

Energy is What States Make of it

Exploring New Aspects in the EU-Russian Energy Relations
from a Constructivist Perspective

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For Iris and Bessie

Abstract

Energy cooperation is generally considered to be a solid base for further relational development between Europe and Russia due to the long history of this cooperation and the integrative nature of energy. Still, cooperative success has been modest despite that it is most likely to occur within this field. Hence, the main aim here is to find out why.

Due to the empirical nature of research on the EU-Russian relations this thesis takes on a constructivist perspective by paying attention to identity and interest-formation in the parties' interaction process.

The results found in the analysis confirm the importance of studying identities and interests in order to explain actor interaction. More specifically, it has become clear that the structural geopolitical context, projections on increased demand, changed European political climate and rising oil prices gradually accentuate the parties' differing positions. It is also clear that by politicising the energy dialogue and perceiving the other as an antagonist/competitor rather than a partner the political character of the energy issue has been reproduced. This, in turn, is explained by the actors' need to reproduce their identities and interests. Thus, interaction is not just about managing important issues but also about reproducing oneself.

Key words: EU-Russian relations, Energy, Security, Constructivism, Identities/interests

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1 Introduction

Great European minds have often dreamed of a united, democratic and prosperous Europe, a community and a commonwealth not only of nations and States but of millions of European citizens. It is up to our generation to tackle the task of making that plan an irreversible reality in the coming century.

(Former Soviet President Mikhail Gorbachev at the Second Summit of CSCE Heads of State or Government, Paris, November 1990)

A few weeks ago the Eurovision Song Contest was held in Moscow and all the European countries participated. During this contest Europe was united and Russia like all other contesting countries played on equal terms. But, within the field of energy Europe stands divided both within the EU and in the EU's relations with Russia. The task to unite Europe, as expressed by Mikhail Gorbachev, is thus yet to be fulfilled.

With respect to the mutual dependence between the parties the currently strained relation is problematic and perhaps also unnecessary. In many parts of Europe voices have been heard about a new Cold War coming up not least after the Georgian War in 2008 and the Nord Stream pipeline-deal between Russia and Germany. Fears of the Russian bear have once again begun to circulate. As a result, questions on how the EU ought to build a working relationship with Russia have revolved; should the relations be value or interest-based? Is it even possible to have the first without the other and vice versa?

The most central concern, however, as regards the EU is whether Russia is a problem or a solution to its energy security. Energy security has come to be a core issue during the initial decade of the 21st century just like it was in the 1970's. Diversification of both transit routes and resources has historically been at the centre of this issue and, naturally, it forms an important part of the EU-Russia energy dialogue as well. Along the way, diversification has also been a source of dispute between the EU and Russia since endeavours to diversify has been perceived as attempts to constrain the other party's influence (the Nord Stream and Nabucco pipeline respectively are but two examples).

At the core of the EU-Russian relations is the lack of a common EU-policy towards Russia, not least within the energy field. This is believed to infringe the Union's political power as well and as its ability to face global competition (Larsson 2007 p.9). Consequently, it is easy to see why the issue of energy constitutes one of the EU's most important future issues (Cecilia Malmström 2008).

In May this year, at the recently held EU-Russia summit in Khabarovsk, Russia declared that it wanted to tie itself closer to the EU. Also, Russia has proposed to establish a new legal foundation for international cooperation which has gained some positive response from the EU. Maybe this will turn out to be a step in the right direction for the EU-Russian relations. But at same time, official rhetoric has often been replaced by behaviour in the opposite direction by the parties before.

1.1 Purpose

When it comes to existing research concerning the EU-Russia energy relationship, many analyses tend to be rather empirical¹. According to George & Bennett (2005 p.265) many scholars are reluctant to engage in policy-applicable research because they do not wish to produce narrow applied policy research of an essentially atheoretical nature since this is, indeed, not a goal for academic scholarship (see George & Bennett 2005 ch.12 for a more thorough analysis on the topic). This might thus explain the lack of theoretical underpinnings in policy-oriented research on the EU-Russia relationship.

Even though empirical research forms a very important part of every research project it does not provide (theoretical) explanations to the phenomenon itself. That is, the diagnosis is not explicit in terms of what it is a case of and I will thus take on the mission of explaining EU-Russian energy relations more theoretically.

My aim in this thesis is basically two-fold. First, I intend to bridge (although not eliminate) the gap between academia and policy by developing policy-relevant theory-laden knowledge concerning the EU-Russia energy relationship. Second, I will investigate the dynamics of the EU-Russia energy relationship, by studying the energy dialogue, and put forth theoretical explanations as to ‘how’ and ‘why’ it looks like it does. Within the field of IR both in the West and in Russia the Realist school of thought is dominating. Explanations relating to power, material capabilities and systemic change as a result of changing polarity are indeed commonly used. However, in this thesis I depart from the premise that the constructivist theory (as formulated by Alexander Wendt 1999) sheds light on aspects of international political phenomena that Realism does not. In this sense, I have a theory-testing aim as well.

Based on the theoretical explanations I aspire to make a contribution to the debate on where the EU-Russia relations are heading (not least when it comes to the issue of energy). As such this thesis is to be seen as a source of input to further policy analysis on the EU-Russia relations and not as a substitute for competent analyses by governmental specialists (George & Bennett 2005 p.276).

¹ See e.g. Barysch 2008; Barysch 2004; Bordachev 2008; Cornell 2009; Correlje & Van der Linde 2006; CSIS 2006; Grant & Barysch 2003; Hadfield 2008; Larsson 2006; Larsson 2007; Noel 2008; Petersson & Plewa-Törnquist 2008; Yergin 2006.

