed 19 October 2000). While both sides did not take direct responsibility vis-à-vis their mutual claims (ITAR-TASS 20 January 1999) and did their best to influence each other by basic available means like increasing transit (Interfax 24 December 1999) or export tariffs (Interfax 23 December 1999). they still maintained their problematic energy trade partnership through temporary solutions. Ukraine even showed flexibility by toying with the idea of lowering the transit fees rather than increasing them (Wagstyl 24 October 2000).

The main form making final agreements between the RF and Ukraine composed of short term debt payment or rescheduling arrangements (ITAR-TASS 9 December 2000) backed by additional trade deals like weapons sale (Interfax 30 December 1999) or barter like payment methods like Ukraine's payment of its debts in January 2000 with Russian securities (ITAR-TASS 20 January 2000) even tough the RF's favourite method of payment, that is debt-for-equity deals composed of ownership transfer of Ukraine's state-owned enterprises to the RF, was almost always requested by the RF as this option was seen as a national security threat for Ukraine (Clover 24 February 2000). However, sometimes a third way was found like the establishment of joint-ventures between Ukraine's state-owned companies and the Russian companies like Itera (Clover 25 April 2000). Not suprisingly, such partnership designed to solve problems evolved into components of the debt-payment problematic between Ukraine and the RF (LeBras 17 November 2000). At some points, Ukrainian side came close to accept that the Ukraine's debt to the RF could be bigger national security problem than the advancement of the RF's foreign investments in Ukraine's energy sector (Interfax 27 July 2000) but soon Ukrainian leadership withdrew from such a pro-privatization position (Interfax 1 November 1 2000).

On a general perspective, these mutual crises and agreements sometimes included problems and their solutions with third countries like Turkmenistan which, for instance, cut gas supply to Ukraine due to a gas

debt problem between May-September 1999 (Interfax 24 May 1999). The developments were also accompanied by mainly Ukraine's efforts to advance its relations with third parties like Kazakhstan to buy oil (Interfax 17 September 1999; 11 March 2000) or Turkey to improve general economic relations including energy sector (Anatolia News Agency 22 March 2000; Interfax 23 November 2000) or Uzbekistan which seemed open to give concessions to Ukraine to develop Uzbekistan's gas and oil fields (Interfax 13 October 2000). Of course, the solution of the Ukranian-RF energy trade problems was generally demanded by everbody as many neighbouring countries like Moldova which was highly vulnerable to these kinds of problems and lacked sufficient means to intervene to impose a solution on Ukraine and/or the RF (Infotag News Agency 1 March 2000).

Poland was another country which was sensitive to the instabilities in the Ukranian-RF relations. This was especially true regarding the speculations of a new Russian pipeline that would bypass Ukraine and, hence, Poland. Such a change could cause an economic loss for Ukraine and Poland as it would lower the overall transit fee incomes of these countries (Reed 31 October 2000). On a more global scale, the developments were sometimes influenced or promoted by international actors like the IMF which demanded further privatization of energy, more precisely electricity sector in Ukraine (Clover 25 April 2000). Most likely result of these privatizations could be opening of more space for the RF's

foreign investments in Ukraine not only in the energy sector but also in other areas like the aluminium sector (LeBras 27 October 2000).

In 2001, the RF began to adopt a more agressive approach in its foreign energy relations with the ex-Soviet countries inlcuding Ukraine. Main strategy of the RF was to revise the existing deals to obtain more concessions from these countries. This attitude became considerably successful on Ukraine. In March 2001, Ukrainian president Kuchma assured the Russian Tansneft Company that Ukraine will lower the transit fees on the Russian oil exported via Ukraine. Kuchma's basic motive was to partly survive the very likely construction of a new Russian gas pipeline bypassing Ukraine to secure the future of transit oil deliveries via Ukraine (Kommersant 2 March 2001). Another source of pressure on Ukraine became the recurring complaints of Gazprom against Ukraine for stealing Russian transit gas to Europe delivered via Ukraine (Interfax 13 July 2001). In late 2001, the RF and Ukraine made another gas debt restructuring agreement under which Ukraine was to pay its debt by issuing eurobonds to be paid off within 12 years after a 3-years grace period. Being a part of wider trade agreement between the countries, this deal brought an end to the tension of recent years (Warner 5 October 2001) even though it received some criticism in some political circles and media commentaries that this deal was a threat against the energy independence of Ukraine (Vysokyy Zamok 24October2001).

The RF-Ukrainian energy relations entered a relatively smooth period in 2002. After the RF government's approval of the draft protocol with Ukraine in January, mutual relations followed a positive path (ITAR-TASS 3 January 2002). Kuchma made a high level visit to the RF including the oil and gas industry cities in Siberia (Kommersant17 February 2002). Approachment of the RF-Ukraine also encouraged other parties like Iran to advance their relations with Ukraine as Iran revealed its interest to export gas to Europe via Ukraine depending on the finalization of the estimations on the profitability of the idea (Interfax 21 May 2002). Ukranian Naftohaz Ukrayiny announced that it was planning long term cooperation with Gazprom to sell gas to Europe until 2013 (Kievskiye Vedomosti7 June 2002). By early June, the RF government approved a gas transit agreement with Ukraine (Interfax 1 July 2002).

Next month, Ukranian Minister of Economy Oleksandr Shlapak said the RF-Ukranian relations would prosper greatly if the RF side appreciated the importance of the protectionist measures for Ukraine in general mutural trade relations (Kievskiye Vedomosti 18 July 2002). Russian ambassador to Ukraine Viktor Chernomyrdin partly replied these concerns in October 2002 as he said the already discussed international gas consortium between the RF and Ukraine would not cause economic losses for Ukraine. He added that large gas consuming EU countries like Germany, France and Italy would be included in the project as Putin, Kuchma and German Chancellor Gerhard Schroeder had already reached a common understanding on the

matter in June in St. Petersburg (Interfax October 1 2002). The Ukranian Minister of Fuel and Energy, Vitaliy Hayduk, also assured that the gas consortium to develop the gas pipeline infrastructure passing through Ukraine will increase Ukraine's chances to remain as a transit country between the RF and the EU at a time when the RF is building new pipelines bypassing Ukraine (Kievskiye Vedomosti25 November 2002). To consolidate the prospects for the consortium, Ukraine also invited Azerbaijan to get involved. Ukraine also called Azerbaijan to cooperate to establish a single system of transportation oil to the European countries (Interfax 2 December 2002).

Despite its broader plans to partially bypass Ukraine in Eastern Europe, the RF showed a positive sign towards Ukraine as it revealed its intention to increase the volume of cargo transits and gas supplies via Ukrainian ports to compensate the lack of sufficient infrastructure in the RF's own ports in the Black Sea area (PrimeTASS 9 December 2002). Naftohaz Ukrayiny and Gazprom signed a series of supplementary agreements that complement the existing ones. According to the new scheme, Gazprom increased its gas export via Ukraine and accepted to give Ukraine some free gas in return. Gazprom also accepted to export Ukrainia's own gas to Europe under Gazprom's contracts with European countries. The parties also signed an agreement on Turkmenistan's gas exports via Ukraine. This agreement reduced the transit costs fro gas delivery (ITAR-TASS 10 December 2002). The agreement was also blow to Itera's business interests

in Ukraine. The company criticized the agrement which it considered invalid as Turkmenistan's approval was not sought when the deal was made (Jack and Warner 16 December 2002). Nevertheless, Itera's complaints could not change Gazprom's own strategy towards Ukraine. Indeed, Itera was lose more ground in the RF market itself in its competition against Gazprom. From the RF's official point of view, these recent deals with Ukraine were actually a part of a successful period of energy trade relations with the CIS countries. The RF-Ukraine relations were having a rare kind of stability at this time (ITAR-TASS 27 December 2002).

The course of the mutual relations was reversed to its earlier problematic tone in 2003 as the RF increased its efforts to persuade Ukraine to accept the Russian proposals to creative a single economic space among the RF, Ukraine and Belarus to give the RF more leverage in its accession process to the WTO (Zerkalo Nedeli 18 May 2003). But the issues of transit of infrastructure and deals were again a source dispute. Initially promising project of Odesa-Brody oil pipeline extending from the Caspian region to Poland via Ukraine faced some delaying problems for political reasons as the RF wanted to use the pipeline in a reverse direction for its exports delivered via Bosporus. After some resistance to the RF's demands, Ukrainian Prime Minister Viktor Yanukovich accepted the reversal of the 25 km section of the pipeline in 2003 (Interfax 21 April 2003). Yet, Yanukovich did not completely leave the projects to the RF's control. During the 2004 election campaign, he promised that the original project would be realized in

partnership with Poland and the EU (Polish News Bulletin 21 October 2004; Le Monde diplomatique 1 October 2004).

In the 2004 Ukrainian presidential elections, the RF supported pro-Russian Viktor Yanukovich against the pro-Western Viktor Yushchenko through several political and economic means including the offer to sell cheaper gas to Ukraine but nevertheless Yushchenko won the election. Russian companies increased oil export prices and lowered supply amount to Ukraine in Spring 2005 (Zerkalo Nedeli 11 June 2005). At the same time, the RF accused Ukraine for stealing gas that belonged to Gazprom. The disagreement lasted until winter 2005 (Interfax 13 December 2005). After coming to power as the new president after the Orange Revolution in late 2005 and early 2006, Viktor Yushchenko distanced Ukraine from the RF to the favour of the West. Putin openly criticized NATO expansion once again with reference to the accession plans of Ukraine and Georgia (Agence France presse 28 January 2005). Soon, the RF demanded a gas price rise from Ukraine.

According to Gazprom's plan announced in December 2005, gas supply price to Ukraine was to be increased by 400 percent (100 percent for Georgia, Moldova and Armenia). Ukraine was to hand over its transit pipeline to the RF, Rosukrenergo was to be accepted as the intermediary between Gazprom and Ukraine's Naftogaz, and transit fees were to be revised. According to this plan, Ukraine was asked to pay USD 230 per

thousand cubic meters instead of earlier USD 50 per thousand cubic meters. Ukraine refused this deal as it was argued by Ukrainian officials that Ukraine already had an existing contract with the RF that secured a price of USD 50 until 2009. Ukraine also claimed that the true market price for RF gas could be USD 75-80 per thousand cubic meters. Thirdly, Ukraine had a another legitimate contract with Kazakhstan to import 40 billion cubic meters gas during 2006. Although an official Ukraine-RF contract on transit fees was requiring that any disputes on transit gas rates were to be taken to the Arbitration Institute of the Stockholm Chamber of Commerce for solution, for some unknown reasons, the RF prefered not to use its right to take the dispute to the arbitration mechanism.

In late December 2005, the RF offered Ukraine a to USD 3.6 billion commercial loan to support Ukraine to pay its gas debt and ensure the continuity of gas supplies. This was largely a popularist move to gain the sympathy of the public opinion. In turn, the new Ukrainian Prime Minister Yury Yekhanurov responded that the RF rejected Ukraine's several offers. This was followed by Ukraine's threat to the RF to intervene on the transit gas supply to Europe. In a kind of joint meeting between the Gazprom and the Russian Security Council, the RF administration strongly announced that they were fully supporting Gazprom's stance *vis-à-vis* Ukraine's demands. Subsequently, the RF cut gas supplies to Ukraine on 1 January 2006 for one day. Gazprom claimed that other countries were affected by the gas cut to Ukraine as Ukraine stole about some 100-120 million cubic meters of gas

daily between 1-4 January 2006 from the gas pipeline reaching to Europe. While Gazprom stated that it would compansate this loss for the European consumers, Ukraine responded that it used 15 percent of the gas amount as its transit fee but later Ukraine admitted that it had actually taken more gas (Larsson 2006: 204-208).

Meanwhile, Gazprom claimed that the gas dispute was not a political one, but purely economic. Gazprom was just asking Ukraine to adjust to a higher level of gas price which was already in place in Western countries. Besides, this could be actually beneficient for Ukraine in the long run as Ukraine would learn to live with subsidies in the energy market (Goldman 2008: 144-145). Yet, the RF and Ukraine reached a quick and rather vague agreement. Gazprom was probably a transit gas seller and its own more expensive gas was not going to be bought by Ukraine. Little information was provided about the content of the agreement according to which Ukraine would buy 34 billion cubic meters gas from the RF and the Central Asian countries for USD 95 per thousand cubic meters in the first half of 2006 to meet 45 percent of its gas demand. The transit fees for the RF gas was decided to be USD 1.6 per thousand cubic meters per 100km until 2011 to be paid in cash. Ukraine would also receive 22 billion cubic meters of gas for USD 50-60 per thousand cubic meters from Turkmenistan under a separate contract. A subsequent new contract was accepted by Ukraine and the RF in the following weeks. The contract provided the RF monopoly to control supply and price setting in Ukraine's energy market. The RF also gained

partial control of Ukraine's transit system. By October 2007, the RF was largely victorious at the end of the gas dispute (Larsson 2006:206-208).

By early 2008, mutual relations were again open to speculations. Naftogaz Ukrainy rejected the media speculations on the establishment of a joint venture with Gazprom to sell gas to the Ukrainian market (Interfax 15 February 2008). A few days later, RF Prime Minister Viktor Zubkov said they invited Ukraine to take in part in a mutual partnership project to develop the oil and gas resources in Ukraine and the RF. Zubkov pointed that their call for partnership was based on the "reliable interaction in the energy sector" between the countries (Interfax 20 February 2008). Things turned upside down when Gazprom cut half of its gas supply to Ukraine on 3 March 2008 due to Ukraine's unpaid debts. However, this crisis was not perceived as a big one. It was largely accepted that the EU customers would not be affected by this supply decrease (AFX 5 March 2008). Both the RF and Ukraine reached an agreement on 5 March 2008 when Gapzrom said it was interested in long term contracts with Ukraine (Interfax 5 March 2008). The deal was achieved under some pressure by the EU countries (Interfax 6 March 2008). The tension rose once again in June 2008 when Ukraine dismissed the RF's demand from Ukraine to stop its offshore oil and gas projects in those Black Sea areas where sovereignty status is a disputed issue among the two countries (Interfax 16 June 2008). After some additional official refections from the Ukrainian side against the RF's demands, Oleh Dubyna, Chairman of Naftogaz Ukrainy, offered a solution.

He recommended the privatization of Naftogaz Ukrainy and the launch of a joint project by Gazprom to develop Ukraine's disputed oil fields in the Black Sea (Zerkalo Nedeli 16 July 2008). There was no substantial development about the matter in the following, relatively silent months.

Libyan leader Mu'ammar Al-Qadhafi's visit to Ukraine in early November 2008 became a short-lived source of speculation to develop Ukraine's foreign energy relations, however, Libya and Ukraine did not sign any contracts during this visit (Zerkalo Nedeli 8 November 2008). In late 2008, some media commentaries in Ukraine said that Ukrainian state did not a responsibility to make a debt payment to Gazprom as those debts had to be indeed by the private Ukrainian companies themselves (Zerkalo Nedeli 22 November 2008). Yet, the Ukrainian government took a somewhat suprising step and ordered some state banks to make a massive debt payment to the RF to lower the tension between the countries. Indeed, Ukraine accepted to make this payment to persuade Gazprom not to cut off gas supply on the first day of 2009 (Deutsche PressAgentur 30 December 2008). However, 2009 started with another gas cut by Gazprom as it claimed Ukraine's payment did not reach Gazprom's bank accounts (Interfax 1 January 2009). Besides, Gazprom stated that Ukraine would still have some remaining debt whereas Ukraine claimed to clear off its total debt. The EU called both sides to not to negatively affect gas supply to the EU in the process (Agence France presse 1 January 2009).

3.4.2.7. Georgia

During the 1990s, the RF cut gas supply to Georgia on several occassions which coincided often with some political turning points in Georgia. According to the RF these cuts were related with Georgia's unpaid debts to the RF. Georgia could survive the serious cut in winter 1999 only with the help of the US. Gas trade disputes between the RF and Georgia continued in the 2000s. Georgia has been accused by the RF for approaching the West, supporting Chechen guerillas, taking part in the GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova Group). supporting the BTC (Baku Tbilisi Ceyhan) pipeline and aspiring to be a NATO member. Established in 2001, GUUAM was a small pro-Western international organization seeking to counterbalance the influence of the RF and the CIS. The idea of BTC pipeline was first suggested in 1992 and its actual construction was completed in 2005. The BTC pipeline was accepted as another Western initiative to lower the RF's influence in the Caspian and Caucasian energy politics. The RF showed a serious action to make Georgia change its policy over these issues and cut gas supplies in January 2001. In August 2002, another small crisis occurred when the Itera obtained a controlling stake of Tbilgaz and hence the gas distribution system of Georgia. According to the Georgian sources, Georgia's initally small debt to the RF exceeded USD 32 million after this takeover. Itera was claimed to let this debt grow over time to obtain more strategic gas infrastructure assets in Georgia. In most other similar occassions, these steps of Itera coincided with

a bad period of RF-Georgian relations during which the RF air forces even bombed Georgia. Under these circumstances, a Georgian minister said the deal was actually beneficient Georgia as another gas cut supply was avoided during winter (Trenin and Malashenko 2004: 172-173; Jervalidze and Rosner 2006: 19-20; 23-34).

The RAO UES (Unified Energy System). major electricity company in the RF, used the opportunity to obtain a decisive share in the Georgian electricity market in July 2003 when the American Energy System sold its share in the company Telasi after a profitless expericence in Georgia. Georgia suffered some electricity cuts between 2002 and 2003 due to accidents, bad weather conditions and some sabotages in the North Caucaus. Despite mutual suspicions between the Georgian and Russian policy and law markers over these problems, the parties did not directly blame each other. Meanwhile, Itera cut gas supply to Georgia in Spring and Summer 2003 for the USD 27 million debt of Tbilgaz to Itera. President Edvard Shervardnadze's intention to cooperate with Gazprom in 2003, instead of Itera, caused reactions from the opposition which claimed that such approachment with Gazprom would jeopardise key energy pojects like the South Caucasus Pipeline (Baku-Tbilisi-Erzurum pipeline; Shah Deniz pipeline). (Jervalidze 2006).

In January 2005, Georgian Prime Minister Zhurab Zhvania said the Georgian government would not allow Gazprom to buy Telasi and Tbilgaz.

Georgian Chairwoman of Parliament Nino Burjanadze said such a move would strengthen the RF's position in Armenia as well which could in turn increase the pressure on Georgia itself. Howeever, it turned out that the Georgian leadership elite did not have a consensus on the policy towards Gazprom's expansion plan in Georgia when President Saakashvili stated that open ended sale negotiations about Telasi and Tbilgaz were being continued as of February 2005. Economy Minister Kakha Bendukidze said takeover of Telasi and Tbilgaz by Gazprom would not cause a security problem for Georgia. Also, Minister Zhurab Nogaideli said he saw no security problem about Gazprom's company takeovers in Georgia but later he changed his mind. Yet, he refrained from directly criticizing Gazprom over issue and stated that Georgia would not cause a problem for RF-Armenia energy trade and would to its best to buy gas from the RF instead of using the BTE pipeline if that pipeline's gas supply turns out more expensive than Russian gas. Some other Georgian politicians also opposed the takeover negotiations (Jervalidze 2006).

When Gazprom announced that it would raise gas prices from USD 63 to USD 110 fro Georgia in November 2005 Georgian Prime Minister Zhurab Nogaideli and President Saakashvili said this was a politically motivated decision and the planned price level would above what other regional countries would pay even though Ukraine was actually paying for gas imports from the RF. Yet, Georgian politicians also said that the price rise would not greatly harm the economic indicators of Georgia. The RF also

implied that it could cut gas supply totally if Georgia did not accept the RF's demands in the CIS Energy Council regarding the CIS energy market. Eventually, Georgia accepted the RF's conditions in the meeting in Tbilisi. The RF-Georgian relations detoriated in 2006 when Georgia expelled some Russian embassy officials for charges of espionage. The RF responded with placing an embargo on Georgian wine and mineral water exports, closing the transport and postal service to Georgia, expelling many Georgians living in the RF and making irregular cuts in the electricity flow to Georgia. These moves caused serious losses for the Georgian economy. The Russian gas pipeline serving Georgia was sabotaged in Northern Ossetia in January 2006. Georgian leadership blamed the RF for deliberately harming the gas export infrastructure in the Northern Caucasus to put Georgia under pressure (Luft and Korin 2009: 24-25; Oliker 2009: 97-98;).

On 1 November 2006, Gazprom announced that it would begin constructing a direct gas pipeline between the RF and the South Ossetia just before South Ossetia's referandum on 12 November 2006 for declaring independence from Georgia. Unexpected problems in the Shah Deniz field in Azerbaijan in late December 2006 ended Georgia's hopes to buy cheaper gas from Azerbaijan instead of the RF. Turkey, Azerbaijan and Georgia were indeed working on such a plan for a while to bypass Gazprom. As a result of this problem, Georgia accepted to buy 1.1 billion cubic meters of gas in 2007 at USD 235/ths cu meters from the RF so Georgia was going to pay a higher price in 2007. Original plan of Georgia was to buy Azeri gas with the support

of Turkey who stated that it would allocate its own 2007 gas quota from the Shah Deniz field to Georgia. Official explanation was that technical problems caused this problem but doubts of terrorist sabotages or the RF's pressure on Azerbaijan to not to sell gas to Georgia were also voiced (Kommersant 25 December 2006). However, Georgia managed to resist to Gazprom to not give up more control over domestic pipelines on the contrary of what happened in Moldova and Armenia in the same period. Besides, Georgian authorities announced that Georgian economy still managed to grow significantly in 2007 despite the economic hardships caused by the RF. They explained this success by the growth of non-RF foreign investment, elimination of some bureaucratic procedures and a decrease in some taxes in Georgia (International Monetary Fund 2007: 26-28).

