

Energy Issues in the Context of the Regime Transition of Post-Soviet Eurasia: National and International Dimension

Anastassia Obydenkova

Pami Aalto, ed.: *The EU-Russian Energy Dialogue: Europe's Future Energy Security*. (Burlington: Ashgate Publishing, 2008. Pp. 229. \$55.00.)

Anders Åslund and Andrew Kuchins: *The Russia Balance Sheet*. (Washington, D.C.: The Peterson Institute for International Economics and the Center for Strategic and International Studies, 2009. Pp. 207. \$24.95.)

Margarita M. Balmaceda: *Energy Dependency, Politics and Corruption in the Former Soviet Union: Russia's Power, Oligarchs' Profit and Ukraine's Missing Energy Policy, 1995–2006*. (London and New York: Routledge, 2007. Pp. 220. \$160.00.)

Jeronim Perovic, Robert W. Orttung, and Andreas Wenger, eds.: *Russian Energy Power and Foreign Relations: Implications for Conflict and Cooperation*. (London and New York: Routledge, 2009. Pp. 272, \$135.00.)

Introduction

In political science, democracy is generally associated with high levels of economic development. However, some scholars note that this is true only as long as economic development is not based on possession of rich energy resources. Many resource-rich states are nondemocratic regimes. This is sometimes called the “resource curse.”¹ This means that “natural resource abundance may stimulate rent-seeking behavior that, together with highly concentrated bureaucratic power, induces corruption in the economy and hence lowers the quality of institutions.”² It also means that “resource wealth itself may harm a country’s prospects for development” and that “oil and mineral wealth tends to make states less democratic.”³

¹On the “resource curse,” see, for example, Michael Lewin Ross, “Does Oil Hinder Democracy?” *World Politics* 53, no. 3 (April 2001): 325–61, and Anja Franke, Andrea Gawrich, and Gurban Alakbarov, “Kazakhstan and Azerbaijan as Post-Soviet Rentier States: Resource Incomes and Autocracy as a Double ‘Curse’ in Post-Soviet Regimes,” *Europe-Asia Studies* 61, no. 1 (January 2009): 109–40.

²Tullio Buccellato and Tomasz Mickiewicz, “Oil and Gas: A Blessing for the Few. Hydrocarbons and Inequality within Regions in Russia,” *Europe-Asia Studies* 61, no. 3 (2009): 386.

³Ross, “Does Oil Hinder Democracy?” 328.

The “resource curse” seems to be valid for the post-Soviet states. Regime transition in itself creates a favorable environment for the development of the resource curse. As Hellman argues, regime transition may remain incomplete because economic and political elites do not wish to lose the power and wealth accumulated during the regime transition.⁴ A number of scholars noted this trend in the regime transition of the post-Soviet states: states with “enormous national resources of gas and oil” have low economic diversification and “strong autocratic presidentialism with neopatrimonial structures.”⁵ Often politico-economic networks weaken the energy sector in a post-Soviet state.⁶

This is where the two sets of literature meet—literature on regime transition and on energy resources. Indeed, there seems to be a mysterious connection between a wealth of energy resources and the type of regime. The four books under review are united implicitly by this interconnection present in Russia and in some other post-Soviet states: resource wealth and nondemocratic development.

It is hardly possible to give an account of energy policy in Russia in exclusively economic terms. This topic is multifaceted. First of all, it is closely connected with the more expansive geographic area of Central Asia, Caucasus, and post-Soviet transit states (e.g., Ukraine). Second, studies of energy policy of Russia are hardly possible outside the context of regime transition and national politics. In post-Soviet Eurasia, the development of energy policy and regime transition went hand in hand. These interconnections have recently become topics of discussions that contribute further to the studies of energy and regime transition.

The books under review present interesting approaches to the study of energy issues in the post-Soviet states and their implications for the EU and even for the United States. The four books share a common topic: energy issues, energy policy, and the energy industry in Russia. It is a central topic of three of the books. The fourth one, edited by Åslund and Kuchins, has more general content and considers energy along with a number of other issues (demography, health, etc.).