Like any other study on this topic my thesis does not aspire to cover all the complex technical, economic and geo-strategic aspects that the EU-Russia energy relations encompass. But, I do aspire to shed light on how some of these aspects can be explained differently from a constructivist perspective and thus contribute to explanations at a deeper level of understanding.

In addition, it is notoriously difficult for an outside observer to decide what identities and interests really are about in a specific situation and also what they represent. Consequently, I emphasise the sense of humility with which I have approached this topic.

1.2 Research Question

As a result of the above discussion, I pose the following question for this thesis:

- *Under what identities and interests do the EU and Russia interact in the energy game?*
- *Why has enduring energy cooperation so far failed between the EU and Russia?*

The second question is rather general and will be elaborated further on in the thesis and result in an investigating hypothesis (see section 5.3).

1.3 Disposition

This thesis will be conducted as case study, based on constructivist theory and a process-tracing methodology. The first part (ch.2) accounts for the theoretical framework on which the study is based upon. The second part (ch.3) explores the methodological underpinnings guiding the thesis. The third part is the analytical part (ch.4-5) which is divided into two separate, but interrelated chapters. Chapter 4 investigates the first research question and chapter 5 the second (building on the results from the first). In the last part (ch.6) I further explore the conclusions drawn in the analysis.

2 Theoretical framework

This chapter consists of a short discussion on the scientific principals on which the thesis and its theoretical framework build on. In the second part I present a thorough description of the applied theory and finally some of its implications.

2.1 Theory of Science: Scientific Realism

In this thesis I depart from scientific realism (continuously labelled as realism²) which means that the critique I put forth against existing research on the EU-Russia energy relationship as well as the theoretical approach I apply builds on a realist theory of science. To be explicit about one's scientific starting point is crucial since holding such matters implicit leads to hidden assertions about the way the research is conducted and what the researcher thinks constitute science.

The basic assumption of the realism is that the goal of science is to go beyond mere surface phenomena and provide explanations at a deeper level of understanding (Wight 2006 p.18). Specifically related to the field of IR, this means that the aim is to get hold of the deep structure of international reality (Wendt 1999 p.49).

Another basic realist assumption is that theories are crucial for providing knowledge about the unobservable whether it is electrons, preferences or states. Most people (apart from the most determined sceptics) take the existence of observables such as chairs or tables and the like as to be rather unproblematic. But, when it comes to unobservable entities like states we are more dependent on what our theories rather than our senses tell us about them, i.e. "when it comes to unobservables we cannot know what there is apart from theory" (Wendt 1999 p.60). Theories about unobservables serve as inferences to our best explanations about unobservable activities that generate observable effects (Wendt 1999 p.62-63). This is partly the reason to why theoretical analyses are needed when one is studying social phenomena.

² This realism is not to be confused with the IR-theory of Realism. The former is a theory of science while the latter is a theory of international relations. Consequently I will use capital letters to signify the Realist IR-theory.

The claim that unobservables exist is a third basic realist assumption which is strongly rejected by e.g. empiricists. They claim that the unobservable cannot be studied because we can only know what our senses tell us.

As a result of the above discussion we can now put forth the essential postulates of realism³:

- the world is independent of the mind and language of individual observers,
- mature scientific theories typically refer to this world,
- even when it is not directly observable (Wendt 1999 p.51).

Crucial to realism is causality and causal mechanisms respectively. A short discussion of these concepts comes next.

2.1.1 Causality

Positivists have traditionally monopolised on the use of the concept of causality. But, with emergence of the realist theory of science competing alternatives now exist. Due to the scientific approach in this thesis I consequently adhere to the realist view which states that causality exist in terms of probabilities, possibilities and tendencies rather than laws and regularities (Wendt 1999 p. 51-52; 79-82).

2.1.2 Causal Mechanisms

The belief that investing causal mechanisms is crucial for finding explanations to social phenomena is widespread within the social sciences (see e.g. Bunge 1997; Brante 2001; Hedström & Swedberg 1998; Pierson 2004; Tilly 2001; Wight 2006). In short, causal mechanisms identify relationships between conditions and outcomes, i.e. it causes a causal chain to unfold. In order to do so the causal mechanisms must be isolated from other mechanisms and the main challenge is to isolate the specific causal mechanism that activated a specific outcome.

Even so, there is no agreement on an exact definition to what a mechanism is. But since, George & Bennett's definition is specifically related to the process-tracing methodology I will use their conceptualisation here. They define mechanisms "as ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information or matter to other entities" (George & Bennett 2005 p.137).

³ See Brante (2001 p.172) for similar view on realism. Even though Brante himself uses the term causal realism and states that this label differentiates it from other kinds of realism, I argue that scientific realism and causal realism share the core assumptions of a realist theory of science e.g. the rejection of causal laws and the emphasis on underlying, unobservable generative causal mechanisms (Brante 2001 p. 172-175; 190; Wendt 1999 p.79-82).

Due to that reality encompasses a myriad of causal processes the aim of the researcher is not to find and explain all of these but rather to identify the enduring mechanisms that to a larger or lesser extent generate surface phenomena (Brante 2001 p.175).

2.2 Constructivism a' la Alexander Wendt

In his seminal work Alexander Wendt (1999) put forth a compelling theory for how to study international politics. Even so, Wendt's theory is not a theory of international politics in itself due to its open-endedness (it can be used to study families, capitalism, corporations as well as states). Instead, it is a social theory (Wendt 1999 p.193-194).

Fundamentally, Wendtian (and other non-radical) constructivism is a critique toward rationalism and reflectivism respectively. The main argument is that constructivism is lying between these two extremes (Smith 2001 p.197). Thus, the critique is primarily directed at the scientific (i.e. ontological and epistemological) foundations and not the explanations that rationalist and reflectivist theories put forth. In order to position Wendt's constructivism I start off by discussing this critique. Then I move on to explicate in more detail its theoretical stipulations.