The RF-Georgian relations were restrained in 2007 when Georgian Oil and Gas Corporation General Director Alexander Khetaguri said Gazprom owed Georgia USD 2 million for the transportation of gas to Armenia via Georgia. He said Gazprom had delayed the payment for 3 months but Georgia still maintained to supply gas to Armenia (Interfax 4 August 2007). Gazprom denied Georgia's debt demands and said Gazprom had no reason to pay USD 2 million to Georgia (Interfax 6 August 2007). Meanwhile, mutual relations were further restrained due to an airspace intrusion incident on 6 August 2007. While Georgia accused the RF for sending a jet into the Georgian airspace and firing a rocket, the RF responded that whole thing was a Georgian farce to undermine the planned

Georgian-South Ossetian negotiations. The US presented an assessment of the incident to the UN Security Council but it was rejected due to the RF's opposition. On 24 August, another similar incident took place. Georgia stated the Georgian army had opened fire on a Russian military plane flying over Abkhazia but the RF said that was another example of Georgian provocation against the RF (Chinadaily.com.cn 4 September 2007). The RF faced another unpleasant development in its relations with Georgia when Georgia joined Azerbaijan, Poland, Ukraine and Lithuania in October 2007 to sign an agreement establishing the "Sarmatian consortium" intended to extend an oil pipeline bypassing the RF. More specifically, the agreement's objective was to construct a new oil pipeline until 2011 to connect the Caspian and Baltic Sea based on the existing pipeline route passing through Ukraine (Turkish Daily News 15 October 2007).

South Ossetia War (7-16 August 2008) definitely became most dramatic event in the post-Soviet RF-Georgian relations. The war came as a result of developments at least since 1991. Independence of Abkhazia and South Ossetia were always sensitive issues for Georgians' mentality. The issues of Abkhazia and South Ossetia were indeed quite historical problems for all sides. Abkhazians and Ossetians were already engaged in centuries old historical relations in roughly repating cycles of co-habitation, independence and subordination with the Georgians in one way or another. Things have got more complicated during the days of the Russo-Caucasian War of the 19th century in which many Caucasian nations like the

Circassians, Abkhazians and Chechens fought the Tsarist Russian Empire. Pro-independence Georgian nobility was eliminated by the Russian advance. Surviving pro-Russian Georgian elite deliberately collaborated with the Russian authorities to obtain some gains and benefits from the annexation process of the Caucasus by the Russian Empire. (Austin and Neli 2002: 30; Suny 1994: 94-95).

Being a subordinated but considerably useful and loyal “partner” for the Tsarist and then later Soviet Russian authorities, Georgia gained important local hegemonic power not only vis-à-vis Abkhazians and Ossetians but all Caucasians especially during the era of Stalin who was also an ethnic Georgian. In a way, Georgia was awarded with Abkhazia and South Ossetia. Stalin downgraded the political status of Abkhazia and South Ossetia in the Soviet Union and placed them within the territory of Georgia with some autonomy granted to Abkhazia and South Ossetia. But also as a part of the general Russian “divide and rule” strategy, North Ossetia was left as an autonomous part of the Soviet Russian Federation apart from South Ossetia. Stalin also encouraged the actual “Georgianification” of Tbilisi as a city which was indeed highly populated by a local Armenian majority before Stalin. Again during this period, large groups of ethnic Georgians and Mingrelians (eastern branch of the Zan nation which is composed of the Mingrelians in Georgia and the Laz in Turkey). (Hewitt 2009: 192) were encouraged to move to those empty agricultural areas of Abkhazia whose ethnic Abkhazian owners were deported to the Ottoman Empire by the

Tsarist Russian Empire as a result of the Russo-Caucasian War and the 1878 Russo-Ottoman War in the 19th century (Suny 1994; Jersild and Melkadze 2002; Jenkins and Gottlieb 2007; Derluguian 2007).

However, this fragile symbiosis between the Russians and Georgians have ended after Georgia's independence in 1991. Soon after its independence Georgia abolished the limited autonomies of Abkhazia and South Ossetia. Abkhazia and South Ossetia first demanded the restoration of their autonomies and even accepted the idea of federal unity with Georgia but Georgia wanted to see Abkhazia and South Ossetia under its direct central rule. Given these circumstances, Abkhazians and Ossetians sought the help of the RF to gain their independence. Indeed, Georgia had already lost some of its moral power and prestige in the Soviet Union after Stalin's death and end of his personality cult. There was already a growing nationalist Abkhazian and South Ossetian mobility in response to the assimilation policies of Tbilisi at least since the 1960s. The RF used this background as another tool to revive its authority in the Caucasus in the post-Soviet era. Soon after 1991, Abkhazia and South Ossetia gained their *de facto* independence from Georgia after a series of military clashes. The RF provided military and economic assistance to Abkhazia and S. Ossetia in a slowly increasing but still unstable and not fully reliable manner. The RF also semi-reluctantly allowed some Circassian and other North Caucasian volunteers to take part on the side of Abkhazia against Georgia. However, Abkhazia-RF relations were not always flawless even at a time when

Abkhazia was practically in war against Georgia. Abkhazia was, for example, temporarily punished by the RF in the form a several years long economic embargo for Abkhazia's sympathy for the Chechens as a kind of pan-Caucasian solidarity feeling (Oğuz 2002; Bram 2002; Jackson 2003: 128-130; Goltz 2009b).

During the whole conflict process among Abkhazia, South Ossetia and Georgia in the 1990s and most of 2000s, the RF also stated that Abkhazia and South Ossetia were legally part of Georgia. The RF simply wanted to put pressure not only on the Georgians but also on Abkhazians and South Ossetians whenever are necessary to control all parties. On the Georgian side, originally being a pro-Russian actor, Shevardnadze still became unsuccessful to revive Georgian rule in Abkhazia and South Ossetia. Being motivated by his success to revive central authority in Ajaria, pro-Western Saakashvili adopted an agressive attitude toward Abkhazia and South Ossetia. Several negotation attempts were largely fruitless. This long and complex series of events among Abkhazia, South Ossetia, RF and Georgia resulted in Georgia's open military attack against South Ossetia in August 2008. Having miscalculated the RF's strategy, Georgia was shocked by the RF's direct military involvement on the side of South Ossetia. Georgian army was quickly defeated by the RF army and Medvedev soon recognized the independence of Abkhazia and South Ossetia. Saakashvili's agressive policy ultimately turned out useful for Abkhazia and South Ossetia

in this process (Peimani 2009; Cheterian 2009; Aslund and Kuchins 2009; Donaldson and Nogee 2009).

Naturally, the South Ossetian War largely undermined Georgia's image as a secure transit country and a NATO candidate even tough the BTC was not harmed during the war. BTC was already shut down by the BP due to an explosion in eastern Turkey. The company temporarily shut down Baku-Supsa and South Caucasus pipelines as a cautionary measure during the war (Jackson 12 August 2008) while the IEA stated that the war was a threat to the global energy security (Agence France presse 12 August 2008). Saakashvili himself said the BTC was target of the RF but the RF denied that (Turkish Daily News 26 August 2008). Several analysts and media commentaries also claimed that the war had also undermined most of the Nabucco gas pipeline project's credibility. This was an important threat as Nabucco natural gas pipeline project was already found by some as a too ambitious and vague initative as it widely aimed to include Iraq, Azerbaijan, Turkmenistan, Egypt, Turkey, Bulgaria, Romania and Austria at that time. Naturally, the RF was not fond of the Nabucco project. However, other pro-Nabucco commentaries led by Hungarian statesmen pointed that the Nabucco was not undermined by the war, but, on the contrary, the war had shown the need to accelarate the project (Turkish Daily News 15 September 2008). Most of the international community sided with Georgia and blamed the RF as the responsible side for the war. Separate views of the Abkhazian and South Ossetian authorities were largely ommitted in the analyses. The

war was largely described as a Russian-Georgian war. Some countries like Turkey tried to take a balanced approach and refrained from openly criticizing the RF. Turkey even did not allow the reach of the US ships into the Black Sea to support Georgia. British Prime Minister Gordon Brown was one of a few European leaders who sharply criticized the RF. He said the EU would not let itself taken ransom by the RF in the energy security field (Agence France presse 30 August 2008).

France and Germany took a softer tone in their statements. French President Sarkozy had also acted as a mediator between the RF and Georgia. Germany's approach was not largely different. Even tough Chancellor Angela Merkel was in Georgia in August to support Georgia's bid to join the NATO, this wish was not later put in practice. Indeed, Germany-RF energy relations saw some real progress in October 2008 when German E.ON and Gazprom signed an agreement in St.Petersburg to develop the Yuzhno-Russkoye gas field in Siberia (Kulish 2 December 2008). Actual response of the EU and NATO as key Western institutions were relatively softer toward the RF and was not directly supportive of Georgia. The EU decided to enhance its partnership relations with Georgia and Ukraine but refrained from offering full membership to these countries (Triomphe 1 December 2008). The EU also revealed it will resume partnership talks with the RF (Agence France presse 2 December 2008). NATO, too, chose to not to alienate the RF and stated that it was ready to

resume high-level talks with the RF in December 2008 since the interruption of the talks during the war (Cook 2 December 2008).

Even Georgia's neighbouring countries, Azerbaijan and Armenia, put some distance between themselves and Georgia. Armenia remained pro-RF during the war and aftwerwards. Armenia allowed the Russian air forces to use the Russian bases in Armenia during the war. Armenia did not have much to influence the energy flow in the region anyway. But Azerbaijan took a more decisive approach in the energy field and said it was planning to divert its oil and gas export routes away from Georgia but towards the RF and Iran in the near future for the sake of diversifying its export options (Tehran Times 28 September 2008). Georgian leadership was partly divided in itself after the war. The government, parliament and the opposition groups blamed each other for the responsibility of the failure. Saakashvili was mostly criticized for miscalculating the RF's strategy and attacking South Ossetia in an unprepared manner. Despite the following waves of criticisim and protests, Saakashvili managed to remain in power and Georgia officially maintained its pro-US policy in the region, even tough the US, too, had implied that it had openly warned Georgia to not to attack South Ossetia in the first place (Carbonnel 19 December 2008).

3.4.2.8. Azerbaijan

Swinging between liberalism and protectionism, the RF leadership sometimes took contradictory, internally divided or partial decisions over some key energy issues in the immediate post-Soviet period. The case of Azerbaijan was one them. For example, a July 1994 secret directive signed by Yeltsin and backed by Foreign Minister Andrei Kozyrev and Foreign Intelligence Director Yevgeny Primakov over the prevention of foreign energy companies' involvement in the Caspian Sea area that perceived within the RF's "sphere of influence" turned out to be opposed by Prime Minister Chernomyrdin and several energy business representatives who saw foreign involvement as a means of obtaining foreign capital and technology (Ismailzade and Rosner 2006: 9-14). Chernomyrdin's group was also favoring the participation of the RF companies in international consortia to gain experience in the world market and share the profit. When Lukoil representatives as signatories and a bureaucrat from the Russian Ministry of Fuel and Energy participated in the signing ceremony of the international agreement for the exploitation of Azerbaijan's Chirag and Guneshli oil fields also known as the "contract of the century" on 20 September 1994, the RF Ministry of Foreign Affairs condemned the agreement as illegal in a press conference as the legal status of the Caspian Sea was yet to be determined (Croissant 1998: 115-116; Chufrin 2001: 180-182; Rutledge 2006: 107-108).

Some elite circles in the RF were unpleasant about the “contract of the century” even though Azerbaijan had given a ten percent share to Lukoil in the same contract and some other oil fields to appease the RF. Besides, Azerbaijan was practically dependent on the RF’s Baku-Novorossiysk pipeline, which was temporarily harmed during the First RF-Chechen War, at that time to export its oil to the world. An illegal arms sale deal between the RF and Armenia was uncovered by chairman of the Duma’s defence committee, Lev Rokhlin, in 1997 revealed that the RF was even using covert military tactics to sabotage the development of the international energy investments in Azerbaijan. This was the case even Aliyev had done a lot to take the RF’s support over the Nagorno-Karabagh issue by taking a pro-Russian attitude in the RF-Chechen war. The pressure of the RF-Chechen War over the RF-Azeri energy trade relations relatively decreased when the RF built a new and safer oil pipeline in Dagestan that bypassed Chechnia’s territory in 2000. Finally, after some initial engagement in the “contract of the century” project, Lukoil withdrew from the agreemeent but disagreement of the RF’s political and business elite over the issue of RF’s participation in the opening of Azerbaijan’s oil fields to international companies lasted until mid-2003 during Putin’s term (Barylski 1998: 483-484; Waal 2004: 199-200; Fredholm 2005: 8).

When Azerbaijan managed to launch the Baku-Supsa crude oil pipeline with a capacity of 150,000 b/d (barrels per day) in April 1999, Boris Nemtsov, Deputy Prime Minister of the RF, was present at the inauguration

ceremony alongside the presidents of Georgia and Ukraine. This was again another seemingly contradictory step of the RF as this pipeline meant a new opportunity to relatively lower the RF's monopoly over Azerbaijan's export routes. However, the RF still prefered to state that it was not against this project as the RF itself would benefit from the growth of welfare in the region. Meanwhile, Lukoil was also expanding its business operations in Azerbaijan. After the discovery of the giant Shah Deniz gas field by the BP in July 1999, Azerbaijan practically took a decisive step to be net gas exporter instead of being a net importer. In March 2001, Azerbaijan and Turkey signed a 15-years gas trade agreement but lack of sufficient domestic demand and economic problems in Turkey delayed the realization of the project for some years. Gas export was planned to be carried via the construction of the South Caucasus Pipeline (Baku-Tbilisi-Erzurum) which would make Azerbaijan a direct competitor the Blue Stream pipeline between the RF and Turkey through the Black Sea. In the longer run, South Caucasus pipeline (completed in 2006) would be also connected to other regional pipelines (BP Unspecified Date). Having launched the earliest steps of the Blue Stream in 1997, the RF opposed the South Caucasus Pipeline and tried to persuade Azerbaijan to export its gas via Gazprom's European network (DeLay 1999: 51; Karagiannis 2002: 28; 136-137; Nanay 2009: 109-111). Blue Stream was completed in 2002 and the RF began to supply gas to Turkey. From the RF's point of view, Blue Stream decreased the RF's transit dependence on Ukraine and advanced the RF's share in Turkey's gas market (about 60 percent in 2003). (Rosner 2006: 51; IEA 2005: 112).

After Putin's election as the new President in 2000 energy politics, and hence Caspian Sea region, became a top agenda item in the RF's foreign policy. Putin appointed a special representative to the Caspian Sea region and the new official foreign policy document published in 2000 underlined the importance of the Caspian Sea region. Putin was especially interested in the region due to its adjacent location to the Caucasus where the RF-Chechen War continued and, secondly, he saw the region as another possible geopolitical defeat zone that would follow Eastern Europe which was now a part of NATO. Unlike Yeltsin who never visited Azerbaijan, Putin made a visit to Baku in January 2001 to attract Azerbaijan back to the RF's orbit. Just like Georgia and Ukraine, Azerbaijan had relatively distanced itself away from the RF over the international issues of NATO expansion, Kosovo, BTC project and loyalty to the CIS. Azerbaijan had also provided some indirect support to the Chechens even though it had mainly a pro-RF attitude in the RF-Chechen War.

In order to strengthen his position before his visit, Putin signaled that the RF would impose a visa regime and stricter border controls targeting some two million Azeris who were engaged in business affairs with the RF at different levels through legal and illegal means. Deportation of the Azeri diaspora from the RF would cause serious economic problems for Azerbaijan. Azeri-Armenian conflict was another abvious item on the agenda. Additionally, Heydar Aliyev needed Putin's support in Azerbaijan's

domestic politics to secure the succession of his son, Ilham Aliyev, as the next president of Azerbaijan. Putin and Aliyev were also sharing a common KGB background that facilitated their personal communication. Given these factors, Putin's visit to Azerbaijan became fruitful for the RF as Azerbaijan allowed the further expansion of the RF's economic influence in the country especially through the Lukoil's new business operations in the onshore Hovsany-Zykh oil field. Yukos also secured a contact to in the shallow water section of the Gyunashli oil field in 2001 but the project was not realized due to the bankcruptcy of Yukos (Cummings 2003: 241; Donaldson and Nogee 2009: 191-193).

Despite the RF's open opposition to the BTC project, it was long speculated in the 1990s that Lukoil would eventually join the project. However, in April 2002, Lukoil made it clear that it would not take part in the BTC project but continue to use Baku-Supsa and Baku-Novorossiysk oil pipelines. Had Lukoil joined the project, this would be interpreted as the end of the RF's opposition to the BTC pipeline but the company failed to persuade the political elite of the RF and finally give up its plans for the BTC. Azerbaijan itself was persuaded by the RF to continue the Baku-Novorossiysk pipeline in the early 2000s despite the progress of the BTC pipeline. During Heydar Aliyev's several visits to Moscow between 2001 and 2002, Azerbaijan and the RF reached an agreement over the division of the ground of the Caspian Sea and lease of the Gabala radar station in Azerbaijan to the RF for 25 years. So, Azerbaijan has solved some its major

problems with the RF in one way or another in the early 2000s to secure Moscow's support over the Nagorno-Karabagh conflict and Ilham Aliyev's succession to presidency.

On the contrary of this progress in the RF-Azerbaijan relations, Lukoil strangely announced that it would lower the level of its business operations in Azerbaijan. This was perceived as a surprising decision by many. Azerbaijan leadership were very disturbed by the decision as they saw Lukoil's presence as a very important asset for good relations between the RF and Azerbaijan. In November 2002, Lukoil officially sold its share in the ACG (Azeri-Cirag-Gunashli) oil field to an unnamed oil firm from Japan for USD 1.25bn but the company still maintained some presence in the country. Some Azeri politicians and analysts perceived Lukoil's decision as a warning by Moscow to Baku to slow down the ACG and BTC projects. However, some others claimed that Lukoil left the ACG project not for political reasons but it actually lacked sufficient financial resources to remain in this project. There were even speculations about some mafia involvement behind the decision (Ismailzade and Rosner 2006: 25-27). Lukoil's ethnic Azeri president Vagit Alekperov stated that the decision did not intend to undermine Azerbaijan's energy policy but the company was willing to get interested in the oil fields in the Arctic Zone, Northern Caspian Sea, Eastern Europe and the Far Eastern region of the RF and compete more with Yukos in the RF market. In order to appease Azeri political circles, Lukoil announced in April 2003 that it would increase its participation in the Azeri

Yalama oil field project. Subsequent news seemed the confirm the perception that Kremlin was not involved in Lukoil's decision to lower its presence in Azerbaijan. Indeed, it was gradually accepted that Lukoil took this decision to increase its cash renevue to buy the majority of Slavneft's shares to grow its presence in the RF's domestic oil market. However, this explanation did not make Baku any happier and, despite Lukoil's some gestures, Azerbaijan demanded the payment of some tax and capital debts by Lukoil. Later, a kind of informal deal about these debts was reached in 2005 (Crandall 2006: 114, 211).

In late 2002, Lukoil made another curious step and announced that it would sell its stake in the Shakh-Deniz consortium but it denied this sale in August 2003. Lukoil also complained about the profitability of its participation in the Hovsany-Zykh oil field contract in 2003 and next year it asked Azerbaijan's SOCAR to increase Lukoil's share in the project to make it more profitable. However, Lukoil stated that it would end the contract in February 2005. The decrease in Lukoil's presence in Azerbaijan did not necessarily mean the decrease of the economic and political influence of the RF in Azerbaijan. Indeed, Gazprom effectively filled the gap. In order to compensate for Itera's lack of gas transmission capacity, Azerbaijan asked Gazprom to increase gas supply in 2004. Itera, a joint Russian-American, was indeed favoured by Azerbaijan as it had relatively freedom from the RF government. However, Itera was still dependent on Gazprom's network of distribution and a debt dispute between the two in 2002 was forcing

Azerbaijan to make a deal with Gazprom. Additionally, Azerbaijan's giant Shah Deniz gas field was not practically ready yet to make Azerbaijan self-sufficient on gas consumption in the short term. So, Gazprom agreed to sell 4 billion cubic meters of gas worth USD 208m to Azerbaijan annually for five years and soon afterwards the sides agreed to increase both the gas amount and its price. The deal was criticized by Sabit Bagirov, former head of SOCAR as it would make Azerbaijan make totally dependent on the gas imports from the RF (Antonenko 2004; Perovic 2009).