Russia in the World

Russian Energy Power and Foreign Relations, edited by Perovic, Orttung, and Wenger, analyzes Russia as an energy power in the context of global energy security debates (83). The book “covers foreign and domestic

⁴Joel S. Hellman, “Winners Take All: The Politics of Partial Reform in Postcommunist Transitions,” *World Politics* 50, no. 2 (1998): 203–34.

⁵Franke, Gawrich, and Alakbarov, “Resource Incomes and Autocracy,” 109.

⁶Stacy Closson, “State Weakness in Perspective: Strong Politico-Economic Networks in Georgia’s Energy Sector,” *Europe-Asia Studies* 61, no. 5 (July 2009): 759.

dimensions of Russia's energy wealth and looks at the country's energy power from various perspectives" (3). It analyzes the policy of Russia toward international markets and considers "the views of Europe, the US, and China on Russia" (3).

The book is divided into four main parts. Part I analyzes the national dimension of Russia's energy policy. Part II focuses on Russia's role in the international energy market and its implications for Europe, Eurasia, and Asia. Part III analyzes the policies of other countries towards Russia. The last part is a conclusion discussing European and US energy cooperation with Russia.

The opening chapter of Part I, by Philip Hanson, focuses on the reliability of Russian energy supply from the economic point of view. It analyzes the capacity of Russia to increase and to maintain the necessary level of energy production required by Europe. The chapter by Orttung examines the connection between the Russian political system and the use of energy wealth. It highlights the reverse causality between the two variables: authoritarian regime and energy industry (52). In the following chapter, Pleins continues the investigation of the role of the state in the developing oil and gas industry in Russia and argues that the current market created under Putin's government does not encourage the successful development of the energy sector (72).

In the second part, chapter 5 by Closson challenges the image of Russia created in the Western mass media and in scholarly works as "the aggressor in its energy relations" (89). The chapter analyzes the interdependence within EU-Russian energy relations and concludes that "Russia's role in Europe is likely to be characterized both by cooperation and by conflict" (104). The chapter by Nanay switches analysis to the post-Soviet Caspian region and analyzes Russia's energy policy toward the main energy producers in the region. It analyzes the challenges for Russia in the region and the trends of the "pipeline game in the Caspian" (111). The last chapter in the second part by Poussenkova investigates the eastern dimension of Russia's energy strategy, the East Siberia and Far East energy potential. It presents an analysis of financial, social, political, and environmental challenges, and the national and foreign implications of "the new eastern vector of Russia's energy policy" (134).

Part III of the book includes three chapters dedicated to European, American, and Chinese perspectives on Russia's energy policy. Chapter 8 by Aalto develops an idea of the reciprocal energy dependency between the EU and Russia (157) and includes an interesting analysis of the debates on Russia within the EU (165). It concludes that in the long term, the EU-Russian energy trade is likely to maintain its high volume, "while gradually becoming more regionalized when different subregions of the EU conclude different deals with Russian actors" (158). The following chapter by Rutland investigates US energy policy towards the post-Soviet states. It focuses on the major challenges in US-Russian trade and energy relations, which "suffer from a Cold War hangover, as they are still largely based on

strategic thinking and zero-sum considerations rather than mutual economic interests" (181–82). The chapter on Chinese perspectives examines the challenges in Russian-Chinese relations from the Chinese point of view (201). It concludes that the energy relationship between China and Russia might spill over into cooperation between the two actors in other political and economic areas and contribute to regional integration (216).

The last chapter, by Wenger, explores Russia as "a key factor in the transformation of the global energy system" (227–28) and investigates the perspectives for cooperation and conflict between producers and consumers. It presents some policy recommendations and prospects for readjusting the European-Russian energy relationship. It also considers the role of the US in this process. On the whole, this book is an ambitious project and an excellent contribution to the field of energy politics studies. It places the energy strategy of Russia in the global context and sheds light on multiple energy actors worldwide, highlighting the potential for conflict and cooperation.