2.2.1 The Philosophical Debate

Wendt's critique centres around two basic dichotomies; holism-individualism and materialism-idealism (see table 1). The former dichotomy departs from the question of what difference structures make in social life. Holism and individualism provide two different answers even though both acknowledge that structure has an explanatory role. The dichotomy is found in the ontological status structures and the depth of its effects on social life. Holists argue that the effects of social structures cannot be reduced to independently existing agents and their interaction whereas individualists argue that this is exactly what structures are all about. The main difference between the two positions can be summarized by looking at whether structures constrain or construct actors. Holists claim that structures construct actors, which means that they have property effects (i.e. structures – e.g. culture – affect interests and identities). Individualists claim that structures constrain actors which in effect mean that they only have behavioural effects. Property effects are deeper because they usually have behavioural effects but not vice-versa (Wendt 1999 pp.26-27).

The second dichotomy concerns the materialist and idealist view respectively. Materialists acknowledge the existence of ideas but argue that they are secondary to material forces (i.e. human nature, natural resources, geography, forces of production and forces of destruction). This means that effects of material forces (e.g. power) are to be separated from effects of ideas (e.g. interests). Idealists, on

the other hand, argue that material forces are secondary in the sense that they are significant insofar as they are constituted with particular meanings for actors. Idealists believe the most fundamental fact about society is the nature and structure of social consciousness (the distribution of ideas or knowledge). Social structures matter in various ways, e.g. by constituting identities and interests, by helping actors find common solutions to problems, by defining expectations for behaviour, by constituting threats and so on.

Table 1. Scientific Positions⁴

	Materialism	Idealism
Holism	World system theory; Neo-Gramscian Marxism	Postmodernism Feminist IR
Individualism	Neo-realism Classical Realism Neo-liberalism	Liberalism

2.2.2 Constructivism and Wendt

The hallmark of all types of constructivism is the emphasis on the world as socially constructed. This, however, is as far as the similarities go since constructivist social theory includes a wide array of different constructivisms (Christiansen et al 2001 p.8-10). Some (e.g. Smith 2001 p.197) even argue that constructivism agree more on what is being rejected than on what is being proposed. For example, in the original model (Wendt 1999 p.32) which table 1 builds on, Wendt put theories like Postmodern IR and Feminist IR in the same quadrant as his own constructivism. E.g. Smith (2001 p. 197) has criticized this positioning due to the differing ontological and epistemological assumptions of these theories. Smith argues that constructivist theories like Wendt's builds on rationalist epistemological assumptions which make them incommensurable with theories (like postmodernism) that builds on reflectivist epistemological assumptions (ibid.). With due regard to this I have decided to put constructivism in the middle of the table instead of in the upper-right quadrant following Adler

⁴ Putting Neorealism in the individualist quadrant might be surprising to some since Neorealists (notably Walz 1979) have positioned Neorealism as being structural (and thus holistic). Equally, some might think that Neoliberalism should be put in the individualist-idealist quadrant due to its emphasis on expectations rather than power and interest. But since both Neorealism and Neoliberalism share the same ontology (i.e. that identities and interests are given) they are put in the individualist-materialist quadrant. For a more thorough discussion on this matter see Wendt (1999 p.30-31)

(1997 p.330-335). Arguably, this explicates the position of modernist constructivism as a middle ground-theory in international relations more accurately. I now turn to a short exploration of the middle ground-theory assumptions of Wendt's theory.

Wendt's Holism

Wendt's theory is holistic in the sense that it emphasises the impact of structures (culture and shared knowledge) on actors' identities, interests and behaviour (Christiansen et al. 2001 p.8). It holds that "interests result from the definition of actor identities, which in turn result from the role played by the actor in the global system. State-actors are constituted by that system and take their roles from the perceived positions in it" (Haas 2001 p.26).

Wendt's Individualism

Wendt's theory is individualistic in the sense that it stipulates that just like natural objects (e.g. cats, dogs or human beings) have internal structures (essential properties) that distinguish them from each other so do social objects like states⁵. For instance, by looking at a dog and a human being one can quite simply differentiate them from each other. Similarly, the internal structures of states make it possible to differentiate states from other social entities (e.g. universities and corporations). These internal structures also imply that entities exist independently of other entities, i.e. the Russian state is a state even without the existence of other states (Wendt 1999 p.57-59; 197). Even though sovereignty is an internal structure of states that differentiates the Russian state from e.g. football teams, this only tells us that the Russian state has authority. It does not tell us whether this authority is extensive (as in the totalitarian state) or limited (as in the night-watchmen state). Neither does it tell us whether other states recognise Russia's sovereignty (even though state recognition is important as well as indicates interaction). It simply tells us that the Russian state has internal authority, i.e. is recognised by society as having certain powers (Wendt 1999 p.206-207).

According to Wendt (1999 p. 201-209) states have a common core consisting of five properties, which are:

- an institutional-legal order,
- an organisation claiming a monopoly on the legitimate use of organised violence,
- an organisation with sovereignty,
- a society, and
- territory

⁵ The difference, however, is that human beings are constituted by material structures whereas states are constituted by social structures (c.f. for instance a large brain which is clearly material and sovereignty which is clearly social). But, the point is still the same.

These properties form a small but necessary part of the constitution of states' interests, the rest is ideational (see below) (Wendt 1999 p.115; 243).