Meanwhile, Gazprom continued trying to persuade Azerbaijan to choose Blue Stream pipeline over the BTC to export its gas from the Shah Deniz field but Azerbaijan kept its commitment to the South Caucasus gas pipeline project. The BTC pipeline was built between 2002 and 2005. In December 2004, David Woodward, BP's representative in Azerbaijan, talked about the possibility of transporting Russian and Kazakh oil through the BTC pipeline in partnership with the TNK-BP. Some media coverage in the RF also voiced this possibility. However, TNK-BP announced that it was too early to talk about such possibilities. Despite the somewhat self-limited presence of the RF in Azerbaijan's oil market, gas and electricity sectors of this country were highly occupied by Russian capital in the 2000s despite the relatively low level of mutual gas trade in the mid-1990s. The visit of Anatoly Chubais, chairman of RAO-UES, to Azerbaijan in May 2004 brought a further approachment between the RF and Azerbaijan in the electricity sector.

Persuading Aliyev over the necessity of cooperation, Chubais stated that the RF and Azerbaijan could also work together about the electricity sectors of Georgia and Iran. Chubais's visit also triggerred a campaign which advocated the transfer of Baku's electric distribution network originally rented by Barmek, a Turkish company, for a period of 25 years after a competitive bidding against Siemens (Germany) and AES (The Netherlands) to the RAO-UES (RF). After a negative media campaign against Barmek by some pro-Russian politicians and media companies in Azerbaijan in the following period, Azeri leadership barely resisted the transfer of the Baku's electricity system to RAO-UES as a gesture for Putin's support for Ilham Aliyev's smooth succession to presidency. This case showed that Azerbaijan was not ready to make another concession to the RF for close mutual relations. Additionally, the pressure of the US over Azerbaijan to not to approve this transfer was also very persuasive for Azeri leadership. Hence, presence of RAO-UES in Azerbaijan became limited with the synchronization and transmission of electricity at that time (Ismailzade and Rosner 2006: 29-30; Nygren 2007: 112; Oliker et al. 2009: 95).

As Gazprom has been re-selling Turkmenistan's gas to Azerbaijan and other countries, a price rise dispute between Turkmenistan and Gazprom in January 2005 resulted in Turkmenistan's decision to cut gas delivery to Gazprom for ten days which in turn resulted Gazprom's cut of gas sell to Azerbaijan. In order to survive the cut, Azerbaijan's SOCAR

announced that it would halt oil delivery to Baku-Novorossiysk pipeline to use domestic oil output to produce fuel oil for electric power generation instead of using gas for this task. After this event, Azerbaijan aimed to rely more on domestic oil output for electricity production rather an oil and gas mix which meant considerable dependence on Gazprom. In January 2007, when Gazprom asked for a gas price rise of USD 235 per thousand cubic metres in way that resembled what recently happened in the case of Georgia and Armenia, Azerbaijan resisted. This was the case even when Azerbaijan, practically an oil and gas rich country, needed gas supply from the RF as Azerbaijan's own ex-Soviet style infrastructure did not allow the full exploitation of Azerbaijan's own reserves. In 2007, Azerbaijan took an important decision and stopped buying gas from Gazprom and exporting its oil via the Baku-Novorossiysk pipeline. Energy trade relations between the RF and Azerbaijan came to low point. This was Azerbaijan's reaction against Gazprom's gas price rise demands. In addition to its rather aggressive expansion strategy especially in ex-Soviet countries, Gazprom was probably under some emerging economic pressure to demand price rises from its customers as Central Asian gas exporting countries were demanding higher prices from Gazprom (Ismailzade and Rosner 2006: 33; AFX 1 August 2007; Ismayilov 3 June 2008).

In June 2008, the conventional mode of gas trade affairs between the RF and Azerbaijan seemed got reversed when Gazprom wanted to buy gas from Azerbaijan. This new step was a result of Azerbaijan's growing

prospects of energy independence from Gazprom by being a direct oil and gas seller and an alternative point of exporting Central Asian gas directly to the world market. Gazprom's plan was to intervene in this scenario by being the first buyer of Azeri gas to re-sell it and intervene in further developments that would bypass the RF. As an initial reaction to Gazprom's offer Azeri officials did not comment much on selling gas to Gazprom but some commentators note that Azerbaijan would not meet the demand of Nabucco pipeline and grow its dependence on the RF once again if it would agree Gazprom's offer (Ismayilov 3 June 2008). During his visit to Baku in July 2008, Medvedev tried to persuade Ilham Aliyev to sell Azeri gas to the RF in exchange for the RF's explicit support in the Nagorno-Karabagh conflict but Aliyev did not make a binding statement about the offer (Reuters 3 July 2008).

Ilham Aliyev met Medvedev and Putin in Moscow in September 2008. Despite the mutual talks about the Nagorno-Karabagh conflict, the leaders did not openly bring on the possible Azeri gas sale to the RF. Trying to avoid any discussions with the RF, Aliyev also refrained from making a comment on the RF's recognition of Abkhazia and South Georgia, an event which probably disturbed Azerbaijan as the recognition would have implications for Nagorno-Karabagh. Aliyev was also silent about Turkey's plan for the establishment of a "Caucasus platform for security and cooperation". However, Medvedev stated that the RF perceived the issues of Abkhazia, South Ossetia and Nagorno-Karabagh as different problems. Some

commentators claimed that Ilham Aliyev was only doing best to buy time before the coming presidential elections to have some space for maneouvre between the RF and the West. Meanwhile, a SOCAR official stated that Azerbaijan had the options of selling gas to the West via the RF or to the Asian countries via Turkmenistan and a final decision has not been done yet (Abbasov 16 September 2008). Despite Aliyev's victory in the presidential elections in October 2008, a decisive result about the RF's offer to buy gas from Azerbaijan was not reached yet as of December 2008.

We may derive some limited patterns from the above mentioned cases of the RF's energy policy engagement in its ex-Soviet area. However, as noted above, this would be limited analysis because most details of the RF-Central Asian energy policy relations were ommitted to keep the focus only on those ex-Soviet countries which presently constitute the EU-RF neighbourhood area (Eastern Europe and South Caucasus). On a more specific level, these countries are located on or near the energy transit lines between the RF and the EU. Details on Turkey, a non-EU and a non-former Soviet country, were also provided only when necessary. A second factor limiting the analysis here is that the wider details of the EU-RF relations will be exclusively discussed in Chapter 4.

RF's energy policy engagement in its "western" (i.e. East Europe and South Caucasus) ex-Soviet neighbourhood area shows the following common patterns:

(1) RF's external energy policy in Eastern and South Caucasus are linked to the RF's domestic energy policy issues (e.g. production capacity; availability of new gas reserves) and actors (e.g. Yukos) of the RF;

(2) this linkage can be also extended to the wider domestic politics issues in the RF (e.g. Putin's aggressive and pro-state policy making style in the RF and abroad).;

(3) RF's engagement is also exclusively related to the RF's general foreign policy objectives (e.g. desired subordination of the Ukrainian elites to the RF's influence).;

(4) RF's energy policy tools are also used to influence the domestic politics of these ex-Soviet countries (e.g. 1992 elections in Lithuania).

(5) Direct legacy of the Soviet and even Tsarist era problems are seen everywhere, especially in the Baltics. Non-Slavic Baltic countries have always been much more critical against all kinds of Russian rule and presence compared to much other ex-Soviet countries. For example, problems of the sizeable Russian minority in Estonia are seemingly non-energy related issues to be basically discussed in an ethno-cultural and human rights context. However, the Russian minority issue has easily provided the reason for the RF to cut gas supply to the Estonia in the early 1990s.

(6) The RF has sought to not only dominate the energy import markets of these countries but also to acquire physical infrastructure whenever possible (e.g. efforts to buy the Ventspils Nafta refinery in Latvia).

(7) The EU's lack of (or low) interest to become a direct party in the RF's energy sale disputes with these countries. The EU showed no or very little direct interest as a direct party in these disputes especially in the 1990s mainly until the 2006 RF-Ukraine gas crisis. This situation can be explained by factors like the intra-EU divisions on the foreign energy policy issues especially until the mid-2000s. Official convergence of the energy and foreign policy issues relatively increased the EU's assertiveness. Besides, the EU energy policy gained a more supranational and detailed nature again in the mid- 2000s.

(8) RF's problems with these ex-Soviet countries have economic and political implications for other actors, most notably the EU countries. Such disputes sometimes trigger intra-EU disputes as well (e.g. German-Polish debate about Nord Stream).

(9) Since their independence in 1991, none of these ex-communist countries could take solid steps to diminish their energy dependency on the RF. Their dependence levels have been roughly as high as the Soviet times. As new EU members, they also increased the EU's dependence on the RF.

(10) On the contrary of mainstream perception, it was not only the state-owned Gazprom which expanded in the ex-Soviet energy markets. For example, private Russian companies like Yukos were also important actors to some degree. However, this picture has radically changed since the fall of Khodorkovsky. This situation also highlights the external and domestic dimensions of the RF's energy policy realities in connection with wider Russian politics.

3.5. Conclusion

This chapter was based on the analytical framework of Chapter 2 on the EU's energy policy issues. Following that model, I tried to present an examination of the how the domestic/internal and foreign/external dimensions of the RF energy policy evolved in interaction since 1991. These variables were also presented as complementary hypotheses 4 and 5 in the first chapter. Chapter 3 confirmed these hypotheses: (1) Russian Federation's energy policy has transformed towards pragmatic statism, and (2) energy policy and foreign policy of the Russian Federation have practically and officially approached towards each other.

Oil was known at least the Middle Ages in the contemporary RF geography but its was used for simple medical, construction and lighting purposes. Nevertheless, this pre-industrial use of oil was still an economic asset. Peter the Great took the first steps to exploit the oil resources in the South Caucasus. Contemporary industrial use of oil began in the 19th century. This era saw the rapid development of the oil fields in Azerbaijan which was then incorporated into the Tsarist Russian Empire.

Capitalist exploitation of the oil resources in Azerbaijan was largely undertaken by foreign investors. Bolshevik Revolution brought an end to this early capitalist period until the 1990s. Nevertheless, the USSR took a

number of pragmatic steps to enhance its production capacity and allowed some foreign energy companies work in the USSR. Production of natural gas became another important asset after the Second World War. The USSR used its oil and natural gas resources and trade flows as tools of influence especially in the neighbouring communist countries. This policy was a predecessor to the contemporary leanings of the RF's foreign energy policy. Cold War also saw the establishment of the energy trade links between the USSR and the non-communist European countries.

As the internal problems of the USSR worsened, Gorbachov took a number of initial steps for the privatization of the energy industry. These experimental steps became the dominant norms of the post-Soviet energy policy under Yeltsin. Many state-owned were privatized under shady conditions which enabled the birth of the Russian oligarchs. Yeltsin also restructured the energy policy bureaucracy to make it more compatible with the new capitalist system. Gazprom met the competition of private Russian energy companies to some extent, most notably the Yukos. Yeltsin also did not refrain from taking a number of irredentist steps in the RF's ex-Soviet neighbourhood. For example, he followed a very active policy in the Caspian Sea region.

Regarding capitalist transformation and partial democratization, Putin reversed much of what Gorbachev and Yeltsin did. The return of statism in the RF's socio-political life under Putin (e.g. subordination of the oligarchs)

and the considerable recovery of the RF's energy industry as represented by the rise of Gazprom were among the leading events of this period among others. The RF's engagement in its ex-Soviet neighbourhood area was important to understand the external dimension of the RF's energy policy. To sum up, the RF's main direction in the period was a divergence from Yeltsin style liberalization towards Putin (and somewhat Medvedev) style statism and protectionism especially against foreign companies.

Putin also followed an aggressive and irredentist foreign energy policy in its ex-communist neighbourhood in a way which exceeded Yeltsin's similar steps. Putin used the RF's energy export as a tool to punish his foreign rivals and reward his allies in these countries, especially in Ukraine. However, Putin's external energy policy was also pragmatic enough to maintain a certain level of good relations with its major neighbours, especially the EU. The RF's foreign energy policy engagement was linked to the domestic issues both in the RF and these countries.

Post-Soviet Russian energy politics produced a number of patterns which were also discussed above in this chapter. These patterns also highlight the interconnections between the internal/domestic and external/foreign aspects of the RF's energy policy. As was the case in Chapter 2, the divison between the internal/domestic and external/foreign aspects of the RF's energy policy in this chapter was basically an instrumental one for analytical purposes to contribute to the discussion of the

hypothethical model introduced in Chapter 1. Following the general argumentative structure of this dissertation's research hypothesis, Chapter 4 will focus on the EU-RF energy trade relationship as a case of partial international regime formation.

CHAPTER 4

ANALYSIS OF THE ENERGY TRADE RELATIONSHIP OF THE EUROPEAN UNION AND THE RUSSIAN FEDERATION: PARTIAL REGIME FORMATION

4.1. Introduction

Chapter 4 will discuss the main (first) hypothesis of this dissertation: the EU-RF energy trade relationship is a case of partial regime formation. This chapter will first examine the Energy Charter Treaty (ECT), the EU-RF Partnership and Cooperation Treaty (PCA) and the Energy Dialogue as the legal grounds of EU-RF energy trade relationship. Second part of the chapter will undertake an analytical discussion of this relationship. Firstly, EU-RF energy trade relationship will be analyzed as a form of interdependence. Secondly, the analysis will be taken further for the examination of this relationship from the international regime theory perspective. Basic conclusion of the chapter, and this dissertation in general, will be the categorization of the EU-RF energy trade relationship as a partial regime based on interdependence.

4.2. Legal Framework of the EU-RF Energy Trade Relationship

4.2.1. Energy Charter Treaty

The ECT is an international agreement which was signed in 1994 in Lisbon and entered into force in 1998 with the aim of integrating the energy markets of the ex-Soviet and Eastern European countries with the international energy markets in the post-Cold War era. The ECT is inspired by the liberal assumption that liberalization of energy trade and accompanying fiels (e.g. technology transfer) is beneficial for national welfare growth. The ECT was based on the Energy Charter document signed in 1991 in the Hague. The ECT is a more developed version of the Energy Charter and has replaced it. From the legal point of view, the legally binding ECT has a higher status than the legally non-binding Energy Charter. The ECT has 51 member states. With a few exceptions all ECT signatories are EU members and/or ex-communist/Soviet countries (Energy Charter Secretariat 2004).

The ECT has some accompanying protocols on energy related issues like environmental protection and energy efficiency. The long negotiated Transit Protocol was finalized in 2007 to enlarge the coverage of the ECT on transit issues. There are still (as of 2011) ongoing committee works to modernise the ECT. The ECT covers five broad areas: invesment, trade, transit, dispute settlement and promotion of energy efficiency and

environmental protection. All ECT signatoritories are required to faciliatate energy trade in the ECT in a non-discriminatory basis in line with the general provisions of the GATT/WTO system. However, the ECT does not impose any national liberalization and privatization schemes per se (Energy Charter Secretariat 2004).

Considering that the US is not a signatory to the ECT, the ECT has been mainly an EU-led European initiative. Despite its initial attendance in the ECT's negotiations the US has stepped away from signing the treaty. This was largely perceived as a surprise. The US has taken this decision mainly based on its vague criticisms considering the language of the ECT. According to the US, some terms were not sufficiently described in the text of the ECT and the ECT was prepared too swiftly (Fox 1996). Basically, the US opted for maintaining its bilateral energy trade relations in the ECT area. Apparently, the ECT was not found sufficient by the American investors. Nevertheless, lack of the US support did not hinder the whole process and the ECT was accepted. Yet, non-ratification of the ECT by the RF was to become another loss for the ECT process.

Russian interest in the Energy Charter process began in June 1990 when Rudd Lubbers, then Prime Minister of the Netherlands, proposed the whole Energy Charter concept ("Lubbers Plan"). As the USSR was still existent at that time, Russian participation began as a Soviet policy under Gorbachov's perestroika and glasnost mentality. However, the process was

later resumed by the RF after the USSR's collapse. Major motivation of the Russian side was to guarantee long term energy sales to the Western countries as these exports were very important income sources for the RF's budget. Industrial cooperation and technology transfer were other expected benefits (Konoplyanik and Halem 1996).

In addition to being first and only of its kind, the ECT was an important gateway for the RF to take a new place in Europe and international energy markets. The RF was treated as a key partner in the negotiation process of the ECT. So, the RF was quite enthusiastic in the initial stages of the process. First frictions emerged when the EU showed eagerness to sign the ECT as soon as possible without paying much attention to the special conditions of the RF as a transition country. The RF was demanding a softer treatment and acknowledgement of the state's role in the RF's economy to manage its post-Soviet transition. The EU later accepted to make some references to the transitional status of the RF in the ECT (Konoplyanik and Halem 1996). The RF signed the ECT but did not ratify it. The Transit Protocol issue further complicated the situation afterwards. Reluctance of the RF was not about the principles of the ECT, but specific provisions of the Transit Protocol. The RF was adhered to the principles of the ECT (Vremya Novostei 2 December 2008). This is why the RF implemented the RF on a interim basis until 2009.

Transit Protocol has been a thorny issue for the whole ECT process. Its negotiations began in 1999 and the basic text was completed in 2000. As a technical document it brings some specific provisions regarding foreign access to national energy systems. In addition to its worries about being a Post-Soviet transition country mainly in the Yeltsin era, protectionist tendencies of the Putin era consolidated the RF's reluctance for a full opening of its national energy market and infrastructure to foreign investors. Reluctance of the RF to accept the Transit Protocol has been a problem in the EU-RF relations. Indeed, the ECT itself was signed but not ratified by the RF. However, the ECT was still provisionally applied by the RF until June 2009. Indeed, provisional application was mandatory (Article 45(1) of the ECT) for all signatories regardless of the ratification process. Once a state signed the ECT, it had to begin its implementation without waiting its ratification. In June 2009, the RF stated that it ended its provisional application (this decision became legally effective in October 2009), but still remained as an ordinary signatory state regardless of the ratification-implementation issue. In other words, the RF continued to be a signatory participant of the ECT framework (Konoplyanik 2009). The decision of the RF to end the provisional implementation was a result of the RF's criticism against the ECT Secretariat as an institutional body for failing to play an active role in the 1-18 January 2009 RF-Ukraine gas crisis. The crisis was ended with the signing of a new contract between the RF and Ukraine (Konoplyanik 2010: 58).

The ECT is still legally binding for the RF until 2029. This interpretation of the ECT was accepted by an ad hoc tribunal sitting at the Permanent Court of Arbitration in the Hague in November 2009 despite the objections of the RF. In other words, the tribunal sentenced to the RF to sustain the provisional implementation as it still remained as signatory state regardless of the ratification step. Briefly speaking, this decision paved the way for Khodorkovsky to recover some assets of Yukos but further details were yet to be clarified. Indeed, the decision was a result of the application of some shareholders of Yukos to the court. The tribunal was discussing the case since 2005 (Mullick et al. 2009; Saunders et al. 16 December 2009; Skadden, Arps, Slate, Meagher and Flom 5 February 2010). This very case of the ECT and arbitration tribunal issues also showed how internal/domestic (i.e. Yukos case) and external/foreign (i.e. RF-Ukraine dispute) dimensions of the RF could become interwined. Theoretical implications of the ECT for the EU-RF partial energy trade regime will be further elaborated in the following sections of this chapter.

4.2.2. EU-RF Partnership and Cooperation Agreement

Before the signing of the Partnership and Cooperation Agreement (PCA) in 1994, the EU-RF energy relationship was maintained as a regular trade activity without any kind of official references except the ECT which had its own official path initially. The PCA was designed as a comprehensive, multi-issue legal cooperation framework between the EU

and the RF and also gave an official reference point to the mutual energy relationship without exclusive binding articles or similar normative acts. The agreement codified all bilateral relations between the two initially for a 10 year period after its entry into force in 1997. The delay between 1994-1997 was due to the some EU (or more precisely EP) level criticisms about the RF's brutal war in Chechnya and related human rights abuses (Krok-Paszkowska, and Zielonka 2005: 158-159; Hughes 2007: 131-133). However, these ethical criticisms were later put aside as the RF showed some real military success in ending Chechnya's independence and the EU-RF relationship moved forward in a more business minded manner without any wider ethical concerns about other issues like human rights.

The PCA provided a core legal basis for the EU-RF political dialogue regarding many issue areas including energy trade and security. Energy was depicted in the PCA as an area of specific cooperation under the broad section titled bilateral cooperation. The PCA's market economy guidelines are connected with the ECT since energy is emphasized as a facilitating tool of sustaining European markets. Institutional, fiscal and other reforms in the energy sector are expected to consolidate energy as a component of the trade and investment considerations in addition to the security of supply, another area of mutual cooperation between the EU and the RF. Despite the rather open-ended targets of the PCA regarding trade and investment issues, political topics are only mentioned with regard to regular mutual dialogue and the undertaking of basic political reforms especially in the RF.

Thus, the PCA has a limited coverage in which mtual EU-RF cooperation issues are dealt with a pragmatic manner apart from the wider considerations of common values and more binding commitment. It is even claimed to be a failure for these reasons (Abellan 2004: 232; Lynch 2005: 18-19; Hadfield 2008: 234).