The two other books under review narrow down the analysis from the global context to the analysis of Russia's energy policy with regard to the European Union and the United States, respectively.

Russia and the EU

The EU-Russian Energy Dialogue, edited by Pami Aalto, analyzes EU-Russian energy relations from the perspective of several theoretical approaches: energy diplomacy, geopolitics, and energy security; energy economics and trade; energy and the environment. The book also includes such approaches as the political sociology of energy (chapters 2 and 3), bureaucratic politics of energy (chapters 4, 5, 7, and 8), and a regional approach to the politics of energy (chapters 4 and 8). Each approach focuses on a different set of actors, their motivations and interests. What links these different approaches is a so-called pragmatist view, implying "methodological pluralism, disciplinary tolerance, and importantly, dialogism, as a loudly pronounced foundation for a multi-perspective enquiry" (21).

The book analyzes the efforts of the EU to create an internal energy policy. It then focuses on the possibility of a pan-European energy policy and on the EU-Russian energy dialogue. The book highlights a few obstacles to pan-European energy policy: asymmetry, bilateralism, imperfect commitment to principles within the EU and beyond, sovereignty, and geopolitics as dominant aspects of energy relations (20).

Asymmetry is a hallmark of energy relations— asymmetry of the distribution of natural resources across the world and within a state, asymmetry in demand, asymmetry in supply, and asymmetry in dependence (201). Despite the advantages of multilateralism, the volume still acknowledges that "the bilateral track may in fact be a useful additional channel, especially when the strategic partnership is temporarily strained" (201). The editor also

argues that “bilateral relations do not necessarily exclude concomitant action by the same state at the EU level” (201).

The book places energy dialogue into a wider context of Russian economic and political transformation. It analyzes energy issues on the intergovernmental level (e.g., between Russia and Germany), the interregional level (Russia and Northern Europe), and the federal and subnational levels (within Russia and its regions).

One of the main ideas of the book is the strong energy interdependence between Russia and the EU. Geopolitics and energy security concerns explain how the EU and Russia “try to control the level of their mutual interdependence and the leverage of third parties” (194). The book concludes that energy interdependence does not automatically translate into regional political integration, “due to incompatibility framed geopolitical models and identities between the EU and Russia” (196). Energy policy, “as shown throughout the book, tends to spill over from one policy sector to another” (202). Economics are mixed with perceptions of history and identity, with politics and geopolitics, and with environmental issues (202). Thus, energy studies should encompass these approaches and include multiple issues, analysis of different actors acting at various multiple levels. This edited volume certainly has achieved this goal.

The book also concludes that there is pan-European energy trade, but no pan-European energy policy, meaning by “policy” “a degree of direction, purpose and stability of energy politics, and pulling along governmental and foreign policies within the wider European area” (204). However, despite the greatest discontinuities between the EU and Russia, both actors represent the highest potential for a mutually compatible energy relationship and have managed “to stage a much more promising setting” than can be found anywhere else in the world (204).

The final conclusion is that in terms of both an academic and a practical approach to the studies of EU-Russian energy relations, it is important to include in the analysis a variety of actors and as wide and inclusive a sectoral view as possible.

The book contains a variety of opinions expressed by its various contributors. It includes rigorous analysis of energy policies, institutions, and various actors. It analyzes energy policy and EU-Russian energy relations in all their complexity and opens up new empirical and theoretical lines for further study of the topic. The book is an important and innovative contribution to both the international relations literature and the political science literature. It is a welcome contribution to the fields of EU-Russian relations, EU studies, global energy security, energy studies, post-Soviet politics, and international political economy.

Russia and the United States

The Russia Balance Sheet, edited by Anders Åslund and Andrew Kuchins, is the most general of the four books under review. It outlines a few aspects

of contemporary Russia: a brief history of pre-Soviet Russia, political and economic development in the post-Soviet period, issues of demography and health, foreign policy, international integration, and relations with the United States. Russian energy policy is the topic of a separate chapter in this book.