Wendt acknowledges that in the case of (unobservable) social entities this constructivist position is debatable. At the same time, he claims that it should be treated as an epistemological question, rather than being rejected a priori by epistemological scepticism: "Few would deny that dogs, water or cats have internal structures and more people should be open to the possibility that states have it as well" (Wendt 1999 p.64). Wendt argues further that just like human properties (e.g. large brains, opposable thumbs and a genetic predisposition to socialize) must exist in the first place for social reality and human interaction to exist so must states have essential properties. This means that actors do have elements exogenous to the state system (just like Neorealism states). But, which is important, they are only exogenous to the extent that it is necessary to study the state system. Thus, if there are no states pre-existing the state system there is no such system, just like there is no society if individuals do not pre-exist it. The point is that it is one thing to take the existence of states as given in order to study international politics and quite another to take states' identities and interests as given in order to explain international politics (Wendt 1999 p.213-214; 243-244). The point is also that even though states pre-exist the state system (which means that they are not constituted by system structures all the way down), this does not preclude system structures from constituting them to a significant extent. The assumption that actors have essential properties is crucial because if states were to be constituted by structures "all the way down", then these structures could not have causal effects on them (Wendt 1999 p.167). Causal relations presuppose some sort of independence between variables.

Wendt's Idealism and Materialism

Wendt's theory (1999 p. 23-24; 255) also specifies that material conditions (e.g. military capabilities) matter to international politics (materialist view). However, how they matter depend on actors' relations. For instance, five hundred British nuclear weapons are certainly less threatening to the US than five North Korean ones. This difference in perception is due to differing shared ideas, the former friendly and the latter hostile. Likewise, Russia's large oil and gas resources give Russia some leverage in its relations with the EU since the Union needs energy. That is, materialism matter to some degree, but how it matters and how it constitutes the actors depend on their shared ideas (i.e. the views and experiences that the parties have about the interaction). This is the idealist view.

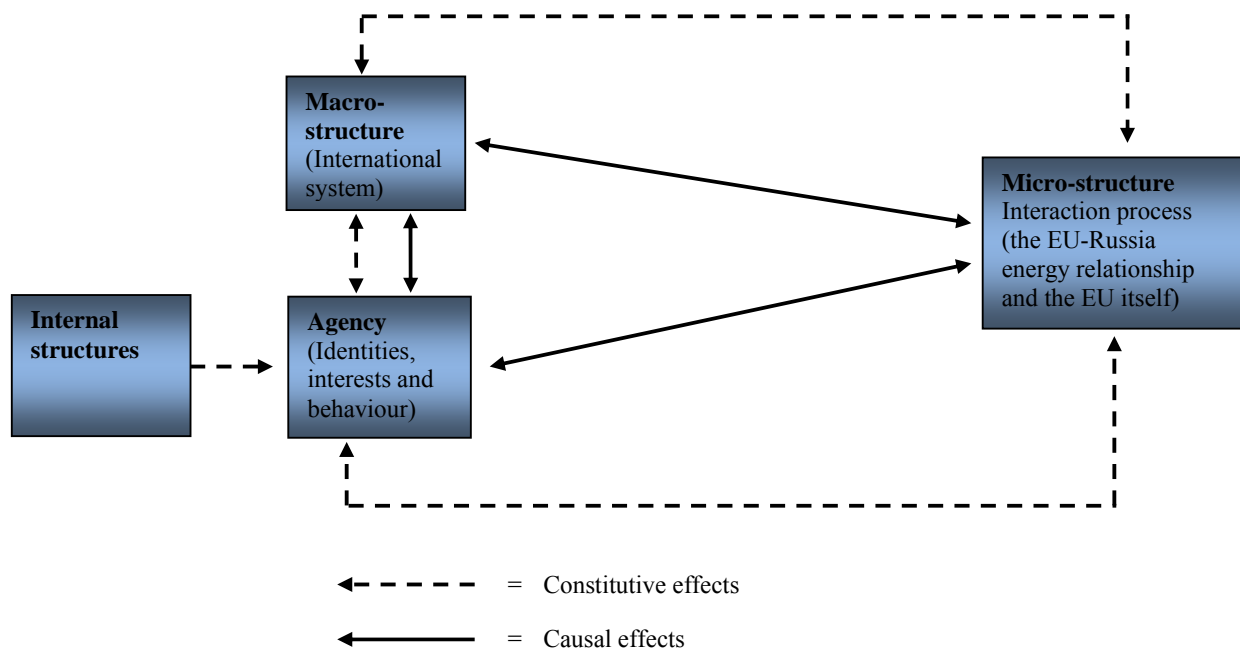
Specifying Wendt

Now, it is possible to specify Wendt's view on the mutual constitution of structure and agency (see figure 1). The model below shows:

- 1) How the systemic structure (macro-structure) constitutes actors with certain identities, interests, and 2) how actors take their roles from their perceived positions in the international system.

- 3) How interaction form the international system, and 4) how actors learn identities and interests as a result of how other actors treat them.
- 5) How learned identities and interests form the continued interaction process and 6) how these identities and interests produce/reproduce the interaction.
- 7) How actors are constituted by functionally equal internal structures and 8) how actors constitute the international system in so far that the internal structures constitute states with certain national interests (physical survival, autonomy, economic well-being and collective self-esteem) that needs to be reproduced for the states to survive. This creates the initial ground for the international system and state interaction.

Figure 1. The Mutual Constitution of Structure and Agency



2.2.3 Using Wendt's theory

As I mentioned initially Wendt's constructivism is a social theory which consequently gives very general guidance on how it should be specifically applied. But, one primary foundation of the theory is the emphasis on process/interaction. This emphasis is a basic requirement for the ability to talk about the mutual constitution of structures and agents since structures and agents both are effects of what states do – which requires process (Wendt 1999 p.313). As a result, dimensions like learning, Self-Other representations and perceptions, perspective-taking, meaningful action are essential.