4.2.3. The EU-RF Energy Dialogue

The The sixth annual EU-RF Summit on 30 October 2000 launched the EU-RF Energy Dialogue as a thematic framework of deepened cooperation to complement the broader economic and political framework of the PCA. François Lamoreux, Director General of Directorate General Energy and Transport of the European Commission, and Viktor Khristenko, RF Vice-Prime Minister, were appointed as the representatives of the sides to oversee the development of the Energy Dialogue. The Energy Dialogue's more specific objective was to facilitate the bilateral relations to come over the stalemate caused by the RF's long non-ratification of the ECT (Westphal 2008: 98; Milov 2008:16). It was equally important that the Energy Dialogue was officially declared to be based on not necessarily "common values" but "common interests" from the very beginning. Main tool of the Energy Dialogue to develop the mutual energy partnership was defined as the improvement of the investment environment especially in the RF and the promotion of partnerships between the EU and the RF energy companies. Sources of the TACIS (Technical Aid to the Commonwealth of Independent

States) programme would be also used to improve the physical energy infrastructures to sustain and enhance the RF's position as a key and reliable energy exporter to the EU with desirable commercial conditions (McCann 2005; Shevtsova 2010: 25, 69).

Above mentioned objectives of security of energy supply, commercial favourability are accompanied by the demands for the introduction of an official natural monopolies reform programme in the RF and the wider opening of the RF's domestic energy sector to more domestic and foreign competition and investment. The need for partnership regarding the issues of climate change and nuclear safety are also mentioned in the coverage of the Energy Dialogue. Considering the general structure of the Energy Dialogue, stated policy objectives are much less geopolitically agressive and technical as would be desired by the EU. Even tough the RF has not given up its grand geopolitical intentions to openly connect foreign policy and energy policy steps it seems to have accepted a relatively softer tone to reach a common ground with the EU to design the Energy Dialogue framework. However, the EU would soon begin openly talking about the interconnectedness of the CFSP and the EU's energy policy beginning from 2003.

Annual joint progress report since the launch of the Energy Dialogue have made an assessment of the process and introduced the energy policy challenges as declared by the EU and the RF. First joint report was released

with an optimistic style. The report had praised the shared vision of the parties and the establsihment of a mutual strategic energy partnership framework was recommended as a grand policy target which could foster a fuller political partnership in the general EU-RF relations with a special emphasis on the energy trade and security (Khristenko and Lamoureux 2001). Given the target of energy security with wider economic and political partnership matters, the report listed a number of “common interest” issues covering the promoting the security of energy supply, physical infrastructure and networks, grid interoperability, enhanced technological partnership, awareness about climate change and respect for reciprocity and interdependence. Following joint reports have more or less reflected this optimistic style but there appeared to be some incompatibilities between the EU and the RF highlighted even these reports. Firstly, perceptions of the EU and the RF about the ways of ensururing stable energy markets were not necessarily identical on the contrary of what is stated in the reports. In the simplest sense, there is natural gap between the supply side oriented drive of the RF’s of energy policies and the demand side necessities of the EU. Normally demand and supply needs would naturally complement each other in a simple trade relationship but when it comes to building a comprehensive policy partnership strucutre like the Energy Dialogue a certain level of gaps would inevitably persist in the way (See the reports by Khristenko and Lamoureux 2002a-2005 and Khristenko and Piebalgs 2006a-2008).

The EU's desire for a broder, more interdependent and market-oriented partnership has contradicted with the RF's more specific, reciprocal and state-centric approach even though the sides could at least managed the Energy Dialogue. Even tough these contradictions did not collapse the overall Energy Dialogue process they have caused a certain level staglamate. Under these circumstances, cooperation issues of the EU have obtained varying levels of success since 2001. Legal transparency and investment friendly reform expectations in the RF's energy market has perhaps been the least successful agenda item in the EU since then. The EU-Russia Technology Center opened in Moscow in 2002 has been a symbolic success for matters of prestige of the overall process. The Energy Dialogue has also achieved some progress for the convergence of the technical knowledge of the sides in the sub-level expert meetings which were not politically binding in themselves. One of the permanent consensus examples of the Energy Dialogue has been the emhasis put on the concept of security of supply in all progress reports.

Interestingly, recent progress reports have ommitted the hardest issues like the legal reform in the RF energy market and, more importantly, the RF's long expected ratification of the ECT and the Transit Protocol (Khristenko and Piebalgs 2006a). The evolution of the coverage of the annual joint assessment reports is a specifically important indicator of the "partial" characteristics of the energy trade regime between the EU and the RF arising mainly from the non-ratification problem of the ECT. Another

closely related problematic area has been the pending issue of the compatibility of the RF's long term gas contracts with the EU's internal market regulations. The RF's accession to the WTO has been another pending issue which has complicated all of the mentioned above since the WTO accession would, for example, directly influence the pricing and subsidizing policies of the RF governments for the domestic market and the neighbouring energy importers (especially ex-Soviet countries which have their own energy trade and political relations relations with the RF) from the RF. Last but not least, strategic pipeline projects were barely mentioned in the latest report (as of 2008 considering the time scope of this dissertation) and that issue was left to the bilateral or multilateral deals among the EU, the RF and third transit parties like Turkey (Ediger and Bağdadi 2010: 231-232) outside the regular coverage of the Energy Dialogue apart from any pre-determined institutionalized format. Nevertheless, the Energy Dialogue has been accepted a major and legitimate component of the regular EU-RF relations. Additionally, the discourse of the same EU policy assessment documents have gradually come to admit that the EU has the right to blend the foreign policy issues with the energy policy issues especially in the EU's affairs with the energy exporting countries.

Besides these internal factors regarding the energy sector itself, the Energy Dialogue has been influenced by other factor and developments such as the EU enlargement, introduction of the European Neighbourhood Policy (ENP) and the so-called pro-Western Orange Revolution in Ukraine in

November 2004, launch of the EU-RF “Common Spaces Initiative” in 2003 and the gas supply row between the RF and Ukraine (see Chapter 3 for the details). The Common Spaces initiative included a Common Economic Space, a Common Space of Freedom, Security and Justice, a Common Space of Cooperation in the Field of External Security and a Common Space on Research, Education and Culture. The framework was designed as a component of the EU-RF Strategic Partnership to promote mutual cooperation within the PCA framework. However, despite the original coverage of the PCA referring to the value oriented EU governance model recommended to the RF was replaced with a less ambitious one tailored to the state centric governance of the EU in the EU-RF Summit in the Hague in 2004. Right at this point, researchers like Hadfield argue that the Energy Dialogue and, especially, its energy security objective have become a practically dead initiative after the introduction of the Common Spaces initiative in addition to the already negative impacts of the bilateral deals between the RF and the individual EU member countries and the total exemption of the RF energy sector in the WTO accession talks. Additionally, energy pipelines were hardly mentioned in depth in the joint annual progress report perhaps to the inevitable fact that pipeline projects were handled not at the top EU level but through bilateral deals between the specific EU member actors and the RF (Hadfield 2008: 239).

Of all the negative factors mentioned above, the gas row between Ukraine and the RF can be noted as the one which had the most direct

impact on the EU's mentality regarding the security of energy supply. The dispute between the RF and Ukraine emerged on 1 January 2006 due to the long debated pricing problems between these countries. Gazprom reduced its gas supply to Ukraine in a way which also affected not only Ukraine but also Hungary, Slovakia, Austria, Romania, Poland, France and Italy with gas supply reductions at varying extents. The RF's attitude towards Ukraine was perceived in Europe as a highly punitive one and a direct example of the RF's use of gas supply deliveries as a external policy tool to a country like Ukraine which did not really have good relations with the RF. The event was also mistakingly seen by many as a totally new phenomenon. On the contrary, there were perfectly similar cases in the post-Soviet period which included the RF's energy supply cuts and pressure on the Baltic countries due to a mix of economic and political clashes between the sides. So, the RF's punitive strategy towards Ukraine was not a new phenomenon but a new example of an older tactic in the RF's external energy policy. Another common misperception is that the EU had such an energy supply cut shock for the first in its history. Again this is not really the case. The EU had the legacy of suffering from the 1970s oil crisis caused not by the RF (or more accurately the USSR) but Middle Eastern producers. These historical cases appear as somewhat forgotten or ommitted data in the EU's strategic thinking.

Soon after the crisis, EU Energy Commissioner said that Europe needed a more clearer, collective and cohesive policy regarding security of

of energy supply and that issue should not handled at the member actors level as is now the case but at the EU level with a comprehensive EU-wide stance about the matter (Piebalgs 4 January 2006). The EU Commission President Barroso stated that the EU had to develop a more integrated energy policy stance with regard to the external factors. He added that given the EU's high dependence on imported energy supplies it was not possible to make a full divison between the external and internal dimensions of energy policy (see Chapter 2) and made an indirect call for the employment of the EU's foreign policy tools at the service of the EU energy policy and security of supply (Barroso 2006). The March 2006 European Council stated that:

> *The European Council underlines that, to achieve this consistency both in internal and external* EU *policies,* energy *policy has to satisfy the demands of many policy areas. As part of a growth strategy and through open and competitive markets, it prompts investment, technological development, domestic and foreign trade. It is strongly linked with environment policy and is closely connected with employment, regional policy and particularly transport policy. In addition foreign and development policy aspects are gaining increasing importance to promote the energy policy objectives with other countries. Therefore, the European Council calls for an enhanced coordination between the relevant Council formations and invites the European Commission to take into account the better*

*regulation principles when preparing further actions (*Council of the European Union 2006a: 13).

The Council also made a direct statement on the ECT by calling the Commission to take the measure of *"[m]aking the EU-Russia dialogue more effective including as regards the ratification of the Energy Charter and the conclusion of the Transit Protocol during Russia's G8 presidency."* (Council of the European Union 2006a: 17) and presented an indicative list of actions regarding the internal and external dimensions of the EU energy policy. With regard to the RF, the Council remarked that :

The Energy *Dialogue with Russia should be revitalised and become more open and effective in support of* EU *energy objectives, based on our mutual* interdependence *on energy issues and thus the need for secure and predictable investment conditions for both* EU *and Russian companies and reciprocity in terms of access to markets and infrastructure as well as non-discriminatory third party access to pipelines in Russia, ensuring a level playing field in terms of safety, including nuclear safety, and environmental protection. Decisive efforts should be made to complete the negotiation of the* Energy *Charter Transit Protocol and secure Russia's ratification of the Energy Charter Treaty (*Council of the European Union 2006a: 31).

While acknowledging the obvious negative impact of the bilateral energy trade deals of the several EU member actors with the RF and the WTO accession issue on the Energy Dialogue process, it needs to be stated that the situation was not still that dramatic for the Energy Dialogue. It is true that the Energy Dialogue has suffered from a number of problems as explained above but it is still possible to say that the Energy Dialogue has still managed to contribute to the progress of the EU-RF energy relations in its limited way, perhaps much below its potential. However, even if the Energy Dialogue is to be criticized, this has to be done with reference to the gap of the ECT and its Transit Protocol ratification problem. It is true that the Energy Dialogue was very far away from solving the ECT dilemma but it still served as a transitionary bridge in the EU-RF relations. The Energy Dialogue was still alive as of 2008. Energy Dialogue may have deserved to cease away not because of the impact of the Common Spaces Initiative whose success was hardly more visable than the Energy Dialogue or the RF's WTO process but due to the expected arrival of a comprehensive EU-RF treaty that would regulate the mutual affairs including the energy sector. But, such a treaty was not available (as of 2011).

4.3. A Theoretical Assessment of the EU-RF Energy Trade Relationship

4.3.1. The EU-RF Energy Trade Relationship as an Example of Interdependence

The EU imports a huge portion of energy supplies from the RF and, hence, the EU market is very important for the RF's energy exports. Whereas the RF's energy exports contributes to the competitiveness of the EU's economy, the EU pays hard currency to the RF in return. This mutual trade enables the weaker RF economy to maintain its path. For example, the RF has provided about 50 percent of the EU's gas imports in 2005 (Piebalgs 31 October 2006). Again in 2005, the EU consumed 645 million tons of oil. 184 million tons (24 percent) of that amount was supplied by the RF. 547 million tons of the EU's total oil consumption was imported from the non-EU countries and the RF had a key place in this category. As shown by these figures the RF has been the most significant oil and natural gas supplier for the EU. The trend has not changed since then. The dependence of the EU on the RF's energy exports is more visible in East Europe. They are almost totally dependent on the RF's oil and natural gas supply. Older EU member states like France, Italy, UK, Austria, Greece, Germany are also being gradually more dependent on the RF's gas exports. The EU's energy import dependence on the non-EU countries is predicted to grow steadily in the coming decades. The EU already imports about 80 percent of its oil consumption and 60 percent of its natural gas demand. These figures are

expected to be 94 percent for oil and 81 percent for natural gas by 2030 (European Commission 2006c). Undoubtfully, the RF will continue to have an important place in this future energy import profile of the EU.

Of course, the Middle East is the world's leading oil and natural gas supplier for many countries including the EU member states. However, the RF has been gaining more importance for the EU not because it can replace the Middle East but it can safely balance that dependence on the Middle East to a significant extent. Despite its own geopolitical challenges, the RF is considered to be more stable and secure than many Middle Eastern energy exporters. A second factor underlining the RF's importance is the declining energy self-sufficiency levels in the EU countries. Given this background, the EU-RF energy trade has been continuously rising since the 1990s. Even tough general EU-RF relations refer to some values like democracy and Europeanness, the EU-RF energy trade relationship is clearly an interest-based one. (Zaslavskaia 2011: 284)

In a speech, former German Chancellor Gerhard Schoeder has summarized the EU-RF relationship as follows: *"We need energy, Russia needs money, we have money, Russia has energy: it is clear that our interests are coming closer together" (*Rulska 2006: 14). Indeed, any kind of energy exports is a gain for the RF's not so advanced economy except the heavy reliance on energy exports. Needless to say, energy trade has been also considered as a part of RF's geopolitical power by the country's elites.

Energy sector makes up about 25 percent of the RF's total GDP and about 30 percent of its industrial output. More importantly, energy sector provides about 50 percent of the country's annual budget. Again about 50 percent of the RF's total exports are composed of energy exports. Thanks to the last years' high international energy prices, the RF's GDP has managed to show some real growth around 6 percent annually in the 2000s (Perovic 2009: 6).

Even tough the EU-RF energy trade relationship is an interdependent one based on mutual interests, the relationship is also fostered by some mutual Western values to some, if not full, extent. The general political and cultural affinity between the EU and the RF is largely outside the scope of this dissertation but it may be noted that the EU-RF energy relationship can contribute the socio-political convergence between the EU and the RF or vice versa. It would be more analytically helpful to assess the dynamics of the EU-RF energy relationship as a kind of interdependence based on mutual interests foremost not on mutual values or anything else.

As a more novel phenomenon, the RF has also taken actions to increase its presence in the EU market through direct trade and investments. The Eastern European countries feel that sensibility most as they are near totally dependent on the RF's energy exports and these countries call the EU leaders to become more resistant towards the RF's economic expansion mainly through Gazprom (again see Chapter 3). Interestingly, the RF factor

is no longer the case for Eastern Europe only. A take-over initiative of Gazprom to buy 10 percent of Centrica in mid-2007, the UK's leading gas distributor company, was literally prevented by the protectionist maneouvre of the British authorities (Gower and Timmins 2009: 295; Davis 2009: 193). Even though that was an obvious case of anti-foreign protectionism and a direct contradiction for the EU's long standing free trade rhetoric, the real importance of the case was to show that the RF has been slowly turning into a proactive business partner abroad from its traditional position of a mere energy exporter. Indeed, the RF has never been a passive player regarding energy investments in its own land as especially examplified by Putin's resistance against the scope of the Western investments in the RF's Siberia and Far East regions (see Chapter 3).

So, there are some uneasy elements and cases of the EU-RF interdependence caused by the sensitivities of the parties. Even tough a radical breakdown or a dramatic shift in their mutual energy trade is unlikely, such a possibility may push the sides to seek more aggressive policy options to deal with each other in a more hostile manner in the form of an energy war combined with some geopolitical problems. Such an extreme scenario is unlikely at least in the next decade or so, as the EU and the RF keep their frictions manageable in a more or less business minded manner to sustain their mutually beneficial energy trade relationship which is the biggest and most important cooperative element in its own right in the EU-RF energy trade relationship. They have developed a series of official dialogue and

problem solving frameworks, e.g. Energy Dialogue, to date. Despite crisis cases like the 2006 RF-Ukraine gas row, the EU and the RF have not engaged in a truly bilateral crisis to date and, this is also another very important indicator showing that the cooperative elements of their independence are more influential than the conflictual ones. In the next section, the EU-RF energy trade relationship will be analyzed from a higher level than interdependence, that is, an international regime perspective. That section also aims to present the original contribution of this dissertation to the relevant academic literature as the EU-RF energy trade relationship has not been fully assessed as an international regime case.

4.3.2. The EU-RF Energy Trade Relationship: From Interdependence Towards (Partial) International Regime Formation

A regime may emerge as a response to a growing and dense interdependence in an issue area. In other words, significant advance of an interdependent relationship demands a regime framework as the next step. Existence of hegemon is not necessary for the formation and maintenance of such a regime. Interested parties see regime framework as a means of enhancing their cooperation abilities for mutual benefits (Keohane 1984: 79-80, 135).

The relationship between the EU and the RF is not a monopolar one. Both sides have plenty of room to make bargaining with each other even tough they are still mutually interdependent. This interdependence is a well-

established and a growing one. Advanced density and growth of the EU-RF energy trade interdependence is indicated by the huge trade figures and the existence of the ECT and the PCA frameworks. There are different level institutionalised decision-making and meeting mechanisms between the EU and the RF (e.g. high level summits, expert committees). The ECT is the earliest pillar of the EU-RF energy trade regime framework. The PCA comes next. Despite its supportive references to the ECT, the PCA is not necessarily secondary to the ECT. The PCA has met no disputes or ratification problems in the mutual relations.

As the third and newest pillar of the regime framework, the Energy Dialogue appears as a continuation of the legacy of the ECT and the PCA. Just like the other two, the Energy Dialogue has its own autonoumous identity. To some extent, the Energy Dialogue aims to fulfill the non-ratification problem of the ECT but this is not its main reason of existence any more. The Energy Dialogue seems to have proved that it has its own merits to consolidate the EU-RF energy relationship in more institutionalized manner. For example, most expertise documents on the EU-RF relationship are produced by the Energy Dialogue process and it hosts regular ministerial level meetings. The inputs of the Energy Dialogue provide the basis of energy related agenda of the EU-RF Presidential Summits hold twice every year. The Energy Dialogue is the highest institutional framework for energy policy coordination among the EU and the RF. Energy Dialogue has been

regulary praised as the contemporary institutional stage of the EU-RF energy trade relations in all EU-RF summits.

The EU-RF energy trade relationship has certainly reached a high level of formality as represented by the official documents and high level meetings attached to it. However, this relationship can be only described as as a partial international regime. Main reason of my argument is that the EU-RF energy trade relationship does not have ratified treaty basis. The non-ratification of the ECT and its Transit Protocol by the RF is an indicator of this partiality situation. Here, partiality does not mean that the ECT-PCA-Energy Dialogue framework lacks some very fundamental features (i.e. regime components) that would make the partial regime argument invalid. Indeed, the PCA and the Energy Dialogue provide a regular platform for coordinated decision making between the EU and the RF. Additionally, the RF had already implemented the ECT until 2009 on a volunatary basis despite its non-ratification in the Duma.

Furthermore, a fuller regime framework is to emerge within a year. Ongoing EU-RF negotiations which began in 2008 for a comprehensive treaty basis that would both cover and upgrade the legacy of the ECT, PCA and the Energy Dialogue will be concluded in later 2011 or early 2012. (Rianovosti 23 December 2010) Additionally, mutual energy trade interdependence is continously growing. Whereas the EU becomes more dependent on the RF's energy exports, the RF realizes that the EU is still its

best customer despite the growing demand of Asian countries like China. Conditions regarding physical energy export infrastructure reveals the it is much more easy for the RF to rely on the EU as its most important market rather than the Asian countries which seriously lack physical infrastructure (e.g. pipelines) to export large volumes of energy (e.g.) from the RF on a profitable basis. This pro-regime tendency indicators is backed by some theoretical insights. International regimes *"may evolve from proposed formal arrangements that were never implemented"* (Keohane and Nye 1989: 19-20). Considering that the RF had implemented the ECT's provisions for a temporary period, it can be pointed that the EU-RF had enjoyed a certain experience of practicing the ECT. Additionally, there had been no problems about the ratification and the implementation of the PCA and the Energy Dialogue which consitute the other pillars of the EU-RF energy regime. This legacy of the EU-RF energy trade relationship enables us to intepret it from the regime theory perspective. So, there is enough solid ground for talking about a (partial) energy trade regime between the EU and the RF which is very likely to reach a more institutionalized ground in the coming years.

International regimes change when the expectations and gains of their participants differ and diverge enough to trigger change. If that divergence is too big the regime can collapse (Keohane and Nye 1989: 22). Even tough this dissertation is primarily about the formative elements of the EU-RF energy trade regime, I can comment that the EU-RF energy regime has been only slowly and minimally changing. This is quite normal

considering the partial nature of the regime. In other words, some aspects of the regime are still being constructed through ongoing/incomplete negotiations. The most important factor that can bring a significant change to this regime can be the signing of a new partnership treaty by the EU and the RF and/or, most importantly, ratification of the ECT and its Transit Protocol by the RF. Nevertheless, this issue may witness the introduction of an updated version of the ECT or a new treaty at all. Keeping in mind that the PCA and the Energy Dialogue have their own merits in the EU-RF energy trade relationship, a fuller regime may emerge through a kind of combinations of the ECT, PCA and the Energy Dialogue.