Of the books being considered here, this one is an outlier in the sense that it is not focused on the energy policy of Russia. It seems to be written for a broad audience: "Understanding Russia and informing American public debate about Russia's present and future are the principal motivations behind this book" (5).

The chapter on energy, with a contribution from Edward Chow, describes the policy of Russia on oil and gas. It argues that foreign investment in the energy industry is almost inevitable. It outlines alternative approaches to risk management as a key to success in the energy industry (59). The questions here are: How have changes in oil prices informed the Russian government's policy toward the energy sector? And what are the consequences of this policy (60)? The chapter highlights the problems of oil monopoly and the incomplete reform process, which lead to the entrenchment of "antiquated business practices and nontransparent access rules and regulations" (60).

The author underlines that the switch in energy policy from state control to market reform could take place only because of internal domestic factors and not from outside influences (67). He compares Russia to Mexico in terms of energy policy, external influence, and the importance of national politics: "It would be somewhat similar to America trying to influence Mexican oil policy 70 years after the nationalization of oil assets in that country. If and when Mexican policy shifts to include private investment, domestic and foreign, in oil, it will be due to the dynamics of Mexican politics and leaders creating a policy consensus that recognizes the benefits of such a policy change. It will not be because Westerners lecture the Mexicans. Similarly, the West will have to exhibit understanding, patience, realism, and astuteness about the extent of its influence on Russia's decision making in its oil and gas policy" (68).

One of the main conclusions of the chapter is that Russia lives up to its reputation of being unpredictable, contravening "the conventional industry wisdom that calls for spreading risks to foreign investors in expensive and challenging projects and for favoring domestic producers in smaller projects that they can easily handle" (63). Another conclusion is that US imports of oil and gas from Russia are negligible and that the United States is not dependent on Russia as an energy supplier. According to the author, this explains the difference in the American and the EU approaches to Russia, the former being more "geopolitical," the latter more "geo-economic" (65). This chapter brings out two crucial ideas. First, the United States and the EU are in quite different positions in regard to Russia as an energy supplier. Second, any changes in Russian energy policy can be driven only internally and cannot be the outcome of external "lecturing."

On a more general level, the book concludes that the United States “needs a more constructive relationship with Russia to address many core global security issues including nuclear security and nonproliferation, terrorism, energy, and climate change” (137). It suggests steps the United States should take to improve its policy toward Russia (140). “For the United States, the motivation for closer cooperation with Russia is grounded in the reality that the world’s most pressing energy and security challenges cannot be addressed effectively without Moscow’s cooperation and trust” (163).

The conclusion outlines three possible scenarios for US-Russian relations: Cold War, “realistic engagement,” and “full-fledged engagement based on convergent values” (147–48). While the first scenario is the least desirable and the last one is the least realistic, the second one would be based on the “understanding that Russia and the United States have different values as well as common interests” (147). Both states would pursue their common interests “while acknowledging and managing their contradictory interests” (147). Similarly, the volume stresses the importance of focusing on the “common interests” in US and Russian foreign policy to maintain and subsequently to strengthen the links and, eventually, to improve the diplomatic relations between the two countries. Indeed, single-issue policies often serve as the first step in a spillover, as is also suggested in the book edited by Pami Aalto.

Narrowing the focus from the global and international context of analysis, the last book presents national politics as the internal dimension of energy policy.

National Dimension of Post-Soviet Energy Strategy

The fourth book under review, *Energy Dependency, Policy and Corruption in the Former Soviet Union* by Margarita Balmaceda, aims to answer the question of how post-Soviet states manage to deal with energy dependency and how domestic political factors affect the management of energy dependencies (1). The book demonstrates that internal political circumstances—national domestic politics—continued the energy dependency of some of the post-Soviet states on Russia. The book analyzes “the domestic factors that stand behind Ukraine’s continued energy dependency on Russia and its apparent inability to escape it” (12).

The book argues that energy issues in post-Soviet Eurasia cannot be fully explained within the theoretical framework of a state-to-state approach. By contrast, the regime transition literature, focusing on the peculiarities of the internal national politics, institutions, and regime transition, has much greater potential of contributing to the understanding of these issues.