Still, due to the structural character of Wendt's theory (which comes close in line with Anthony Giddens structuration theory) the constraining and enabling effects of structure on actors are believed to be crucial as well.

Before moving on, I would like to add a couple of general points regarding the constructivist view on identities and interests.

2.2.4 Key Concepts – Identities and Interests

Identity and interests are vital to constructivists in order to understand the configuration of the international system and why states behave as they do (c.f. rationalists, notably Neorealists and Neoliberalists, who take these matters as given and pay attention to behaviour instead). Wendt (1999 p.231) has put this elegantly:

Identities refer to who or what actors *are*. They designate social kinds or states of being. Interests refer to what actors *want*. They designate motivations that help explain behavior. (I say "help" because behavior also depends on beliefs about how to realize interests in a given context). Interests presuppose identities because an actor cannot know what it wants until it knows who it is, and since identities have varying degrees of cultural content so will interests. Identities may themselves be chosen in light of interests, as some rationalists have argued, but those interests themselves presuppose still deeper identities. However, identities by themselves do not explain action, since being is not the same the thing as wanting, and we cannot "read off" the latter from the former. This suggests that the efforts of partisans of each concept to ignore or trump the other are misguided. Without interests identities have no motivational force, without identities interests have no direction [orig. italics].

Essentially, identities are a property of intentional actors that generates motivational and behavioural dispositions. Identities are thus subjective and rooted in the actor's self-understandings. But they are also intersubjective in the sense that the Self is created in relation to the Other, which indicates the symbolic interactionist-character of identities. For instance, Russia might think of itself as a great power, but if that belief is not shared by other states then this identity will not work in Russia's interaction with these states.

Interaction is not only about actors trying to get what they want but also about trying to sustain the conceptions of Self and Other which generate those wants. In this view, identities and interests are a continuing outcome of interaction always in process (Wendt 1999 p.316).

The ability to talk about state identities is closely related to the requirement of collective knowledge. That is, if state identities are to be more than individuals' identities and beliefs, then they must be more persisting over time than e.g. the government representing the state. For example, generational turnover can change governments whereas the state stays the same since e.g. symbols, national interests and foreign policies are quite stable. This continuity is explained by the structures of collective knowledge to which individuals are socialized, and which they, through their actions, reproduce (Wendt 1999 p.216-218). The collective

knowledge-dimension is crucial since it makes possible for individuals of the state to reproduce the idea of the state as a 'corporate person' or 'group Self'. However, this does not mean that each individual have the idea of state in their head, only that they accept the obligation to act jointly on behalf of collective beliefs (Wendt 1999 p.218-219). As the case of the EU and Russia respectively show below there are different kinds of collective identities.

2.2.5 Theoretical Implications

The basic issue in this matter refers to whether Wendtian constructivism really is compatible with realism. Basically, this has to do with whether the realist postulate (that 'there is a reality existing independently of our awareness or representations of it') is logically compatible with Wendtian Constructivism. Wendt provides the following answer, namely that observables (e.g. cats and human beings) as well as unobservables (e.g. atoms and states) do exist and are real. This means that "the world is what it is whether we see it or not" (Wendt 1999 p.53). Some realist researchers argue that if social constructs are made up of ideas, then there can be no realist social science (Wendt 1999 p.49-50). But, as I showed above, Wendt tried to counter this argument by giving states internal structures (analogous to the material internal structure of e.g. human beings). Relative to structures (both micro and macro) there is thus an independent reality that pre-exist these structures, a reality constituted by states. This is what it is meant by the statement, "ontology before epistemology" (Wendt 1999 p.52).

Aware of the scientific difficulties with using a via media that bridges positions with inherently opposing ontological and epistemological assumptions my pre-comprehension is that the analysis will show aspects of both that contribute to a broader understanding of my case.

3 Methodological framework

This chapter is divided into four main sections. The first section comments on constitutive and causal analysis respectively. The second section discusses the use of case-study methodology as a methodology for producing policy-relevant knowledge, while the third and fourth section comment on process-tracing and data collection respectively.

3.1 Causal and Constitutive Analysis

The scientific position of Wendt's constructivist theory renders two types of interrelated analyses, causal and constitutive respectively. Constitutive analysis forms the basis for causal explanation since it *accounts* for causal effects but do not *explain* them. Thus, with good descriptions of how a phenomenon is put together, my proposed explanations have a chance of being more accurate (Wendt 1999 p.86-88). In this particular case, the constitutive analysis will serve to define the identities and interests under which the EU and Russia interact. This will form the basis for explaining why the implementation of enduring cooperation so far has failed and why the possibilities to achieve this have decreased.

Analytical Implications

Even though combining causal and constitutive analysis seems favourable a couple of methodological problems exist. First, it violates the core causal assumption that the independent and dependent variables respectively exist independently. Second, it violates the assumption that the independent variable precedes the dependent variable in time.

Basically, these problems go back to the realist ontological postulate stating that reality exists independently of human beings. Thus, the deeper and broader ontology of constructivism comes at a price. Wendt's (1999 p.84-85) response in this regard is instructive. First, he argues that answers to why-questions (causal questions) require answers to how- and what-questions (constitutive questions). Thus, in order to fully understand 'why X rather than Y' one needs to understand 'how this was possible'. This means that at least implicitly one must engage in either constitutive or causal analysis (depending on which kind of analysis is being obtained) in order to achieve a deeper level of understanding. Better make it explicit then.

Second, a combined analysis requires the researcher to define heuristically constructed sequences (i.e. specific temporal situations) in which the independent variable exists independently from the dependent and where the former precedes the latter in time. That is, the constitutive is taken as temporally given when we are looking at the causal.