Considering the formation-continuity-change aspects of the EU-RF energy regime, I would like to point to a complementary perspective. There are some noteworthy analyses that look at the EU-RF energy regime from a slightly different perspective. They claim that the EC-USSR energy relations were an example of an international regime which collapsed by the end of the Cold War and a new regime did not take place since then. (Interview with Belyi, Moscow, 5 December 2008). Belyi's argument is a valuable and somewhat complex analysis for the interpretation of the EU-RF energy relationship. It also enjoys a certain descriptive power.

However, I disagree with Belyi's view on the the following grounds. Firstly, the EC-USSR energy trade relationship was far more "underdeveloped" compared to the current EU-RF regime. There was a

relatively stable and reliable flow of energy trade between the two sides despite the Cold War conditions. This is a remarkable point. Such a feature can be at best defined as a form of partial interdependence. I find it difficult to define the EC-USSR as a regime. Current EU-RF energy regime came into existence in the post-Cold War period after the collapse of the USSR and the emergence of the EU. It is correct that the RF is a direct heir to the USSR in many ways, so is the EU to the EC. But, the EU-RF energy regime is a relatively new phenomenon despite the energy trade legacy of the EC and the USSR. Most important marker of that novelty is the inclusion of several normative and top level official aspects into the energy trade in a more or less regular manner. The introduction of the PCA or the negotiations of the ECT are examples among others like the Energy Dialogue. So, given these main characteristics of the EU-RF energy regime, I disagree with the view that the EC-USSR energy trade was an example of an international regime which was not still replaced by any kind of similar regime.

Having discussed the general merits of the EU-RF partial energy trade regime, a more detailed theoretical elaboration can be provided regarding the regime components. As noted before, structure of a typical regime is composed of principles, norms, rules and decision-making procedures in a hierarchical order (Krasner 1983: 2). These components are often derived from a set of legal and/or documents on which a regime can be built. However, a regime may sometimes have unwritten and informal sources (Keohane and Nye 1989: 163). In the case of the EU-RF energy

trade regime, we may derive the regime components (principles, norms, rules, decision-making procedures) from the ECT (dated 1994; Energy Charter Secretariat 2004), the PCA (dated 1997; European Commission 1997c) and the Energy Dialogue (since 2001; e.g. Khristenko and Piebalgs 2008).

Principles:

Principles are the most comprehensive definitions of the objectives and coverage of an regime. They can be generally derived from the preambles of relevant legal and/or political documents. Principles describe the "identity and reason of existence" of a regime (Kibaroğlu 2002: 235). Regarding the EU-RF energy trade regime, I derive a number of principles from the ECT.

Principle 1: In order to catalyse economic growth, the ECT aims to broaden international cooperation to liberalize energy related investment, trade and transit regulations on a binding international legal basis.

Principle 2: The ECT framework is in line with the General Agreement on Tariffs and Trade (GATT) and non-GATT member signatories of the ECT are encouraged to implement pro-GATT interim trade agreements and, eventually, to join the GATT.

Principle 1 and Principle 2 can be elaborated together. They are both derived from the Preamble of the ECT and basically about the trade and transit issues with direct references to the GATT/WTO framework. The PCA and the Energy Dialogue expertise documents have similar statements. The Trade Amendment to the ECT was introduced in April 1998 to bring the converge the treaty and the WTO's main principles. The WTO system is based on non-discrimination, transparency and liberalization of international trade. Freedom of transit is a key issue in international energy trade as energy resources are often transported across multiple transit countries to reach the consumer countries. In order to enhance the coverage of the ECT regarding transit issues, the signatory states have begun the negotiation process of a Transit Protocol in 2000 (Energy Charter Secretariat 2004: 15).

Even a large consensus was achieved on the bulk of the Transit Protocol in 2002, some of its technical provisions regarding third party access to national energy infrastructure systems, long term transit arrangements and transit operational risks were found problematic by the RF. This disagreement was complicated by the then ongoing EU-RF negotiations on the RF's accession to the WTO. The RF was conducting these WTO related negotiations with all WTO members a part of the formal procedure to join the WTO. After the failure of the 2003 ECT Conference, Transit Protocols were temporarily suspended. The negotiations resumed in 2004 after the EU and the RF reached an agreement on the EU's accession to the WTO. However, the RF has refrained from further steps. But it has to

be underlined again that the RF still opted for implementing the ECT on a interim basis until 2009.

A detailed discussion of the GATT/WTO framework is beyond the scope of this disseration. However, it may be noted that the Preamble of the PCA, too, states it commitment to the principles of the GATT and, hence, the WTO in general. Article 4 states that provisions of the PCA may be amended accordingly if the RF joins the GATT/WTO in the future (As of early 2011, the RF was still continuing its efforts to join the WTO). A number of articles also regulate the GATT/WTO related issues. For example, Article 10 states that the parties grant each other the general most-favoured-nation treatment as described by the GATT (European Commission 1997c). Briefly speaking, the most-favoured-nation principle is a fundamental requirement of the WTO system. It basically requires all the participant countries to grant equal trade advantages to each other. The ECT also has several references to the most-favoured-nation clause in a similar manner (Energy Charter Secretariat 2004). Nevertheless, the PCA did not provide a specific solution to the non-ratification of the ECT and its Transit Protocol by the RF apart from its acknowledgment of the ECT's importance in the EU-RF energy trade relations in its Preamble.

Principle 3: The ECT framework is also in line with the United Nations Framework Convention on Climate Change, the Convention on Long-Range

Transboundary Air Pollution and its protocols, and other international environmental agreements with energy-related aspects.

Principle 3 is derived from the ECT's Preamble and The Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) which is dated 1994. Environmental issues are complementary agenda items in the ECT. The PEEREA requires the signatories to integrate energy efficiency and environmental protection measures in their energy policy actions. More particularly, the PEEREA aims to upgrade the environmental protection standards of the ex-communist transition economies to the level of the OECD states. Taxation, pricing and subsidies are seen as the primary tools to transform the national economies towards more environmental protection and energy efficiency. As a whole, all participants are expected to obey the UN-level regulations (Energy Charter Secretariat 2004: 16).

Norms:

Norms point out the mandatory actions for the participants of a regime. They are generally expressed in the initial articles of legal and/or political texts. Compared to the principles, norms are relatively specific instructions but their wording and content can be still in a general manner (Kibaroğlu 2002: 241).

Norm 1: All signatories of the ECT should promote access to international energy markets on commercial terms and develop an open and competitive national energy market.

Norm 2: All actions under the ECT should be in line with the GATT.

Norm 3: All ECT signatories should eliminate market distortions, barriers and anti-competitive behaviours in their national energy markets.

Norm 4: All ECT signatories should facilitate the transit of energy materials and products, transfer of technology, access to capital on a commercial and non-discriminatory basis.

Norm 5: The EU and the RF should cooperate on energy trade matters within the principles of the market economy and the ECT towards the integration of energy markets in Europe.

Norms 1-4 are closely related regulations. They are derived from the Articles 3-9 of the ECT. Norms 1-4 are directly in line with the GATT/WTO norms and require the signatories to take a number specific measures to liberalize their national energy markets and, hence, contribute to the liberalization of the international energy trade. Elimination of anti-competitive rules and actions is the core of these norms. Norm 5 is derived from the

Article 65 of the PCA and has a directly bilateral nature. Article 65 of the PCA is as follows:

"Article 65 Energy 1. Cooperation shall take place within the principles of the market economy and the European Energy Charter, against a background of the progressive integration of the energy markets in Europe. 2. The cooperation shall include among others the followings areas: improvement of the quality and security of energy supply, in an economic and environmentally sound manner, formulation of energy policy, improvement in management and regulation of the energy sector in line with a market economy, the introduction of a range of institutional, legal, fiscal and other conditions necessary to encourage increased energy trade and investment, promotion of energy saving and energy efficiency, modernization of energy infrastructure including interconnection of gas supply and electricity networks, the environmental impact of energy production, supply and consumption, in order to prevent or minimize the environmental damage resulting from these activities, improvement of energy technologies in supply and end use across the range of energy types, management and technical training in the energy sector."

Broad reference of Norm 5 to the market economy is reminiscent of the above mentioned GATT/WTO regulations. Real importance of Norm 5 is based on its call for the integration of national energy markets in Europe. This is a sign of the mutual desire for the inclusion of the RF in the European

(practically, the EU) energy system. Relatively detailed coverage of Article 65 indicates that the EU-RF energy trade cooperation is not only limited to the security of supply issues but other areas like legal setting or environmental protection. Comprehensive coverage of the Article 65 is clearly similar to the EU's own energy policy regulations which aim to be multi-dimensional as much as possible.

Rules:

Rules are the most specific components of international regimes. Rules define the undertakers, process and, also, measurable and verifiable results of any action to be realized in a given regime. Rules give principles and norms an operational basis and provide a solid background for the decision-making procedures (Kibaroğlu 2002: 249). Rules of the ECT cover areas of commerce, investment promotion and protection, miscellaneous provisions, dispute settlement, transitional provisions and structure and institutions. Commerce related rules deal with international markets, GATT, competition, transit, technology and access to capital issues. Investment rules mainly cover areas of investment protection and compensation. Sovereignty over energy resources, environmental aspects, taxation are placed within the transitional provisions. Other rules regulates issues of dispute settlement, transitional agreements and the institutional structure (e.g. secretariat). Such rules are detailed and numerous. Rules regarding

dispute settlement (a leading topic of the ECT) can be examined as good examples. These rules are derived from Article 26, 27 and 28.

Rule 1: If not solved amicably, disputes between the investors and the signatory states of the ECT's signatories can be settled within a period of three months according to the ruling of a relevant national court. Depending on the circumstances international arbitration or conciliation mechanisms may take the final decision. The International Centre for Settlement of Investment Disputes (established by the 1965 Convention on the Settlement of Investment Disputes between States and Nationals of other States) is a recommended arbitration institution. Other options include a sole arbitrator; an ad hoc arbitration tributional to be established according to the Arbitration Rules of the United Nations Commission on International Trade Law; Arbitration Institute of the Stockholm Chamber of Commerce. The decision of the arbitration body is final and legally binding on the companies and public authorities. A regular arbitration decision may include the correction of an action and/or payment of compensation.

Rule 2: Disputes among the signatory states (contracting parties) are recommended to be settled through diplomatic channels. If the dispute is not settled in a reasonable period of time, either party may take the dispute to an ad hoc tribunal after sending a written notification to the other party. First contractory party applying for an ad hoc tribunal decision appoints one member to the tribunal and informs the second contractory party within 30

days after the issuing of the written notification of the first contractory party. Second contractory appoints its one member to the tribunal within 90 days. If the second contractory party fails to appoint its member, Secretary-General of the Permanent Court of Arbitration appoints the other member of the tribunal within 30 days upon the request of the first contractory party. Both contracting parties appoint a third member to the tribunal as the president of the tribunal. President of the tribunal may or may not be a citizen of the either contracting party. If both contractory parties fail to agree on a third member within 150 days of the receipt of the initial written notification of the first party by the second party, first party applies to the Secretary-General of the Permanent Court of Arbitration to appoint a third member. Secretary-General of the Permanent Court of Arbitration makes the appointment within 30 days. If the Secretary-General does not make an appointment, First Secretary of the Bureau of the Permanent Court of Arbitration makes the appointment. If the First Secretary does not make the appointment, most senior Deputy appoints the third member. In the absence of a relevant agreement between the parties, Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) govern the tribunal. The Tribunal takes it decisions by majority voting. Decision of the tribunal is final and legally binding on the parties. The expenses of the tirbunal are paid jointly by the parties. However, the tribunal may demand the payment a higher proportion of the costs to be paid one of the parties. Unless otherwise agreed between the parties, the tribunal will be held in the Hague .

The PCA also contains a number of rules regarding the dispute settlement mechanisms or decision-making procedures. For example, Article 101 of the PCA states that disputes on the implementation of the PCA are solved by appointed conciliators if they could not be solved by the Cooperation Council in the first place. This rule is similar to the ECT's above mentioned rules.

Decision-making procedures:

Implementation of a regime requires regular meetings (i.e. high level summits, expert committees) at different levels among the participants to revise and coordinate their actions. These meetings also provide the ground for the institutionalization of a regime in a gradual manner. Decision-making procedures enable the regime participants to take collective actions to interpret, amend and monitor the implementation of the principles, rules and norms of a regime (Kibaroğlu 2002: 259).

Part VII (Articles 33-37) of the ECT regulate the structural and institutional issues. The ECT is represented by the Energy Charter Conference (ECC) which is an intergovernmental organization. The ECC was founded by the ECT in 1994 and functions a governing and decision-making institution for the implementation of the ECT. Representatives of the signatory states meet on a regular basis in Brussels where the ECC's secretariat is located. There are some subsidiary expertise committees on

investment, trade, transit and energy efficiency (ECT Secretariat 2004: 17-18).

According to the Title XI (Articles 90-112) of the PCA, a “Cooperation Council” is established to monitor the implementation of the PCA. The EU-RF Cooperation Council meets at ministerial level once a year and at other times when it is especially necessary. The office of the President of the Cooperation Council is held by representative of the EU or the RF. A Cooperation Committee assists the Cooperation Council in its duties. There are also a number of subsidiary expertise committees on various policy fields. There is also a Parliamentary Cooperation Committee which makes recommendations to the Cooperation Council (European Commission 1997c). Energy Dialogue also provides ground for decision-making at different levels. Official and technical level meetings take place as a regular practice of the Energy Dialogue. Inputs of the Energy Dialogue meetings determine the energy related agenda of the high level presidential level EU-RF summits.

4.4. Conclusion

This chapter evaluated the EU-RF mutual energy trade relationship from a theoretical point of view. The ECT, PCA and, to some extent, the Energy Dialogue were the main reference points of this analysis. All these experiences had their own impact on the transformation of the EU-RF

energy trade relationship. Main findings of this theoretical analysis were as follows: (1) the EU-RF energy trade relationship was a clear example of interdependence (in line with the main assumptions of the relevant literature) and (2) same relationship could be also accepted as a (partial) international regime case based on advanced interdependence. This conclusion also confirmed the main (first) hypothesis of this dissertation. Detailed discussion of the components of this regime (i.e. principles, norms, rules and decision-making procedures) were also provided to ground this regime argument on a more solid basis.

The EU-RF energy trade regime appeared as a partial regime. At least six factors enable us to interpret the EU-RF relationship as a partial regime whether we would limit the analysis to the 1991-2008 (exact time scope of this dissertation) or post-2008 period: (1) The ECT was signed and provisionally implemented by the RF until June 2009. Even tough the RF stopped the provisional implementation of the ECT, it continued to stay in the ECT framework as a signatory state (as of 2011); (2) An ad hoc tribunal sitting at the Permanent Court of Arbitration in the Hague decided in November 2009 for the continuation of the ECT's implementation in the RF until 2029; (3) Ongoing EU-RF negotiations to introduce a new treaty basis will be completed in late 2011 or early 2012. The new framework is to combine the elements of the ECT, PCA and the Energy Dialogue in a stronger manner (Rianovosti 23 December 2010). In other words, the new treaty will consolidate the legacy of the ECT-PCA-Energy Dialogue in a new

form. This new treaty is to upgrade the current partial regime structure to a fuller regime; (4) Both the PCA and the Energy Dialogue had contributed to the institutionalization of the EU-RF energy trade relationship both at the official and technical expertise level on a regular basis. These contributions provided the basis for joint guidelines and decision-making procedures; (5) The EU-RF energy trade volume is continuously rising and fostering the interdependence. This trend is predicted to continue in the coming decades. (6) Both the EU and the RF are fundamentally committed to enhance the current mutual energy trade, which would facilitate the emergence of a fuller regime basis in return. Whereas the Gazprom advances in the EU market (e.g. Nord Stream), the Western (US and the European) companies are taking new investment decisions in the RF (e.g. Total). Regular presidential summits, ministerial meetings and committee meetings have been continuing for more than a decade.

Of course, none of these developments are automatic and to be shaped by negotiations. But, it is already reasonable to define the EU-RF energy trade relationship (1991-2008) as a case of partial regime formation that evolves towards a fuller regime framework (post-2008 period). As a seventh factor, theoretical and empirical insights of Keohane, Nye, Reiterer (especially ASEM case) also supports the partial regime definition here. Their framework also enables us to deal with both the cooperative and conflictive elements of the relationship, cooperative elements being the stronger factors. Pro-regime evolution has made the relationship more stable

and predictable. However, this does not mean that the relationship will be flawless. There would be new crises and/or energy issues can be abused for foreign policy goals. But, pro-regime evolution of the relationship provides the growing legal, political and institutional ground to keep negotiation and dialogue channels open and jointly manage the crises in a mutually beneficial manner compared to a non-regime situation. To conclude, theoretical categorization of the EU-RF energy trade relationship as a partial international regime based on advanced interdependence can be humbly suggested as an “original” if not conclusive insight introduced by this dissertation study for the relevant literature on the EU-RF relations.

CHAPTER 5

CONCLUSION

The overall aim of this dissertation was to come up with a modest but realible and novel enough empirical and theoretical assessment of the EU-RF energy trade relationship which is one of the most important cases in the wider international energy politics. The expected result was to present a more sophisticated and scientific explanation of the dynamics of this mutual relationship.

Access to energy sources under favourable conditions is one of the leading political agenda items for many countries expecially in Eurasia. Challenges of high prices, environmental problems and geopolitical issues and other factors complicates this policy objective. A reduction in fossil fuels and new focus on renewable sources are suggested to tackle these problems. Unfortunately, non-fossil fuel solutions seem to be put into application mainly in the long run. Policies of world governments and the actions of international energy companies point that fossil fuels will dominate the international energy profile in the short and middle terms. Many countries are trying to develop self-sufficiency measures mixed with diversification strategies which are also supposed to be environment, technological innovation and competitiveness friendly.

Energy reform initiatives usually take the form of liberalization which does not solve all problems. This is a difficult policy mix to achieve as seen in the case of the EU's energy policy. Less developed but increasingly energy hungry countries like China seem to be following less sophisticated options primarily based on accessing fossil fuels globally by all possible means. The RF is located between these two worlds. Given these pressures, nuclear energy has gained some new sympathy but many governments still refrain from it mainly due to its high risks. In short, fossil fuels – oil, natural gas and, to some extent, coal- are still key sources of energy for the world by the early 21st century. A small number of producers like the Middle Eastern countries or the RF are still needed especially by the leading industrialised countries and blocs like the US or the EU.

Chapter 1 provided the basics of studying international energy politics in the specific case of the EU-RF energy trade relationship. This relationship was the leading one shaping the regional energy politics in Eurasia. The basic question was whether it was possible to define that relationship as a case of international regime formation based on the pushing affect of the EU-RF energy trade interdependence. My hypothesis was this relationship could be regarded as case of partial international regime. My theoretical tools were provided the interest-based international regime perspective as reflected by the examplary works of Keohane and Nye.

Chapter 2 looked at the EU energy policy issues. Despite its origins emphasizing energy issues in general, the EU has long lacked a common enough energy policy backed by a proper formal setting like a separate energy chapter in a Union treaty. In terms of unity or at least convergence, energy policy seemed to be far behind some other leading policies like the agricultural policy or the economic policy. General EU studies long state the EU is a competitive platform between supranationalism and intergovernmentalism. Energy policy was clearly more influenced by the intergovernmentalist forces in the Union.

However, there were also some real steps towards more supranationalist measures thanks to the endeavours of the EU Commission which sought to benefit from all possible leading international developments in the international energy politics especially energy crises. Another challenge of the EU was set a connection among the energy policy, environmental policy and trade/competitiveness policy and, more recently the CFSP. The EU energy was shaped by a mix of these policy fields in addition to the wider issues of national and international energy policy developments like energy prices. Diversification of the energy sources and providers of those sources has been emerging as the most applied policy tool of the EU to tackle these challenges.

Chapter 3 dealt with the energy policy of the RF. Being the leading successor state to the once mighty USSR, the RF was trying to mix its

search being a country of Western style democracy and caplitalism and a return to the world's second superpower status. Much the 1990s passed with trying the first option. Yeltsin's policies introduced a wave of economic liberalization and democratization, albeit in a not so advanced manner. Energy policy was affected by these developments. Poor economic indicators and the Chechen wars revealed that neither obejective was largely achieved. Yeltsin also did not refrain from getting in geopolitical maneouvres in its ex-communist neighbourhood which presented mixed results. Despite all the problems of his era, Yeltsin survived long enough to pass its post to Putin who promised to secure Yeltsin's family from corruption accusations. As an ex-KGB officer, Putin brought his own style to the whole life of the RF. Resting on the popular nostalgia for the ex-USSR, he applied a set of authoritarian measures.

Having subordinated the oligarchs and marginalised Chechnya's bid for independence, he moved to undo Yeltsin's liberalization decisions as much as possible. He considerably obstructed the activities of the foreign companies especially in the energy sector which he saw as the most important power basis of the RF under his rule. He also followed a more direct and assertive foreign policy mixed with energy policy objectives at varying extents. Regarding the EU-RF relations, the ECT and the PCA were signed in his era. At the same time, Putin was pragmatic enough to not to marginalize the RF as a geopolitical threat to its major neighbours like China and the EU. He paid a special attention to develop political and economic

relations with the EU especially through energy trade for a mix economic and political purposes like gaining income for the national budget or popularizing his multipolar world order rhetoric. Nevertheless, he did not refrain from being a tough negotiator for the EU over key mutual energy policy issues especially the long pending non-ratification of the ECT by the RF. Energy Dialogue was launched in 2001 during Putin's first term as president.