Balmaceda employs a “modified institutional approach” (13) that allows one to understand how domestic institutions work to sustain dependency and to reach consensus between actors of different states. The book analyzes

the nature of national interest groups acting within and across states. The study focuses on the analysis of so-called business-administrative groups (BAGs). These groups are combinations of political and economic power and nontransparent but strong networks. These groups combine both economic resources and administrative decision-making power (17).

The book stresses that one of the main features of the post-Soviet period was the combination of already existing energy dependencies, inherited from the Soviet period, and newly created ones. Among such new types of energy dependency are, for example, market control, contractual diversification, and control over transit infrastructure. However, the creation of new dependencies is analyzed as a process that takes place as a result of the consensus of two states, not as something which is imposed by one state on another. In other words, the case study of Ukraine and Russia demonstrates how certain interest groups, BAGs, in both states reached agreement and shared the benefits of the situation of energy dependency through maintenance of energy dependency rents. The problem of energy diversification has various forms, such as energy source diversification, geographical diversification, and contractual diversification. The case study demonstrates that Russia remains an important economic and political actor in the post-Soviet region as a provider of imports and investments, through the stabilizing role played by labor migration to Russia (5).

Through the case study, Balmaceda highlights the importance of the strategic interdependencies. The case of Ukraine demonstrates a certain trade-off between Russia and NATO expansion. Balmaceda also reminds us that “many in Ukraine itself (especially in Eastern Ukraine and Crimea) see a strong relationship with Russia as essential for balancing-out what they perceive as a growing encroachment by NATO and the West” (5–6).

According to Balmaceda, Moldova, Georgia, Belarus, and the Ukraine provide the best examples of “how domestic conditions—and especially the existence of significant rents of energy dependency that can be appropriated by various domestic actors—can play an important role in the energy relationship with Russia” (8). The author investigates the competition between various interest groups over the distribution of gains from energy trade. She introduces the notion of “the rents of energy dependency,” meaning “unearned benefits an economic group within a country (or, for that matter, a regime or a country as a whole) may receive from the continuation of energy dependency relationships, especially with longstanding partners, in this case Russia” (9). Dependency rents may take various forms, such as subsidy by the whole state (e.g., Belarus), provision of access to legal, semilegal, and illegal businesses to the domestic market, and so forth.

The book claims that understanding energy dependency rents is “central for understanding politics and policy-making in the energy-dependent post-Soviet states” (9). First, these rents might have a direct impact on the management of energy dependency. Second, the “rent-seeking systems” might influence the overall development of the political system and regime transition of a specific state (9).

This book is a significant step forward in the research of energy-related issues in the post-Soviet states. It analyzes the energy relations between post-Soviet states in all their complexity and sheds ample light on shadow-economy issues and national politics. The book is based on rich empirical material and an original theoretical framework of analysis; it is a substantial contribution not only to energy studies but also to the studies of the political and economic regime transition in post-Soviet Eurasia.

Conclusion

National Approach: Inter-State vs. Intra-State

Most of the discussions of the energy relations of post-Soviet states were conducted at the level of state-to-state analysis and within the framework of realism. The state's power and its maximization were at the core of realist debates, where energy relations and politics are interpreted as the pursuit of the state's interest in accumulating power. However, this does not explain a number of puzzles in energy strategy, because it does not take into account the role of nonstate actors, interest and business groups, subnational regions, political culture, peculiarities of historical legacies, national politics, and national institutions.

As the books of both Balmaceda and Aalto demonstrate, energy relations include multiple nonstate actors, and nontransparent networks and connections between political and business interest groups. Thus, the state-to-state level of analysis can hardly shed light on the energy policy in the post-Soviet context. For example, Balmaceda develops "the modified institutional approach" in her book in an attempt to understand the nature of domestic interest groups (13). Aalto uses a combination of the different approaches in his edited volume to account for various nonstate actors acting at different levels. In a similar vein, the edited volume of Pirani⁷ goes beyond realism and the state-to-state level of analysis and considers the national political, social, and economic peculiarities of the development of the post-Soviet states. Pirani analyzes energy strategy "against the background, on one hand, of broader economic and political changes in, and relationships between, the CIS countries" and on the other hand, changes within Russia (4).