At the same time, Wendt (1999 p.184-186) argues that structure and process (as well as agency) are mutually constitutive and have on-going effects on each other which thus mean that it is problematic to separate them. But, the only way to conduct causal and constitutive analysis in the same study is arguably to do this. Otherwise it is impossible to separate causal from constitutive effects, i.e. to detach how a phenomenon is put together from why it looks like it does. Since obtaining such a result was the initial goal with combining causal and constitutive analysis I believe this approach is functional. Still, even with the causal-constitutive separation I will keep in mind the interdependence between structure, process and agency.

3.2 Case study methodology

The discussion of the case study method is divided into four interrelated parts. First I clarify why the issue of energy is crucial for explaining the EU-Russia relationship more generally. Second I discuss the selected time frame for the analysis. Third I connect the case study method with my thesis purpose. Finally, I discuss the applied method (process-tracing) and some of its implications.

3.2.1 The Energy Dialogue as a Most-likely Case

The energy field is the area in which the EU and Russia have cooperated most and East-West energy cooperation has occurred over a significant time-span. One reason for this is the mutual dependency between the EU and Russia. Consequently, this field has been denoted as the primary area for achieving deeper cooperation (Current EU-commissioner Andris Pielbags 2008 p.53). Also, energy generally has an integrative nature due to that “production and transportation of natural resources requires considerable investment and capital-intensive infrastructure, which stimulate the signing of long-term contacts between consumers and producers” (Romanova 2007 p.1).

Accordingly, it is against this interdependent background that the EU-Russian decision in 2000 to initiate an energy dialogue should be understood.

With respect to this the energy dialogue is a most-likely case for where deepened cooperation should occur. However, despite a few accomplishments (e.g. Russia’s ratification of the Kyoto Protocol in 2004) the dialogue’s successes have been modest which is what makes it so interesting; how is the EU and Russia to cooperate in areas where cooperation is less likely if it cannot fully

cooperate even where it is both necessary and possible to do so? Thus, using the energy dialogue as a most-likely case will give me opportunity to put the EU-Russia relationship at its very core.

The energy dialogue in this case constitutes a subclass of a general phenomenon (failed cooperation) (see Welsh Larson 1997 on the US-Soviet relations during the Cold War for an analogous approach). In other words, by using a case which is representative for the EU-Russia relationship as a whole I will thus be able to move up on the ladder of abstraction in making generalisations about the phenomenon at hand (Lundquist 1993 p.63-64).

Apart from the being a most likely-case for cooperation the energy field encompasses political, economic and security-related which means that it touches upon the principal dimensions that crucial for explaining the EU-Russia relationship.

3.2.2 Selecting Time frame

Since this case-study is basically “a well-defined aspect of a historical episode” (George & Bennett 2005 p.18) it is clearly the case that one needs to establish a specific point in time (*t1*) from which the analysis departs. To do so is particularly important with respect to my purpose of investigating and eventually explaining outcomes. In this regard, I have chosen the period of 2000-2008 which is a relevant choice since it is close in time and because it covers a period long enough to identify both change and continuity. More specifically, I adhere to the view also supported by Pierson (2004 p.167):

[M]uch that is important about the social world is likely to remain concealed if our inquiries are grounded, as they too often are, in efforts to examine only a moment in time. If we think, instead, of how social processes unfold over time we will ask questions that we might not otherwise ask, identify flaws in possible explanations that we would not otherwise see, and find answers that we otherwise would not find.

Pierson builds on the concept of *long durée* (originally put forth by Ferdinand Braudel) and argues that studies of social processes over substantial time frames make it possible to identify mechanisms that would not otherwise be identified (Pierson 2004 p.79). Consequently, this makes a relatively long time frame an analytical requirement if the purpose is to identify mechanisms.

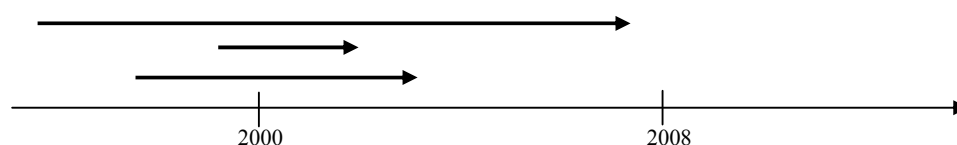
In addition, the choice of time frame is due to a number of empirical circumstances. First, it is a period with one specific Russian president (Putin) who significantly has affected Russia’s relationship with the EU. Second, during the initial years of 21st century energy issues have re-entered both the global and the European policy agenda. Third, in 2000 the EU-Russia energy dialogue was launched which signalled an important step in the development of the EU-Russia energy relationship (Aalto & Westphal 2008 p.2-3).

However, time frames merely are analytical constructions as indicated by the fact the interaction between the EU and Russia substantially pre-dates the chosen

time frame. Consequently, there are overlapping processes which started prior to the selected time frame that will intervene in the analysis (see figure 2). For the causal analysis this might be problematic since there is a risk of misunderstanding what is a cause and, more important, what its effects are. That is, there is risk that the analytical divisions lead to misinterpretations and thus that they represent the researcher's construction of reality rather than reality itself. This is important to keep in mind when assessing the results.

The main point here is that the chosen juncture only serves as period for investigating processes. This does not preclude the opportunity to refer to earlier historical circumstances that can explain conditions under the period being studied (e.g. the effects of the Soviet Union history on the Baltic States' perceptions of contemporary Russia).