Chapter 4 evaluated the mutual EU-RF energy trade relationship. This relationship was largely a sustainable and stable despite some brief crises mainly emerged in relation with the third parties like the Ukraine-RF gas cut crisis in 2006. The PCA, ECT and the Energy Dialogue (and the new expected bilateral treaty, as of 2011) were main official pillars of the EU-RF energy trade relationship. It was noted that there was a certain level of success regarding the convergence of mutual official policy targets. Second part of Chapter 4 was about the theoretical disscussion of the whole EU-RF relationship. Interdependence dimension of that relationship was discussed mainly referring to the empirical data.

Next, the EU-RF energy trade relationship was elaborated as a partial regime case based on advanced interdependence and the totality of the ECT, PCA and the Energy Dialogue. Major finding of this analysis was that the EU-RF energy trade relationship could be defined as a partial international regime. Regime theory helped us to gain a better understanding of the EU-RF energy trade relationship by highlighting both the cooperative

and conflictive elements. Cooperative elements of this relationship were stronger the conflictive elements. This situation justifies the selection of regime theory as the main theoretical tool as regime theory can explain both cooperation and conflictive dimensions of interdependent relations. Regime elements had stabilizing and pro-institutionalization effects on the relationship. Evolution of the relationship towards regime formation has made it more predictable. Chapters 2, 3, 4 confirmed the five hypotheses presented in Chapter 1. The EU-RF partial energy trade can be expected to evolve towards a fuller regime framework in the coming years mainly as a result of the expected launch of a comprehensive treaty basis.

Finally, this study was only one of the many possible empirical and theoretical interpretations of the EU-RF energy trade relationship through the lenses of one of the again many IR theories. I have greatly benefited from the earlier works in this field of study. I hope my dissertation presents a meaningful example of academic analysis on the EU-RF energy trade relationship which will certainly keep being subject to newer and more advanced studies in the future.

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APPENDICES

APPENDIX A

TURKISH SUMMARY

AVRUPA BİRLİĞİ-RUSYA FEDERASYONU ENERJİ TİCARETİ İLİŞKİSİ: KISMİ REJİM OLUŞUMU SÜRECİ (1991-2008)

Zbigniew Brzezinski'nin (Brzezinski 1997: 125) belirttiği üzere devletlerin enerji kaynaklarına ulaşmak için sergiledikleri rekabet ulusal hırsları, şirket çıkarlarını, tarihsel iddiaları, emperyal amaçları ve uluslararası düşmanlıkları ateşlemektedir. Bu rekabet ortamı tüm dünyada ve özellikle Avrasya'da yaşanmaktadır. Avrupa Birliği (AB) ve Rusya Federasyonu (RF) arasındaki enerji ticareti ilişkisi bu arkaplandan bağımsız değildir. Soğuk Savaş sonrası dönemde uluslararası siyasette önemli bir konum elde etmek isteyen AB ve RF enerji profilleri ve coğrafi konumları gereğince giderek artan bir karşılıklı enerji bağımlılığı ilişkisi içerisindedirler. Yukarıda bahsedilen uluslararası enerji siyasetinin oldukça rekabetçi doğasına rağmen, AB ve RF arasındaki söz konusu ilişki sonuçsuz bir rekabetten ve hegemonya arayışından ziyade karşılıklı çıkar hesaplamalarına dayalı bir işbirliği çerçevesi içinde yürümektedir. AB-RF enerji ticareti ilişkisi elbetteki kendi içerisinde hem rekabetçi hem de işbirliğine dayalı faktörler barındırmaktadır. Ancak, işbirliğini güçlendiren faktörlerin önemi rekabeti

besleyen faktörlerden fazladır. AB-RF enerji ticareti ilişkisi bir rejim durumuna doğru dönüşmektedir. Bu tez söz konusu ilişkiyi farklı aktörler arasındaki karşılıklı bağımlılık ilişkilerinin hem işbirliğini pekiştiren hem de çatışmacı yönlerini bir bütün halinde analiz etmeyi olanaklı kılan uluslararası rejim teorisinin rehberliğinde detaylı bir şekilde analiz etmeyi amaçlamaktadır.

Günümüzde pek çok ülke enerji arzına uygun fiyatlarda ve istikrarlı bir şekilde ulaşabilme sıkıntısı çekmektedir. İklim değişikliğinin getirdiği olumsuz etkiler söz konusu baskıyı arttırmaktadır. Artan enerji fiyatları ve jeopolitik gelişmeler enerji arzını riskli hale getirdikçe bu durum ekonomik büyüme ve insani gelişmeye de doğrudan etki etmektedir (International Energy Agency 2008). Ekonomik İşbirliği ve Kalkınma Örgütü (OECD) üyesi ülkeler artan ihtiyaçlarını karşılamak için daha fazla petrol ve doğal gaz ithal ettikleri için başlıca enerji ihracatçılarının (yani Orta Doğu ülkeleri ve RF) önemi artmaktadır. Küresel çaptaki enerji talebini karşılamak için 2005-2030 arasında 20 trilyon dolarlık bir yatırım yapılması gerektiği öngörülmektedir. Söz konusu yatırım ihtiyacını karşılayacak olan özel ve kamusal enerji şirketlerinin yatırım kararları hükümet politikaları, maliyetlerdeki ve fiyatlardaki değişmeler, jeopolitik faktörler, yeni teknolojiler, yetişmiş insan gücü mevcudiyeti gibi faktörler tarafından belirlenmektedir (International Energy Agency 2008).

Bu açıdan RF'deki enerji (özellikle doğal gaz) rezervlerinin geleceği Avrupa için özel bir önem taşımaktadır. Yabancı enerji şirketlerinin RF'de iş yapabilme kapasiteleri ve istekleri kritik bir faktördür. AB'ye bakıldığında birlik seviyesinde tam olarak kurumsallaşmış "ortak" bir enerji politikasına tam olarak sahip değildir. Örneklemek gerekirse, AB'nin enerji politikası kurumsallık ve uluslarüstülük açısından AB'nin ekonomi ya da tarım politikasının gerisinde kalmaktadır. AB'nin enerji politikasının geçmişi Avrupa Kömür ve Çelik Topluluğu (AKÇT) ve Avrupa Atom Enerjisi Topluluğu'na (Euratom) dayanmaktadır. Genel anlamda günümüz AB enerji politikasının üç genel (sürdürülebilirlik, rekabetçilik ve arz güvenliği) ve altı spesifik (rekabetçi bir elektrik ve doğal gaz tek pazarı; enerji türlerinin ve kaynaklarının çeşitlendirilmesi; üye devletler arasında dayanışma; sürdürülebilir kalkınma; yeni teknolojilerin kullanımı; araştırma ve geliştirme; ortak bir dış enerji politikası) hedefi vardır. Bu amaçlar 2006 tarihli Yeşil Belge tarafından netleştirilmiştir (European Commission 2006c).

AB daha rekabetçi bir iç enerji piyasasına kavuşabilmek için üye devletleri daha iyi ve yeni düzenleyici çerçeveler benimsemeye teşvik etmektedir. Rekabetçi bir enerji tek pazarı örneği açısından bakıldığında pek çok ulusal piyasanın hala az sayıdaki ulusal özel ve devlet şirketinin hakimiyetinde olduğu görülmektedir. AB üyesi devletlerin ulusal enerji politikaları düzenleyici mekanizmalar, şebeke işletimi, fiziksel altyapı ve enerji depolama sistemleri açısından hala önemli farklılıklar

gösterebilmektedir. Yabancı enerji şirketlerinin ulusal piyasalara girişinde AB içerisinde bile hala korumacı tavırların mevcut olduğu görülmektedir.

Arz güvenliği boyutuna bakıldığında AB enerji türü, enerji ihracatçısı ülkeler ve enerji transit ülkeleri açısından çeşitlilik aramaktadır. Bu açıdan AB'nin Norveç, Cezayir ve RF ile önemli ilişkileri bulunmaktadır. AB ayrıca pan-Avrupa nitelikte bir enerji topluluğu alanının oluşumunu arzulamaktadır. Bu alanın AB üyesi ülkelerden ve AB'nin yakın komşuluk alanı içindeki ülkelerden oluşması öngörülmektedir. Bu vizyonun bir parçası olarak AB, Güney Avrupa ülkelerini kapsayan Enerji Topluluğu Antlaşması'nı, AB-Mağrip elektrik piyasası, ve AB-Maşrik doğal gaz piyasası gibi proje ve oluşumları desteklemektedir. Önemli transit ülkeler olan Ukrayna ve Türkiye'nin de bu alanlara dahil edilmesi AB açısından önem taşımaktadır.

Enerji konuları doğal olarak AB'nin Orta Doğu ülkeleri, Petrol İhraç Eden Ülkeler (OPEC), G-8, Körfez İşbirliği Konseyi, ABD, Çin, Hindistan, Afrika ve eski Sovyet coğrafyası ile olan ilişkilerinin de temel yapıtaşlarından birisidir. Bu açıdan RF'nin önemi kendini göstermektedir zira RF "AB'nin en önemli enerji sağlayıcısıdır". AB, RF ile olan ilişkilerinden daha yüksek arz güvenliği, öngörülebilirlik, RF'nin enerji piyasasına Dünya Ticaret Örgütü (DTÖ) hükümlerine uygun erişim, Enerji Şartı Antlaşması'nın ve Transit Protokolü'nün RF tarafından onaylanması gibi beklentileri vardır (European Commission 2006c: 3-17).

Tezin Amacı

Bu tez AB-RF enerji ticareti ilişkisinin ilişkinin temel özelliklerinin ve gelişim sürecinin uluslararası rejim teorisinden faydalanarak detaylı bir incelemesini yapmayı amaçlamaktadır. Daha spesifik açıdan, bu tez AB-RF arasında 1991-2008 döneminde doğal gaz ticareti ilişkisine dayalı karşılıklı bağımlılığı (ara değişken) uluslararası bir rejim (bağımlı değişken) olarak tanımlayabilme olasılığını araştırmaktadır. Bu inceleme bir dizi bağımsız değişkeni (örn. AB enerji piyasasının uluslarüstülüğe doğru dönüşümü) de içermektedir. Bu hipotez modeli teorik açıdan Robert Keohane ve Joseph Nye'in "karşılıklı bağımlılık yaklaşımına" dayanmaktadır (Keohane and Nye 1977; Keohane 1984; Keohane and Nye 1987; Keohane and Nye 1989). AB'nin ve RF'nin enerji politikalarının detaylarının Bölüm 2 ve Bölüm 3'te incelendikten sonra Bölüm 4'te ana hipotez tekrar ele alınarak nihai bir analiz yapılmaktadır. Rejim teorisinin söz konusu AB-RF ilişkisini açıklayabilme gücü gene Bölüm 4'te tekrar açıklanmaktadır. Bu tezin ana bulgusu AB-RF enerji ticareti ilşkisinin uluslararası rejim teorisi perspektifinden kısmi bir rejim oluşumu olarak kabul edilebileceğidir. Tezin literature taraması kısmı rejim teorisinin alt dallarının detaylı bir sunumunu yapmaktadır. Bu teorik seçenekler içerisinde Keohane ve Nye'in yaklaşımının tercih edilmesinin nedeni bu yaklaşımın (1) uluslararası enerji politikası konusunda daha gelişkin bir bakış sağlaması; (2) uluslararası enerji siyasetinde anahtar rol oynayan çıkarların gücünü net bir şekilde göstermesi ve (3) AB-RF ilişkisindeki rekabeti ve işbirliğini ayrı ayrı destekleyen farklı faktörleri

kavrayacak genişliğe sahip olmasıdır. Bu faktörlerden işbirliğini destekleyenler rekabeti destekleyenlere gore daha baskındır.

Çıkar-temelli bir rejim teorisi perspektifinin kullanılması söz konusu ilişkinin gelişme düzeyini, güçlü ve zayıf yanlarını daha iyi anlayabilmemize katkıda bulunmaktadır. Ana analiz AB'nin ve RF'nin resmi enerji politikaları üzerinden yapılmaktadır. Bununla beraber AB ve RF'deki enerji şirketleri de analize dahil edilmiştir. AB şirketlerine kıyasla RF'deki şirketlere daha geniş yer verilmiştir. Bunun sebebi RF'deki şirketlerin resmi politikaların fiilen uzantıları olmasına karşılık AB'deki şirketlerin resmi otoritelerden daha özerk olmalarıdır. Bunun anlamı, AB'deki enerji şirketlerinin ulusal ve AB düzeyindeki resmi politikalardan bağımsız oldukları değil, ancak AB'deki resmi ve özel enerji aktörlerinin RF'deki kadar derinden iç içe geçmiş olmadığıdır.

Problemin Önemi

Giriş kısmında da kısaca belirtildiği üzere, enerji politikası sorunları her türlü hükümetin ve uluslararası örgütün gündemlerinde artan bir öneme sahiptir. Bu tamamen yeni bir olgu olmayıp en azından 1970'lerdeki petrol krizleri dönemindeki durumun bir anlamda geri dönüşüdür. Bu arkaplan düşünüldüğünde, AB ve RF'nin Soğuk Savaş sonrası dönemin önemli enerji ihracatçısı ve ithalatçısı aktörleri olarak öne çıktığı görülmektedir. AB ve RF'nin bu alandaki etkileşiminin detaylı olarak incelenmesi günümüzdeki

uluslararası enerji siyasetinin dönüşümünün daha iyi anlaşılabilmesi için gereklidir. Bu açıdan bu tez söz konusu ilişkinin bilimsel bir analizini yapmayı amaçlamaktadır. AB ve RF'nin hem rekabet hem de işbirliği boyutları açısından nasıl bir ilişkide bulunduğunun araştırılması önemli bir araştırma noktasıdır.

Susan Strange (1998) gibi bazı şüpheci araştırmacıların rejim teorisini geçici bir moda olarak gören yaklaşımlarına karşın rejime teorisi AB-RF enerji ticareti ilişkisi gibi ileri karşılıklı bağımlılık örneklerini açıklayabilmek için Uluslararası İlişkilerin (Uİ) önemli araçlarından birisi olmaya devam etmektedir. Söz konusu ilişkinin rejimsel elementleri ilişkiye istikrarlı ve kurumsallaşmaya giden bir yönelim kazandırmaktadır. Rejim teorisinin alt dalları bilgi, kimlik veya çıkar faktörlerini öne çıkarmaktadır. Bu çalışmada Keohane ve Nye'in geliştirdiği şekliyle çıkar-temelli bir rejim teorisi perspektifi kullanılmaktadır.

Ana Araştırma Sorusu

Doğal gaz ve petrol ticaretindeki AB-RF karşılıklı bağımlılığını (ara değişken), AB'nin enerji politikasının uluslarüstülüğe doğru dönüşümü (bağımsız değişken 1); AB'nin dış politikasının ve enerji politikasının birbirine yaklaşması (bağımsız değişken 2); RF'nin enerji politikasının pragmatic devletçiliğe doğru dönüşümü (bağımsız değişken 3); RF'nin dış politikasının ve enerji politikasının birbirine yaklaşması (bağımsız değişken 4) faktörlerini

göz önüne alarak uluslararası bir rejim (1991-2008) (bağımlı değişken) olarak tanımlayabilir miyiz? Yukarıdaki değişkenlerin tümü farklı seviyelerde birbirleriyle bağlantılıdır ve analitik sadelik açısından farklı ele alınmaları birbirlerinden izole oldukları anlamına gelmez. Bu tezin incelediği dönem 1991-2008 arasıdır ancak 2008 sonrasıyla ilgili çeşitli bilgi ve yorumlar gerekli yerlerde verilmektedir.

Hipotez

Ana hipotez (Hipotez 1) aşağıdaki gibidir:

AB-RF enerji ticareti ilişkisi (1991-2008) Enerji Şartı Antlaşması (EŞA), Ortaklık ve İşbirliği Antlaşması (OİA) ve Enerji Diyaloğu bütününe dayalı kısmi bir uluslararası rejim örneğidir.

Söz konusu rejimin kısmiliğinin sebebi EŞA'nın RF tarafından imzalanmasına rağmen onaylanmamış olmasıdır. Bununla beraber en az altı faktör AB-RF enerji ticareti ilişkisinin (kısmi) uluslararası rejim durumu olarak değerlendirilmesini mümkün kılmaktadır: (1) EŞA'nın Duma'da onaylanmamasına rağmen RF tarafından imzalanmış ve 2009'a kadar geçici olarak uygulanmış olması. RF halen EŞA'nın imzacısı bir devlet olmaya devam etmektedir ve dolayısıyla EŞA çerçevesinin bir katılımcısıdır (2011 itibariyle); (2) Lahey'deki Daimi Tahkim Mahkemesi'nin ad hoc bir oturumunda EŞA'nın RF üzerindeki bağlayıcılığının 2029'a kadar süreceği

yönünde alınan karar; (3) EŞA, OİA ve Enerji Diyaloğu'nu daha kapsamlı ve kurumsal bir şekilde düzenleyecek yeni antlaşma için AB ve RF arasında devam eden müzakereler (2011 sonu-2012 başında tamamlanması öngörülüyor); (4) OİA ve Enerji Diyaloğu'nun AB-RF enerji ticareti ilişkisinin kurumsallaşmasını resmi ve teknik uzmanlık düzeyinde yaptığı spesifik katkılar. OİA ve Enerji Diyaloğu ortak rehber kararlar ve karar alma prosedürlerinin temelini sağlamıştır.; (5) AB-RF karşılıklı bağımlılığının temelini oluşturan yükselişteki enerji ticareti hacmi; (6) Korumacı reflekslerine rağmen hem AB'nin hem de RF'nin enerji ticareti ilişkilerini geliştirmeye gösterdikleri temel bağlılık. EŞA, OİA ve Enerji Diyaloğu bütünü temelinde yukarıdaki faktörler 1991-2008 arasındaki AB-RF enerji ticareti ilişkisinin kısmi bir rejim oluşumu olduğunu ve 2008 sonrası dönemde tam bir rejime doğru dönüşüm sürecinde olduğunu göstermektedir. Bu faktörlerin detaylı açıklamaları tezin ilgili bölümlerinde mevcuttur.

Kutu 1. Ana Hipotezin (Hipotez 1) Değişkenlerinin Listesi:

Bağımsız Değişken 1 (A): Avrupa Birliği'nin Enerji Politikasının Uluslarüstülüğe Doğru Dönüşümü

Bağımsız Değişken 2 (B): Avrupa Birliği'nin Enerji Politikasının ve Dış Politikasının Yakınlaşması

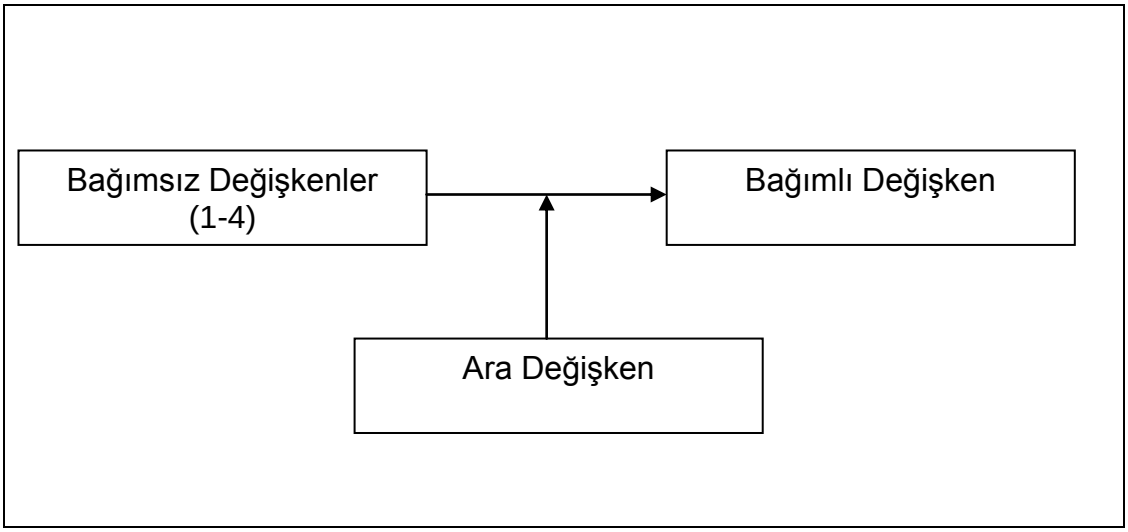
Bağımsız Değişken 3 (C): Rusya Federasyonu'nun Enerji Politikasının Pragmatik Devletçiliğe Doğru Dönüşümü

Bağımsız Değişken 4 (D): Rusya Federasyonu'nun Enerji Politikasının ve Dış Politikasının Yakınlaşması

Ara Değişken (E): Doğal Gaz ve Petrol Ticaretinde AB-RF Arasındaki Karşılıklı Bağımlılık

Bağımlı Değişken (F): Enerji Ticaretinde AB-RF Arasındaki Rejim Oluşumu

Kutu 2. Ana Hipotezin (Hipotez 1) Değişkenleri Arasındaki İlişki:



Ana hipotezle bağlantılı tamamlayıcı hipotezler aşağıdaki gibidir:

Hipotez 2:

AB'nin enerji politikası uluslarüstülüğe doğru dönüşmüştür.