Subnational Approach

The smaller set of literature focuses on the role of subnational energy-rich regions and on business-power relations at the subnational level in

⁷Simon Pirani, ed., *Russian and CIS Gas Markets and Their Impact on Europe* (Oxford: Oxford University Press, 2009).

Russia. Being the territorial constituent units of the same country, the regions of Russia are marked by striking diversity in terms of economic development, energy wealth, and even subnational regimes.⁸ In the study of subnational regions as agents of energy policy, Buccellato and Mickiewicz point out that a high concentration of rents in energy sector, “where not accompanied by efficient institutions and government policy, may result in a skewed distribution of income.”⁹ A study by Turovsky analyzes how regional business elites try to become politicians and how this leads to “a horizontal circulation between political and economic groups.”¹⁰ Kuszniir states that in some of the regions of Russia political elites try to influence the development of the energy industry and to resist the transition to a market economy because it does not suit their interests.¹¹ Representatives of oil and gas business elites “take up formal political posts in the regional legislature and work out the economic policy of the region together with the political elite represented in the regional executive.”¹² Another study of regions points to the same outcome—the fusion of political and economic elites on the subnational level.¹³ Goler states that the stabilization of the relationship between political authorities and business interest groups under Putin has led to “a regime in which political and economic power has become almost fused into a form of rule with profoundly anti-democratic implications.”¹⁴

These studies of energy issues in the context of the subnational regions of Russia are an important contribution to area studies. Without the detailed knowledge of subnational politics at the regional level, the picture of Russian energy strategy cannot be complete.

⁸On subnational regime disparities, see, for example, Anastassia Obydenkova, “Europeanization and Democratization: Trans-national impact on Sub-national Democratization?” *European Journal of Political Research* 47 (March 2008): 221–46, and Anastassia Obydenkova, “The International Dimension of Democratization: Test the Parsimonious Approach,” *Cambridge Review of International Affairs* 20, no. 3 (2007): 473–90.

⁹Buccellato and Mickiewicz, “Oil and Gas: A Blessing for the Few,” 386.

¹⁰Rostislav Turovsky, “The Influence of Russian Big Business on Regional Power: Models and Political Consequences,” in *Politics in the Russian Regions*, ed. Graeme Gill (New York: Palgrave Macmillan, 2007), 138.

¹¹Julia Kuszniir, “Economic Actors in Russian Regional Politics: The Example of the Oil Industry,” in *Politics in the Russian Regions*, ed. Gill, 168.

¹²*Ibid.*, 180. In another region of Russia, Tatarstan, a different model of fusion between economic and political elites is developed: presidential patronage. The model does not allow economic actors from outside to enter into the regional market.

¹³Daniel Goler, “Russia’s Northern Periphery in Transition: Regional Fragmentation of the Far North,” in *Politics in the Russian Regions*, ed. Gill, 188.

¹⁴*Ibid.*

Transcontinental Approach: (In)Compatibility and (Inter)Dependence

Located in Eurasia, Russia historically has been perceived as balancing between Europe and Asia. This balance is even reflected in the national symbol of Russia—the double-headed eagle.¹⁵ The hybrid political regime of Russia (neither democratic nor authoritarian) and its hybrid market (neither state nor private) seem to be balancing between Western and Eastern political and economic values and principles.¹⁶ The “transcontinental” studies on Russian energy relations reflect this double orientation of Russia to both Europe and Asia.

EU-Russian energy studies can be broadly divided into two main groups. The first group of studies focuses on differences in priorities, interests, values, and policy principles between Russia and the EU.¹⁷ For example, Van Der Meulen analyzes the coexistence of two different gas markets, the EU market as based on the principles of free competition and the Russian market as based on state control over natural resources.¹⁸ Heinrich examines “the effect of increased state control over the Russian gas sector and its ultimate impact on energy security in Europe” as a danger for the European energy supplies.¹⁹ The issue of different systems of economic and political values and different institutions are linked in the studies with the security of supply and the energy dependency of the EU on Russia.