Figure 2. Overlapping processes



3.2.3 Why the Case Study Methodology

According to George & Bennett (2005 p.270-273) the case study method is indeed useful when the scholarly aim is to produce policy-relevant knowledge and build theory. The reason is that small-n studies can generate conditional generalisations by identifying causal mechanisms. Thus, rather than to draw the conclusion that e.g. actors' beliefs about how to meet identity needs lead to failed cooperative arrangements, instead one concludes that such beliefs are likely to lead to failed cooperation under certain conditions. The former explanation (i.e. the probabilistic generalisation) leaves the policymaker with the difficult task of deciding whether this generalisation applies to a specific situation at hand. The latter explanation, however, is more specific and limited in scope since it specifies causal links. Knowing these links is thought to give policymakers possibilities to influence the outcome of the interaction with other actors. By analogy George & Bennett (2005 p.274) refer to the importance of finding causal links between smoking and cancer so that intervention techniques can be developed to halt the development of cancer.

In this regard, my purpose here is to identify the conditions under which identity beliefs matter to the failure so far of the EU-Russia energy dialogue.

3.3 Process-tracing

The basic premise of process-tracing is that it makes it possible to study complex causal relationships characterized by e.g. multiple causality, feedback loops, path dependencies, tipping points, and complex interaction effects (George & Bennett ch.10).

Also, process-tracing is a general methodology since it can be applied to both macro-level and micro-level phenomena (in this case a macro-level phenomena) (George & Bennett 2005 p.211-212).

The constructivist social theory emphasises “the co-determination of agents and structures through process” (Wendt 1999 p.194) which consequently calls for the use of process-oriented methodologies. The reason is that such a methodology makes it possible to explicate identity and interest-formation over time and to exploring the interplay between structure and agency in explaining the outcome of the EU-Russia energy dialogue.

3.3.1 Hypothesis-driven Constructivist Analysis

Since process-tracing is a broad methodology it primarily gives guidance to the general outline of the research design and not so much the specific character of the study. This is something the researcher has to decide on his/her own.

Thus, as a way to structure and direct the analysis I will depart from a specific investigating hypothesis based on the constructivist theoretical perspective. The choice to do so is partly due to the commonly applied procedure within the process-tracing methodology to depart from an investigating hypothesis (George & Bennett 2005 p.217). Partly, it is a response to the substantial critique expressed by e.g. Moravcsik (2001). He argues that constructivists do not put enough efforts into specifying concrete hypotheses and methods which makes it hard to test constructivist arguments empirically. According to Moravcsik too much emphasis is put on abstract meta-theoretical reasoning as a defence of constructivism in IR (Moravcsik 2001 p.185-186). This is thus something I want to avoid.

Posing hypotheses when using the process-tracing method is arguably suitable since the method *per se* invites to assessments of different causal processes and patterns (George & Bennett 2005 p.214-217). The reason is that the method enables the researcher to investigate different possible paths and patterns that might explain the same outcome relationship⁶. By being open to competing patterns, instead of excluding them, it becomes possible to investigate the relative weight of the differing causal patterns, i.e. to investigate which pattern that is more/less important for explaining the case. The purpose is to identify causal

⁶ The fact that different patterns can produce the same result basically equals what George & Bennett (2005 p.161) term equifinality.

mechanism(s) that intervene between an independent variable and the outcome of the dependent variable (George & Bennett 2005 p.206). George & Bennett (2005 p.206-207) have put this elegantly:

Suppose that a colleague shows you fifty numbered dominoes standing upright in a straight line with their dots facing the same way on the table in a room, but puts a blind in front of the dominoes so that only number one and fifty are visible. She then sends you out of the room and when she calls you back in you observe that domino number one and domino number fifty are lying flat with their tops pointing in the same direction; that is, they co-vary. Does this mean that either domino caused the other to fall? Not necessarily. Your colleague could have pushed over only dominoes number one and fifty, or bumped the table in a way that only these two dominoes fell, or that all dominoes fell at once. You must remove that blind and look at the intervening dominoes, which give evidence on potential processes. Are they, too, lying flat? Do their positions suggest they fell in sequence rather than being bumped or shaken? Did any reliable observers hear the sound of dominoes slapping one another in sequence? From the positions of all the dominoes, can we eliminate rival causal mechanisms, such as earth quakes, wind, or human intervention? Do the positions of the fallen dominoes indicate whether the direction of the sequence was from number one to number fifty or the reverse?

By analogy, the assignment for the researcher who seeks to answer the ‘why’-question is thus to remove the blind (i.e. unfold the causal process) and investigate the intervening dominoes (i.e. the causal mechanisms). The point is that tracing processes, that may have lead to an outcome, helps narrow the list of potential causes. But, it also makes it possible to find intervening techniques that can influence the development of a certain phenomenon (c.f. the above example of halting cancer).

At this point, a specific remark is important. In the analysis I depart from one specific constructivist-inspired hypothesis. With respect to the above discussion there is thus a risk of confirmatory bias due to the lack of *competing* hypotheses. Consequently, there is a risk that I will overstate the significance of the applied hypothesis (George & Bennett 2005 p.217).

Even so, this risk should not be overstated since in the analysis I do look take into account other processes and patterns that go beyond my hypothesis. Thus, the hypothesis directs the analysis but do not determine it. Also, I will view my findings as representing a different angle of a topic not so frequently analysed from this angle and thus not as definite findings. But, in accordance with Wendt (1999 p.68), I do claim that if it is true that identity and interest-formation matter to world politics then it would be rather extraordinary that a theory which predicts this did not tap into some of its causes.

3.3.2 Finding General Explanations

Within the field of process-tracing, a variety of possible applications exist. The choice of which application to use is connected with what the researcher intends do.