Hipotez 3:

AB'nin enerji politikası ve dış politikası fiilen ve resmen birbirine yaklaşmıştır.

Hipotez 2 ve hipotez 3'ün detaylı tartışması Bölüm 2'de sunulmaktadır.

Hipotez 4:

RF'nin enerji politikası pragmatik devletçiliğe doğru dönüşmüştür.

Hipotez 5:

AB'nin enerji politikası ve dış politikası fiilen ve resmen birbirine yaklaşmıştır.

Hipotez 4 ve hipotez 5 Bölüm 5'te incelenmektedir.

Literatür Taraması

Uluslararası rejimlerin çalışılması uluslararası işbirliği mekanizmalarının anlaşılması açısından Uİ'deki en önemli gelişmelerden birisi olmuştur. Uluslararası rejim teorisi uluslararası kurumların neorealist Uİ teorisi tarafından büyük oranda görmezden gelinmesine tepki olarak 1980'lerde ortaya atılmıştır (Krasner 1983a, 1983b). Keohane (1984) gibi Neoliberal rejim teorisyenleri uluslararası sistemin anarşik yapısının kollektif eylem ve işbirliği açısından sınırlamalar doğursa da farklı ülkelerin büyüyen karşılıklı bağımlılıkları sayesinde gene de geniş çaplı işbirliklerine gidebildiklerini keşfetmişlerdir. Ülkeler uluslararası örgütler kanalıyla resmi veya gayriresmi bazı kural ve düzenlemeleri benimseyerek farklı

davranışlarını nispeten ortak bir davranış tarzına çekebilmektedirler. Uluslararası rejim çalışmalarına artan ilginin bir diğer sebebi de uluslararası örgütlerin bile verimsizlik ve aşırı hiyerarşi sorunu yaşamaları olmuştur. Rejimler uluslararası örgütlere doğrudan bağımlı kalmayan yapılarıyla uluslararası işbirliğinin yeni bir formu olmuşlardır.

Uluslararası rejimlerin çalışılması Uİ'deki ana araştırma odağını Birleşmiş Milletler (BM) gibi klasik uluslararası örgütlerden yeni sahalara kaydırmıştır. Uluslararası telekomünikasyon (Cowley 1990), Kutup Dairesi Çevresel Koruma Stratejisi (Young 1989) ve GATT (Grieco 1990) gibi rejim oluşumu örnekleri bunlardandır. Rejimler konusunda daha sonraki çalışmalar neorealizm ve neoliberalizmi içeren rasyonalizm ve inşacılık arasındaki tartışma hakkında olmuştur. Rasyonalizmin güç ve çıkar gibi material yapıları ve inşacılığın fikirler ve normlar gibi sosyal yapıları bu tartışmanın ana öğeleri olmuştur. Bununla beraber, Susan Strange (1998) gibi bazı süpheci araştırmacılar rejimlerin aslında çok önemsiz olduğunu veya mevcut olmadıklarını savunmuşlardır. Buna karşılık bazı başka yazarlar da Stange'in fikirlerinin fazlasıyla statik kaldığını belirtmişlerdir.

Bu tezin amaçları açısından uluslararası rejim teorisi literature iki ana grup altında toplanabilir. Bunlar (1) merkezi tanımsal ve teorik konularla ilgilenen çalışmalar ve (2) rejim teorisini çevre, AB entegrasyonu, gıda, sağlık, insan hakları, küreselleşme, Uİ, uluslararası hukuk ve uluslararası ticaret gibi konulara uyarlanan örnek durum odaklı çalışmalar. Örnek durum

çalışmalarının konuları rejim teorisi literatüründeki trendleri de yansıtmaktadır. Elbetteki teorik ve örnek durum odaklı çalışmalar arasında çok sayıda örtüşme de vardır. Örneğin, genel teori odaklı bir çalışma uluslararası ticaret açısından yeni analizler sunabilmektedir veya uluslararası çevre rejimleri konusundaki bir çalışma geniş teorik katkılar yapmaya aday olabilmektedir. Bu sebepten dolayı yukarıda bahsedilen teorik sınıflandırma bu tezin amaçları açısından operasyonel bir bölümlemedir. Bu tez çalışması söz konusu çalışmaların tümünden data ve teorik tanımlar açısından faydalanmayı amaçlamaktadır.

Tezin ana konusu açısından bakıldığında, AB-RF enerji ticareti ilişkileri konusunda kademli olarak gelişen küçük bir literatür vardır. Bu literatür genel kapsamlı enerji ve güvenlik çalışmaları literatürünün bir uzantısı olarak kabul edilebilir. Bununla beraber AB-RF enerji ticareti literatürünün genel enerji ve güvenlik literatüründen ana ayrımlaşma noktası AB ve RF'yi eşit ortaklar olarak değerlendirerek ilişkilerini jeopolitik rekabetten ziyade karşılıklı bağımlılık üzerinden analiz etmeye meyletmesidir. Bununla beraber bu tür çalışmalar arasında geniş kapsamlı teorik bir çerçeve kullanımı oldukça sınırlıdır. Proedrou (2007) alanın belki de tek tatmin edici istisnası gibi gözükmektedir. Proedrou da bu tezde yapıldığı gibi Keohane ve Nye'in görüşlerinden geniş şekilde yararlanmaktadır. Proedrou'nun çalışması Keohane ve Nye'in karşılıklı bağımlılık yaklaşımının hala güncel olduğunu ve AB-RF enerji ticareti ilişkisine uygulanabilir olduğunu kanıtlamaktadır.

Bununla beraber, Proedrou'nun çalışması karşılıklı bağımlılık yaklaşımını kapsamlı bir rejim teorisi perspektifine dek genişletememektedir. Bu tez karşılıklı bağımlılıktan rejim teorisine geçişi kapsamlı bir şekilde ele alarak literatürdeki bu boşluğu doldurmayı amaçlamaktadır. Daha yeni bir çalışma olan Haukkala (2010) ise rejim teorisine "genel" AB-RF ilişkilerini açıklamak için kısaca değinse de bu ilişkinin çok önemli bir yapı taşı olan enerji ticareti konusunu neredeyse tamamen ihmal etmektedir. Bu tez rejim literatürünün "rejim oluşumu" analizlerinin altına yerleştirilebilir. Tezin literature özgün katkısı rejim teorisini AB-RF enerji ticareti ilişkisine kapsamlı bir şekilde uygulamasıdır. Tezin ana bulgusu söz konusu ilişkiyi karşılıklı bağımlılık temelinde kısmi bir rejim oluşumu durumu olarak sınıflandırmasıdır. Bu anlamda, tez söz konusu ilişkiyi sadece karşılıklı bağımlılık temelinde veya genel AB-RF ilişkilerini rejim teorisine atıf yapmadan ele alan çalışmaların ötesine geçmektedir.

Doğal olarak bu tez konu üzerindeki nihai sözü söylememektedir. Aynı konuyu her zaman için farklı teorik bakış açılarından çalışmak mümkündür. Ayrıca rejim literatürünün temel soruları olan rejim oluşumu meselelerinden farklı noktalara doğru (örn. rejim verimliliği veya küresel yönetişim) geliştiği bilinmektedir. Bununla beraber, rejim oluşumu ve özellikleri konusunda hala çalışılması gereken noktalar vardır. AB-RF enerji ticareti ilişkisi bu durumdaki örnek konulardan birisidir. Söz konusu ilişkinin rejim teorisi açısından yeterli bir şekilde incelendiğini söylemek mümkün

değildir. Bu özellikle söz konusu ilişkinin temel özellikleri ve dönüşüm çizgisi açısından böyledir. Söz konusu ilişkinin temel oluşumu detaylı incelenmeden konunun "rejim verimliliği" boyutunun incelenmesi erken bir girişim olabilir. Aynı şekilde, konuyu küresel yönetişim boyutuna taşımak da başlangıçta biraz zorlama bir çaba olabilir. AB-RF enerji ticareti ilişkisini teorik çerçeveden incelemenin henüz başlarında olduğumuz için bu tez konuyu temel noktalar (oluşum ve temel yapı) üzerinden analiz etmeye öncelik vermiştir.

Araştırma Metodolojisi

Tezin araştırma metodolojisi literatürün niteliksel analizine ve Aralık 2008'de Moskova'da yapılan yarı-yapılandırılmış uzman mülakatlarına dayanmaktadır. İlaveten, bir araştırma hipotezi geliştirilerek inceleme konusuna uygulanmıştır. Bu girişim rejim literatüründe görülen rejim teorisini gerçek örnek durumlara uygulama girişimlerinin bir benzeridir. Özetle, tezin araştırma metodolojisi niteliksel araştırma, uzman mülakatları ve araştırma metodolojisinin uygulanmasından oluşmaktadır.

Veriler

AB ve RF dahil olmak üzere dünya enerji siyaseti konulu literatürün ve resmi belgelerin geniş bir taraması yapıldı. Bölüm 3'ün pek çok kısmı Rus medya kaynakları kullanılarak hazırlandı. Rusya çalışmaları literatürüne

bakıldığında medya kaynaklarının geniş kullanımının bir mebcuriyet olduğu görülebilir. Sadece Goldman (2008) örneği bile bu konuda yeterlidir. Rus (enerji) siyaseti konusunda yapılan pek çok yayının kaynakçada sadece anaakım uluslararası medya kaynaklarını (örn. Financial Times) kullandığı göz önüne alınırsa bu tezde Rus medya kaynaklarının geniş kullanımının literature ilave bir katkı olduğu söylenebilir. Genel literature kaynaklarında mevcut olmayan bazı detaylar (örn. Phibro) bu şekilde medya kaynaklarının taranması ile elde edilmiştir. İkinci olarak RF enerji politikası konusunda çalışan uzmanlarla 2008'de Moskova'da yarı-yapılandırılmış mülakatlar gerçekleştirilmiştir. Üçüncü olarak Nisan 2007'de Birleşik Krallığa gerçekleştirilen kısa dönemli araştırma ziyaretinde elde edilen materyaller kullanılmıştır. Son olarak, uluslararası rejim teorisi ışığında geliştirilen bir araştırma hipotezi araştırma konusuna uygulanmıştır.

Tezin organizasyonu

Tezin genel tanıtımının verildiği Bölüm 1'den sonra, AB'nin enerji politikasının iç ve dış biçimlendirici faktörleri Bölüm 2'de verilmektedir. Bölüm 2 bu şekilde bağımsız değişkenlerin ilk ikisini ele almaktadır. Bunlar "Avrupa Birliği'nin Enerji Politikasının Uluslarüstülüğe Doğru Dönüşümü" ve "Avrupa Birliği'nin Enerji Politikasının ve Dış Politikasının Yakınlaşması" olarak verilebilir. Birinci değişken AB enerji politikasının iç özellikleri açısından değerlendirilmektedir. İkinci değişken ise dış boyut açısından analiz

edilmektedir. 1945-1991 arası AB enerji politikası hakkında kısa bir tarihsel tanıtım ayrıca sunulmaktadır.

Bölüm 3, RF'nin enerji politikasını Bölüm 2'deki modele benzer bir şekilde ele almaktadır. 1991 öncesi Rus enerji politikasını anlatan tarihsel bir girişten sonra araştırma hipotezinin üçüncü (RF'nin enerji politikasının pragmatik devletçiliğe doğru dönüşümü) ve dördüncü (RF'nin enerji politikasının ve dış politikasının birbirine yakınlaşması) değişkenleri tartışılmaktadır. Liderlik tarzları, post-Sovyet kurumsal dönüşüm, oligarkların yükselişi ve düşüşü gibi içsel faktörler üçüncü değişkenle bağlantılı olarak ele alınmaktadır. RF'nin eski-Sovyet komşuluk alanıyla ilişkileri dördüncü değişken çerçevesinde değerlendirilmektedir.

Bölüm 4'ün birinci kısmı AB ve RF'nin enerji politikası alanındaki etkileşimi incelemektedir. Bölüm 4 bu değerlendirmeyi rejim teorisinden yapmayı amaçlamaktadır. Söz konusu etkileşim temelde EŞA, OİA ve Enerji Diyaloğu silsilesine dayanmaktadır. Bu analiz sonucunda bölüm 4'te AB-RF enerji ticaretinin kısmi bir rejim oluşumu örneği oldugu bulgusuna ulaşılmakta ve bu rejim yapısının temel yapıtaşları (prensipler, normlar, kurallar, karar alma prosedürleri) ortaya konulmaktadır.

AB enerji politikasının ana gelişme safhaları 1957-1972, 1973-1985 ve 1986-günümüz olarak verilebilir. Roma Antlaşması ile başlayan birinci dönemde ucuz petrol bolluğu olduğu ve kömür de petrolle yer değiştirdiği için

enerji arzı ciddi bir sorun değildi. Gene de kömürün belli bir ağırlığı devam ediyordu. Avrupa entegrasyonu önemli bir kuruluş dinamiğine sahipti. Bu dönemde petrol ve doğal gaz konularına kurumsal bir önem verilmemişti. 1973'ten sonra 1973 ve 1978 petrol ambargoları sebebiyle petrol ve doğal gaz fiyatları hızla arttı. Ancak bu gelişmeler de petrol ve doğal gaz konularına Avrupa Topluluğu (AT)/AB düzeyinde yüksek bir kurumsal yer verilmesi sonucunu doğurmadı. Enerji arzı meselesi büyük oranda ulusal bir politika alanı olarak kaldı. 1986'dan sonra ortak bir AB enerji politikası için AB Komisyonu'nun çabaları canlandı. Günümüzde bu yöndeki gidişat devam etmektedir.

İkinci Dünay Savaşı'ndan sonra Avrupa ülkeleri ciddi bir kömür darlığı sıkıntısı çektiler. Avrupa kömür endüstrisi savaşta büyük darbe almıştı. Üretim miktarları savaş öncesinin gerisine düşmüştü. Müttefik güçlerin yönetimine girmiş olan Almanya'nın kendi kömür rezervleri üzerinde bir kontrolü kalmamıştı. Tüm Avrupa'da kömür madenlerindeki zorlu çalışma koşulları ve düşen yaşam sandartları yüzünden sosyal gerginlik ve grevler vardı. Savaş sebebiyle ulaşım altyapısı da büyük zarar görmüştü. Bu sorunlarla başa çıkmak için Belçika, Çekoslovakya, Danimarka, Fransa, Yunanistan, Lüksemburg, Hollanda, Norveç, Türkiye, Büyük Britanya, ABD, SSCB ve Yugoslavya Avrupa Kömür Örgütü'nü (AKÖ) kurdular. AKÖ'nün ilk toplantısı 18 Mayıs 1945'te yapıldı. Örgütün işlevi üye devletler arasında kömürün adil bir şekilde paylaştırılmasını sağlamaktı. Mayıs 1947'de AKÖ'nün yerini Birleşmiş Milletler Ekonomik ve Sosyal Konseyi bünyesindeki

Avrupa Ekonomik Komisyonu aldı. O dönemde kömür hala ağırlıklı bir role sahip olduğu için petrolün Avrupa'nın enerji profilindeki rolü sınırlıydı. Kömür ve çelik ekonomik ve askeri açıdan stratejik ham maddeler olarak kabul ediliyordu. 1950'de Fransa Dışişleri Bakanı Robert Schuman Almanya ve Fransa arasında kömür ve çelik üretiminin ortaklaşa düzenlenmesi için bir havuzun ve ortak pazarın kurulmasını önerdi. Bu önerinin iki amacı her iki ülke arasında yeni bir savaşın önlenmesiydi.

Taraflar arasındaki müzakereler 20 Haziran 1950'de başladı ve 18 Nisan 1951'de Almanya, Belçika, Fransa, İtalya, Lüksemburg, Hollanda arasında Avrupa Kömür ve Çelik Topluluğu'nun (AKÇT) kurulmasıyla sonuçlandı. Antlaşma 24 Temmuz 1952'de yürürlüğe girdi. İmzacı devletlerin finansal tercihleri, ithalat ve ihracat kısıtlamalarını, çifte fiyatlandırma sistemleri ve diğer türülü sınırlayıcı ve dışlayıcı kuralı kaldırmaları gerekiyordu ancak her üye devlet üçüncü ülkelerle ilişkilerinde serbest olacaktı. Ancak daha sonra ortak bir dış tarife de kabul edildi. 1-3 Haziran 1955'te Sicilya Messina'da toplanan AKÇT Dışişleri Bakanları yeni bir ekonomik entegrasyon süreci başlatma kararı aldılar. Bu plana göre bir atom enerjisi ajansı ve bütün malları kapsayacak ortak bir pazar kurulacaktı. Spaak Komitesi'nin çalışmalarının ardından 25 Mart 1957'de imzalanan Roma Antlaşmaları ile Avrupa Ekonomik Topluluğu (AET) ve Avrupa Atom Enerjisi Topluluğu (Euratom) kuruldu. AKÇT, AET ve Euratom 8 Nisan 1965'teki Birleşme Antlaşması'yla kurumsal olarak birleştiler.

Arap ülkelerinin Altı Gün Savaşı'nda İsrail'I destekleyen Batılı ülkeleri cezalandırmak için başlattıkları Haziran-Eylül 1967'deki petrol ambargosu uluslararası bir kriz doğurdu. Bu kriz sebebiyle AB Komisyonu 1967'de "Bir AT Enerji Politikasına Doğru İlk İlkeler" başlıklı dökümanını yayınladı ve ortak bir enerji pazarı kurulması çağrısında bulundu. Ulusal yetkilerinden taviz vermek istemeyen AB üyesi devletler öneriye isteksiz yaklaştılar ve petrol stoklarıyla ilgili bazı düzenlemeler hariç ciddi bir adım atılmadı. 1973 Yom Kippur Arap-İsrail Savaşı'yla yeni bir petrol krizi doğunca Komisyon yeni bir girişimde bulundu. Ancak AB üyesi devletler AB düzeyinde kapsamlı bir enerji politikası geliştirmek yerine ulusal adımlar atmayı ve Uluslararası Enerji Ajansı'na (UEA) güvenmeyi tercih ettiler.

1979 İran Devrimi uluslararası petrol fiyatlarını ciddi oranda arttırdı. Komisyon'un canlanan çabaları 1980'lerde fiyatların düşmesiyle tekrar önemsizleşti. Bu dönemin bir diğer özellikliği de çevre konusunun enerji tartışmalarının değişmez bir parçası haline gelmesi oldu. Birleşik Krallık gibi bazı devletler izledikleri neo-liberal politikalar gereği enerji alanında da özelleştirme ve deregülasyon adımları attılar. Elektrik, petrol ve doğal gaz piyasalarında devlet kurumlarının rolü nispeten azaldı. Avrupa Tek Pazarı (ATP) girişimi de enerjinin genel AB ekonomisindeki rolünü kabul etti ve genel ekonomik deregülasyonun enerji sektörüne de yayılması trendini güçlendirdi. 1989'da Berlin Duvarı'nın yıkılması AB'nin komünist blokla ilişkilerini geliştirdi. SSCB döneminde temeli atılan EŞA SSCB'nin yıkılmasından sonra genel olarak AB-RF ilişkileri tarafından devam ettirildi.

Petrol Rus coğrafyasında ve komşu ülkelerde en az 1700'lerden beri biliniyordu. 19.yy'dan petrol gene değerli bir ekonomik madde olmasına rağmen ulaşım için değil, tıp, inşaat ve özellikle aydınlatma için kullanılıyordu. Petrolün dünyada ulaşım için kullanımı 19.yy'ın sonlarında gelişmeye başladı. Çarlık Rusyası da Kafkasya, Orta Asya ve Sibirya'ya 17.yy'dan itibaren yayılarak buralardaki petrol kaynakları ele geçirmiş oldu. Deli Petro 1720'lerde Bakü'den St.Petersburg'a petrol taşımayı planladıysa da ölümünden sonra bu fikir ekonomik bulunmayarak terkedildi. 19.yy'ın sonlarında ABD'deki Standard Oil Company liderliğinde uluslararası bir petrol piyasasının doğmasıyla o dönemde Çarlık Rusyası yönetiminde olan Bakü'nün petrol kaynaklarının önemi büyük artış gösterdi. Nobel Kardeşler Bakü'deki varlıkları sayesinde Avrupa piyasasında Rockefeller'a rakip oldular.

1917 Bolşevik Devrimi öncesi yıllardaki karmaşalar sırasında Bakü'de sık sık petrol işçilerinin grevleri ve üretim düşüşleri yaşandı. Çarlık hükümetinin vergi attırımı da bunda etkili oldu. Bolşevik Devrimi sonucunda yabancı yatırımcılar uzaklaştırıldı ve karmaşa sebebiyle petrol üretimi düştü. Eylül 1918'de Osmanlı Ordusu Kafkas Harekatı sonucunda Bakü ve Dağıstan'I ele geçirdiğinde Batılı yatırımcılar bunu Bakü'ye bir geri dönüş imkanı olarak gördüler. Kasım 1918'de Osmanlıları bölgeden çıkartan Britanya kuvvetlerinin varlığı bu beklentiyi güçlendirdiyse de mücadeleden başarılı çıkan sonuçta gene Bolşevikler oldu. Bolşevikler bu dönemde

Komünist Parti'nin diğer kanadı olan ve Kafkasya'da güçlü olan Menşevikleri de ezdiler.