¹⁵The double-headed eagle was adopted as the state symbol of Russia in the fifteenth century by the Grand Prince of All Russia Ivan III. Initially, the double-headed eagle was the official state symbol of the late Byzantine Empire, looking at both East and West. It has had various interpretations over the centuries: the East (Constantinople) and the West (Rome), the unity of the state and the church, etc. Apart from other interpretations, the double-headed eagle also symbolizes the geopolitical importance of the location between Europe and Asia.

¹⁶On the role of geopolitics and Europeanization in Russia, see Anastassia Obydenkova, “Democratization, Europeanization and Regionalization beyond the European Union: Search for Empirical Evidence,” in *European Integration online Papers* 10, no. 1 (2006).

¹⁷Examples of such studies are Evert Faber Van Der Meulen, “Gas Supply and EU-Russia Relations,” *Europe-Asia Studies* 61, no. 5 (July 2009): 833–56; Amelia Hadfield, “EU-Russia Energy Relations: Aggregation and Aggravation,” *Journal of Contemporary European Studies* 16, no. 2 (2008): 231–48; V. Morozov, “Energy Dialogue and the Future of Russia: Politics and Economics in the Future of Russia,” in *The EU-Russian Energy Dialogue*, ed. Aalto, 43–62; Tatiana Romanova, “Energy Dialogue from Strategic Partnership to the Regional Level of the Northern Dimension,” in *The EU-Russian Energy Dialogue*, 63–119; and Andreas Heinrich, “Under the Kremlin’s Thumb: Does Increased State Control in the Russian Gas Sector Endanger European Energy Security?” *Europe-Asia Studies* 60, no. 9 (2008): 1539–74.

¹⁸Van Der Meulen, “Gas Supply and EU-Russia Relations,” 834.

¹⁹Heinrich, “Under the Kremlin’s Thumb,” 1539.

In contrast, the second group of studies is dedicated to the analysis of the interdependence between the energy producer-supplier (Russia) and the consumer (the EU).²⁰ The scholars of the interdependence approach highlight such issues as common linkages, common interests, and finding a mutually acceptable strategy which would take into account the interests of both sides; they emphasize the importance of the spillover effect which extends energy politics to other issues. Pirani, for example, argues that Europe and Russia are “heavily interdependent, with Russia relying on gas revenues as much as Europe relies on Russian imports.”²¹ The “interdependence approach” and the idea of differences between two markets are not mutually exclusive. Two different markets can be highly interdependent, as is the case in EU-Russian energy relations.

Despite this political and economic “incompatibility” of values, principles, and institutions, a number of scholars are quite optimistic with regard to the future political and economic development of Russia: “There is nothing inevitable about the resource curse: states like Malaysia, Chile, and Botswana have done relatively well despite their oil and mineral wealth.”²² Chow also states that “the choice is Russia’s.”²³ However, out of all options, the scenario suggested by Pirani seems to be the most realistic: Russia’s market most likely will remain hybrid, neither state nor market economy, but something in between.²⁴ It is likely that Russia will remain a double-headed eagle watching both West and East and balancing itself in between.

²⁰See, for example, Stacy Closson, “Russia’s Key Customer: Europe,” in *Russian Energy Power and Foreign Relations*, ed. Perovic et al., 89–108, as well as Pirani, *Russian and CIS Gas Markets and Their Impact on Europe*, and Aalto, ed., *The EU-Russian Energy Dialogue*.

²¹Pirani, *Russian and CIS Gas Markets and Their Impact on Europe*, 453.

²²Ross, “Does Oil Hinder Democracy?” 357.

²³Edward Chow, “Policy on Oil and Gas,” in *The Russia Balance Sheet*, ed. Åslund and Kuchins, 68.

²⁴Pirani, *Russian and CIS Gas Markets and Their Impact on Europe*.