Normal koşullarda yabancı capitalist yatırımlara karşı olan SSCB tıpkı bugünkü RF hükümetinin durumuna benzer bir şekilde kendi teknolojik yetersizlikleri nedeniyle bir noktadan sonra petrol ve doğal gaz endüstrisinde kısıtlı yabancı yatırıma izin verdi. Böylece çeşitli Batılı ve Japon şirketleri SSCB piyasasına girdiler ya da geri döndüler. 1930'larda petrol üretimi tekrar yükselince SSCB yabancı şirketlerin çoğunu tekrar kovarak sadece Standard Oil'in ve Japonların Sakhalin Oil and Gas Development Company (SODECO) şirketinin kalmasına izin verdi. Stalin ve daha sonraları Kruşçev döneminde enerji bürokrasisi pek çok değişiklik geçirdi ve sonuşta ileride Gazprom'a dönüşecek olan Sovyet Petrol Bakanlığı oluştu. İkinci Dünya Savaşı sırasında SSCB'nin petrol ve doğal sahaları ilerleyen Alman ordusunun öncelikli hedeflerinden oldu. Almanlar Kuzey Kafkasya'daki Maykop (bugünkü Adıgey Federal Cumhuriyeti'nin başkenti) ve Grozni'deki (bugünkü Çeçenistan'ın başkenti) petrol sahalarını ele geçirdilerse de fazla fayda sağlayamadılar ve Bakü'ye inemediler. Savaş sonucunda SSCB'nin enerji üretimi büyük darbe aldı. Bakü'deki üretimi canlandırmaya ilaveten Volga-Ural bölgesini de geliştirme çabaları başladı. Sibirya'daki üretim bu dönemden sonra önem kazanmaya başladı.

Soğuk Savaş döneminde Doğu Avrupa ülkeleri SSCB yörüngesine girerek aynı zamanda SSCB'ye enerji alanında bağımlı hale geldiler. 1964'te

Drujba petrol, 1967'de Bratsvo doğal gaz hatlarının inşası bu bağımlılığı pekiştirdi. Doğu Avrupalılar bu durumdan şikayetçi olurken SSCB de ilginç bir şekilde SSCB'nin Doğu Avrupa'ya ucuz enerji sağlayarak asıl mağdur durumuna düştüğünü ileri sürdüler. Uluslararası piyasalardaki Sovyet etkisi Kore Savaşı'yla belirginleşti. Küba, Hindistan, Sri Lanka gibi pazarlara daha ucuz petrol satan SSCB Batılı şirketleri geçti. Sovyetlerle rekabet etmek için kendi hükümetlerine baskı yapan Batılı şirketlerin petrol fiyatlarını düşürme girişimleri Orta Doğulu ve Latin Amerikalı başka ülkelerin tepkisini çekti ve bu ülkeler Petrol İhraç Eden Ülkeler Örgütü'nü (OPEC) kurdular. SSCB OPEC'in kuruluşundan Batılı şirketlere karşı dolaylı bir fayda sağladı. Soğuk Savaş yıllarında SSCB Avusturya ve Almanya'ya da doğal gaz satmaya başlamıştı.

1980'lerdeki Perestroyka ve Glasnost döneminde SSCB yönetimi bir çeşit özelleştirme programına girişti. SSCB'nin yıkılmasından sonra Yeltsin enerji sektöründe açık ve kapsamlı bir özelleştirmeye girişti. Görece daha az önemli olan petrol sektörünün tamamına yakını devletin elinden çıkarken doğal gaz sektörü yeni kurulan Gazprom sayesinde devlet kontrolünde kaldı. Viktor Çernomirdin'in yöneticiliği döneminde Gazprom devlet içinde önemli bir kurum haline geldi. Yeltsin Çernomirdin'i aynı yıllarda ayrıca başbakan yapmış olmasına rağmen ikisinin arası daha sonra örtülü siyasi rekabet ve Gazprom'daki yolsuzluklar sebebiyle açıldı. Ayrıca Gazprom'un büyük oranda ödenmemiş vergi borcu birikti. Gazprom'dan ABD merkezli gizemli bir Rus şirketi olan İtera'ya yapılan şaibeli para transferleri skandal doğurdu.

Gazprom yöneticilerine ait olan İtera ayrıca Gazprom'un Ukrayna enerji piyasasını ele geçirmesi için de araç olarak kullanıldı. Gazprom'dan elde edilen finansal kaynaklar Çernomirdin ve Yeltsin'in siyasi kariyerleri desteklemek için kullanıldı.

Yeltsin sona başa geçen Putin Çernomirdin'i Gazprom'un yöneticiliğinden aldı ve şirketi kontrolüne aldı. Putin'in enerjiyi politik bir silah olarak kullanmak için özel bir kişisel programı zaten yıllardan beri mevcuttu ve Putin bu yönde hareket etmeye başladı. Yeltsin'in özelleştirmeci tavrının aksine Putin devletçiliğe mümkün oldukça geri döndü. Öncelikle doğal gaz piyasasındaki devlet rolünü arttırdıktan sonra petrol piyasası için de daha sınırlı benzer adımlar attı. Yeltsin döneminde oldukça şaibeli yollardan güçlenmiş olan oligarklar denen küçük bir iş adamları topluluğu Putin tarafından bir engel olarak görülüyordu. Pragmatik bir şekilde bu şekilde bu gruba öncelikle anlaşma yapmayı önerdi. Kendisine biat ederek politikadan çekilen oligarklara dokunmayan Putin, siyasi muhalefet geliştiren Berezovsky, Gusinski ve Khodorkovski gibi oligarkları ülkeden kaçmaya veya hapse düşmeye mecbur etti.

Eski bir KGB mensubu olan Putin bu şekilde sadece enerji sektörününde değil, RF'nin bütün toplumsal ve ekonomik yaşantısında kontrolünde kurdu. Bütün kilit noktalara KGB mensupları atandı. Bu gizli servis devleti uygulamaları hariç tutulursa, Putin'in devletçi vizyonu aslında tamamen orijinal bir fikir değildi. Bu tür korumacı politikalar tüm dünyada

görülüyordu. Yeltsin döneminde hazırlanan siyaset belgelerinde enerji sektörünün çevre, ekonomi, dış ve güvenlik politikaları açısından stratejik önem taşıdığı zaten belirtiliyordu. Putin'in başlıca farkı bu fikirleri gizli servis metodlarıyla uygulamaya koyması oldu. Ancak, tıpkı SSCB ve hatta Çarlık Rusyası döneminde olduğu gibi, otoriter devletçilik RF'nin teknolojik bir atılım yapmasını ve enerji üretimini maksimuma çıkartmak için oldukça yetersiz kaldı. RF genel anlamda da bilimsel ve teknolojik bir atılım gerçekleştiremeyerek temelde bir hammadde sağlayıcıs ülke olarak kaldı. Bu sebeplerden dolayı Putin gönülsüzce de olsa yabancı şirketlerin RF enerji piyasasındaki mevcudiyetlerine göz yumdu. Ancak onların işlerini mümkün oldukça zorlaştıracak ve devletin denetimini arttıracak uygulamalar yürüttü. Yabancı şirketler RF pazarındaki pek dostane olmayan bürokratik muamelelere rağmen pazarın sunduğu büyük kar imkanlarını önde tutarak RF pazarından hiç çekilmediler ve aksine mevcudiyetlerini arttırdılar.

EŞA 1994'te Lizbon'da imzalanarak 1998'de yürürlüğe girmiştir. EŞA'nın amacı ex-komünist ülkelerin enerji piyasalarını uluslararası ekonomiye entegre etmektir. EŞA'nın temel felsefesi enerji alanındaki yatırımların genel ekonomik büyümeye faydalı olacağı yönündeki liberal inançtır. EŞA'nın kendisi 1991'de Lahey'de imzalanan Enerji Şartı belgesine dayanmaktadır. Enerji Şartı'nın yasal bağlayıcılığı yokken EŞA'nın vardır. 51 ülke EŞA'nın imzacısıdır. Birkaç istisna dışında bütün AB üyeleri ve eski komünist ülkeler EŞA'ya taraftırlar. 1994'te imzalanan OİA AB-RF enerji ticareti ilişkisinin diğer bir hukuki ve kurumsal ayağıdır ve çokkonulu ikili

ilişkilerin genel çerçevesini sunmaktadır. RF'nın Çeçenistan'daki kanlı savaşı sebebiyle AB'de karşılaştığı eleştiriler sebebiyle OİA 1997'de yürürlüğe girebilmiştir. Söz konusu insan hakları ihlalleri ve etik eleştiriler RF Çeçenistan'da kademeli olarak açık bir başarı elde edince ve AB-RF ticari ilişkileri ilerleme gösterince gündemden düşmüştür.

2000'deki AB-RF Zirvesi'nde Enerji Diyaloğu tematik bir çerçeve olarak başlatılmıştır. Her iki taraftan üst düzey iki teknokratın gözetiminde yürütülen süreçte özellikle teknik işbirlikleri konusunda ilerleme kaydedilmiş ve kurumsallaşma sağlanmıştır. Bununla beraber Enerji Diyaloğu EŞA'nın onaylanmamış olması problemini gidermeye yeterli olmamıştır. Enerji Diyaloğu'nun bir özelliği de ortak değerlerden ziyade ortak çıkarlara atıf yapmasıdır. Uluslar arası bir rejim belli bir konuda oldukça yoğunlaşan bir karşılıklı bağımlılık ilişkisi temelinde meydana gelebilir. Diğer bir deyişle, yeterince ilerlemiş bir karşılıklı bağımlılık ilişkisi bir sonraki aşamada bir rejim çerçevesi talep eder. Böyle bir rejim oluşması ve sürdürülmesi için kurucu bir hegemonik güce ihtiyaç yoktur. İlgili taraflar kendi çıkarlarını geliştirmenin bir aracı olarak gördükleri böyle bir rejime sahip çıkarlar.

AB-RF enerji ticareti ilişkisi böyle bir karşılıklı bağımlılık ve (kısmi) rejim oluşumu modeline uyan bir örnektir. Taraflar arasındaki yüksek enerji ticareti hacmi karşılıklı bağımlılığın herkesce kabul edilen temelini oluşturmaktadır. İkili arasındaki ilişki tek kutuplu değildir ve hiçbir tarafın diğeri üzerinde hegemonik bir gücü yoktur. EŞA, OİA ve Enerji Diyaloğu

süreci bu arkaplanın rejim çerçevesine oturmasını sağlamaktadır. AB ve RF arasında faklı seviyelerde (örn. yüksek seviyeli zirveler, uzmanlık komiteleri) kurumsallaşmış karar alma mekanizmaları mevcuttur. EŞA bu yapının ilk oluşan ayağıdır. Daha sonra OİA ortaya çıkmıştır. Enerji Diyaloğu üçüncü ayak olarak ortaya çıkmıştır. 2011 itibariyle halen devam eden müzakereler olumlu sonuçlanırsa AB-RF arasında imzalanacak yeni ve kapsamlı bir antlaşma bu yapıları güncelleştirerek daha kurumsallaşmış bir çerçeveye sokacaktır. EŞA'nın onaylanmamış olmasına rağmen 2010'da alınan bir arbitrasyon kararı EŞA'nın RF üzerinde 2029'a kadar bağlayıcı etkisi olduğunu kabul etmiştir. Ayrıca RF, EŞA'yı onaylamamış olmasına rağmen EŞA çerçevesinden imzacı devlet olarak geri çekilmemiştir. Bu faktörlerin tümü AB-RF enerji ticareti ilişkisinin karşılıklı bağımlılık temelinde kapsamlı bir rejim yapısına dönüşmekte olan kısmi bir rejim oluşumu örneği olduğunu göstermektedir.

Sonuç

Bu tezin amacı dünya enerji siyasetindeki en önemli konulardan birisi olan AB-RF enerji ticaretini empirik ve teorik yönden anlamlı bir incelemesini sunarak ilgili literatüre temel düzeyde bir katkı sunmaktır. AB ve RF'nin enerji politikalarının ayrı ayrı değerlendirildiği bölümlerden sonra Bölüm 4'de her ikisinin ilişkileri kapsamlı bir şekilde analiz edilmiştir. Bu tez araştırması sonucunda söz konusu ilişkinin kısmi bir rejim oluşumu örneği olarak değerlendirilebileceği sonucuna varılmıştır. Rejim teorisi söz konusu ilişkinin

hem çatışmacı hem de işbirliğine dayalı yanlarını bir bütün olarak değerlendirmeyi mümkün kılması nedeniyle önemli bir fayda sağlamıştır. Bu katkı rejim teorisinin ana teorik analiz seçeneği olarak seçimini doğrulamaktadır. AB-RF ilişkisinin rejim tarzındaki dönüşümü içerisinde ilgili rejim elementleri bu ilişkiye daha istikrar kazandırıcı ve kurumlaştırıcı bir etki yapmıştır. Rejim yönündeki dönüşüm ilişkiyi aynı zamanda daha öngörülebilir kılmıştır. Önümüzdeki yıllarda daha kapsamlı bir antlaşma çerçevesinin ortaya konması durumunda söz konusu ilişki daha sağlam bir rejim yapısına kavuşarak kısmi rejim durumunun ötesine geçebilecektir.

Sonuç olarak, bu tez çalışmasının empirik ve teorik analizleri AB-RF enerji ticaretini incelemenin pek çok yolundan birisidir ve nihai ve mutlak bir yorum olma iddiasında değildir. Söz konusu ilişkinin başka teorik çerçevelerden ve yeni ortaya çıkacak bilgiler ışığında çalışılması her zaman mümkündür. Bu tez çalışması ilgili literatürde daha once yayınlanan çalışmalardan faydalanarak kendi bulgusunu ortaya koymuştur.

APPENDIX B

CURRICULUM VITAE

PERSONAL INFORMATION:

Name and Surname: Argun Başkan
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EDUCATION:

1996-2000 International Relations BA Program, Ege University (Izmir, Turkey), Faculty of Economics and Administrative Sciences, Department of International Relations.

Thesis Title (Elective Graduation Work): "Uluslararası Şirketlerin Çin'e Yatırımları" [Investments of the International Companies in China]
Supervisor: Prof. Dr. Suat Öksüz

2000-2004 European Union MA Program, Dokuz Eylul University (Izmir, Turkey), Institute of Social Sciences.

Thesis Title: "Avrupa Birliği'nin Karar Alma Usulleri [Decision-Making Procedures of the European Union, in Turkish]
Supervisor: Assoc. Prof. Oğul Zengingönül

2002-2003 International Relations and European Studies MA Program, University of Kent (UK), Faculty of Social Sciences, Department of Politics and International Relations.

Thesis Title: Evolution of the Energy Policy of the European Union and the Energy Dialogue with the Russian Federation.
Supervisor: Prof. Richard Sakwa

EMPLOYMENT HISTORY:

September 2000-2004 Full-time Research Asistant, Department of International Relations, Ege University.

September 2004- Full-time Research Asistant, Department of International Relations, Middle East Technical University (Ankara, Turkey).

September 2005- Research Assistant, Center for European Studies, Middle East Technical University (Ankara, Turkey).

CURRENT RESEARCH INTERESTS:

European Union Politics,
International Security,
Politics of Energy and Natural Resources,
Eurasian Politics.

LANGUAGES:

Turkish: Native
English: Fluent
Russian: Intermediate

AWARDS:

2002- 2003 European Union Jean Monnet Scholarship (Financing MA Study in the UK).

2006 Travel grant by Center for European Studies (METU) for thesis research (London, April 2006).

PUBLICATIONS:

Chapters in English Language Books or Monographs

(1) 2009 Kibaroğlu, Ayşegül, Başkan, Argun and Alp, Sezin, "Neoliberal Transitions in Hydropower and Irrigation Water Management in Turkey: Main Actors and Opposition Groups" in Dave Huitema and Sander Meijerink (Eds.) Water Policy Entrepreneurs: A Research Companion to Water Transitions around the Globe, Edward Elgar Publishing Limited, Cheltenham, UK, 2010, pp. 287-303.

(2) 2011 (Forthcoming) Başkan, Argun, "Liberalization of the Hydroelectricity Sector In Turkey: Institutional Changes and the Entry of Private Companies" in A. Kibaroglu, A. Klaphake, A. Kramer, and Scheumann (Eds.). Turkey's Water Policy: National Frameworks and International Cooperation, Springer Heidelberg et al., The Netherlands (in preparation).

(3) 2011 (Forthcoming) Başkan, Argun, "Global Dynamics, Foreign Credits And Local Cases In The Commercialization of The Water Services In Turkey" in A. Kibaroglu, A. Klaphake, A. Kramer, and Scheumann (Eds.). Turkey's Water Policy: National Frameworks and International Cooperation, Springer Heidelberg et al., The Netherlands (in preparation).

Chapters in Turkish Language Books or Monographs

(1) 2011 (Forthcoming) Başkan, Argun, "Türkiye Avrupa Birliği İlişkilerinde Kimlik Tartışmaları" ("Debates on Identity in Turkish-EU Relations", in Turkish), Atila Eralp (Ed.), Selected Works on Turkish-European Union Relations, Ankara, Turkey.

English Language Monographs

(1) 2009 Gültekin, Burcu, Başkan, Argun and Tarba, Kemal, Abkhazia for the Integration of the Black Sea, Orta Doğu Stratejik Araştırmalar Merkezi (Middle Eastern Strategic Research Center - ORSAM), Report No. 8, Ankara, 2009, ORSAM Website, http://www.orsam.org.tr/tr/trUploads/Yazilar/Dosyalar/20091216_sayi9_eng_ic_web.pdf.

English Language Conference Papers and Presentations

(1) 2004 Başkan, Argun, "EU-Russian Federation Energy Partnership as a Security of Supply Instrument of the EU Energy Policy", Paper presented at the 3rd International Relations Conference, Middle East Technical University (24-26 May 2004, Ankara, Turkey).

(2) 2007 Başkan, Argun, ""Islam Friendly" Politics of The Russian Federation And The Organization of the Islamic Conference", Paper presented at the 6th International Relations Conference, Middle East Technical University (June 14-16, 2007, Ankara, Turkey).

(3) 2007 Başkan, Argun, “Foreign Creditors, Private Actors and the Commercialization of Water Services in Turkey in the Light of International Experiences”, 2nd International Symposium on Environmental Management (12-14 September 2007, Zagreb, Croatia) Book of Abstracts, University of Zagreb, Faculty of Chemical Engineering and Technology, Zagreb, Croatia, 2007, p 12.

INVITED TALKS:

2010 Başkan, Argun, "European Union-Russian Federation Energy Trade Relations: A Partial Regime Formation (1991-2008)", Seminar presentation, Middle East Technical University, Center for European Studies, Jean Monnet Center of Excellence Seminar Series (14 April 2010, Ankara, Turkey).

FIELD RESEARCH EXPERIENCE:

2007 Member of the Field Research Team with Dr. Burcu Gultekin (International Alert (UK) Project Coordinator; Researcher of the Center for European Studies, Middle East Technical University) and Kemal Tarba, Field Research on Economic Relations Between Turkey and Abkhazia (2-19 February 2007, Suhum and Gagra, Abkhazia).

2008 Thesis research and interview visit to Moscow, Russian Federation (December 2008).

PARTICIPATION AT SUMMER SCHOOLS, WORKSHOPS AND TRAINING PROGRAMMES

2006 Participant to the NATO Summer School, Baku, Azerbaijan (July 2006).

2010 Participant to the Internatinal Negotiation Techniques Training Seminar by Prof. Paul Meerts, Netherlands Institute for Higher Education, 5 March 2010, Ankara.

EDITORIAL ACTIVITY

2008-2009 Member of editorial board and deputy editor, Spectrum: Journal of Global Studies (published in English, http://www.spectrumjournal.com/)

OTHER SCHOLARLY AND PROFESSIONAL EXPERIENCE:

2003-2004 Vice-Erasmus Academic Exchange Program Coordinator for the Department of International Relations, Ege University.

2004 Academic Assistant in the Ege University-NATO organization committee for the "NATO's Transformation and Turkey" conference (Izmir, Turkey, April 2004).

2005 Academic Assistant in the Pre-Election Jury within the Middle East Technical University, World Bank Contest for Creative Development Ideas and Projects (3 May 2005, Ankara, Turkey).

2005-2010 Member of the organization team, Annual International Relations Conference, Department of International Relations, Middle East Technical University (30 June-2 July 2005, Ankara).

2006 Member of the project team, "The EU Enlargement Process and Europeanization: Comparative Perspectives from the Views of Young Researchers" Project (Funded by the European Commission, CER-2006-12), Project Director Prof. Dr. Atila Eralp, Center for European Studies (CES), Middle East Technical University, Ankara.

2007 Event Reporter for the Caucasus Business and Development Network (CBDN-International Alert), Caucasus Business and Development Network Kars Business Forum (23-25 March 2007, Sim-Er Hotel, Kars, Turkey), Co-organized by the Turkish-Armenian Business Development Council and the Center for non-Traditional Methods for Conflict Resolution (Gyumri).

2007 Event Reporter for the Caucasus Business and Development Network (CBDN-International Alert), 4th Georgian International Exhibition Food, Drinks, Packaging and Food Technology - InterFood Georgia 2007 (4-6 October 2007, Tbilisi, Georgia).