The variety I apply here is one that seeks to produce more general explanations which mean that the obtained tracing is not a detailed tracing of a causal process. This choice is first and foremost due to macro-level phenomenon I am studying and the higher level of abstraction which I am on. As a result, it is hard from this perspective to explore in great detail the many processes occurring within the EU-Russian energy relations. Consequently, I have focused on the large events and processes that have impacted on the energy dialogue one way or the other.

3.4 Material/Data

3.4.1 Secondary Material

A couple of remarks are necessary to explicate here. First, since the methodology used in this thesis is process-tracing it is absolutely crucial to have high-quality material. This is due to that, by definition, process-tracing implies case analysis in a rather close-up manner which requires access to data that can explicate the studied process over time. In this regard I have relied on Progress Reports from the EU-Russia energy dialogue and analyses made by both Russian and European researchers. In the progress reports, released once a year, the two parties summarise progress during the year gone and proclaim new goals for the year ahead. Arguably, such data give a solid view of the process covered in this thesis.

Second, during the course of this thesis I have been very cautious to include views and perspectives from both parties. In order to do this I have used secondary material written by people who are or have been involved in the EU-Russian energy dialogue (e.g. EU-commissioners, special envoys and representatives from the Russian State Duma). Certainly, it would have been advantageous to conduct interviews with both Russian and EU-representatives in order to get hold of the identities and interests that these people represent. By doing so I could have gone beyond official statements and publications. Even so, with regard to the variety of material used in the thesis, which explicates width in both time and place, I have been able to reduce the impact of this flaw.

3.4.2 Primary Material – Semi-standardised Interviews

During the course of the thesis I conducted three semi-standardised interviews within the frame of two days (4-5 May 2009). The purpose with these interviews was to increase the validity of the analysis, i.e. to perform a check on the

analytical results. Due to this the interviewees were specifically selected because of their expertise in the EU-Russian relations. Thus, the interviewees had the role as being informants (Esaïasson et al. 2004 p.253-254).

It is important to mention that the interviews do not constitute a large part of the thesis which explains the limited number of interviews. To repeat, they were only made to increase the scientific value of my results and see to what extent the results appeared to be relevant to practitioners.

The interviews were conducted as approximately 30 minutes long discussions. Due to the purpose with the interviews I posed questions reflecting the tentative analytical results. These questions were broad enough not to inhibit the interviewee too much but narrow enough to keep the interview within the boundaries of analytical relevance (see Appendix I).

The interviews were not recorded so instead I took notes during the discussions. These notes served as a basis for the interview summaries which were written immediately after the interviews. In turn, the summaries were sent back to, read and confirmed by the interviewees in order to avoid misinterpretations.

One flaw is the lack of Russian representatives among the interviewees (they are all Swedish analysts and experts). Even though these people have experience from dealing with Russia it still does not add up to the benefits of interviewing Russian representatives. This flaw has been somewhat reduced with respect to the use of material written by Russian representatives (see above).

4 Analysis Part I – Answering ‘How’

In this chapter I explore the first research question by investigating the identities and interests under which the EU and Russia interact.

4.1 The EU-identity

Initially, it is imperative to deal with the question of whether one really can talk about EU-identities since it is not a state but still aspires to obtain some state-like characteristics (e.g. the constitution and the common European security and foreign policy). For example, Morozov (2008 p.43) views the EU as a political project “whose nature and role is continually (re)defined in political processes”. By some (e.g. Ginsberg 1999) the EU is viewed as an international actor.

In the relationship with Russia, notably in the energy field, part of the problem is that the EU does not speak with one voice. This consequently serves to discredit claims on EU’s international actor-status. At the same time, one can see clear tendencies of actor qualities, notably the EU’s ability to make decisions. The question, then, is if it can be an actor with identities and interests despite not being unitary. Rather than being a specific problem related to the EU, this is a common problem when dealing with aggregated actors (especially states). But, in this case it becomes more evident since we are dealing with a supranational organisation.

Even so, I argue that it is clearly visible that the EU has a political identity (a view further supported by e.g. Morozov 2008; Wæver 1996). This political identity, which is basically a European security identity, is based on a self-understanding that the continent needs integration in order to avoid fragmentation (Wæver 1996 p.122-123). Morozov (2008 p.46) has put it elegantly:

[A]t the core of the European Union’s identity discourse lies a firm belief that by consistently and simultaneously widening and deepening integration, European states will be able to leave behind the centuries old legacy of mutual hostility.

Thus, the European security identity is about survival and can thus be seen as an objective interest equivalent to a state’s survival. But, since it deals with the political configuration of Europe (the security of the continent) it is mainly a

political identity as opposed to an ethno-national identity. Hence, it gives room for national cultural aspirations which is a significant difference from a state's identity (Waever 1996 p.122-123)⁷. Thus, when pointing at the EU's identity I refer to a macro-level collective identity (i.e. a regional identity) as opposed to a micro-level collective identity (i.e. a national identity) (Petersson 2001 p.27-28).

Due to the lack of cultural and societal fundamentals this means that the EU's security identity primarily is defined in relation to significant Others (notably Russia and the US) and thus that it is made possible because of them (Waever 1996 p.125-128). This further explains the EU's aspiration of being recognised as an international security actor and also the task, set in 2006, of establishing itself as an international energy actor (Interview with Jan Leijonhielm; Morozov 2008 p.58). This endeavour basically has to do with the need for an actor to reproduce itself in relation to other actors.

The importance of the Other in this case should however not be overemphasized. Waever (1996 p.122) argues that rather "Europe's Other is Europe's own past which should not be allowed to become its future" in terms of revisiting times of power balancing and rivalry.

As regards the above discussion one can say that two parallel identity-processes are on-going within the EU. First, there is the process of Othering which means that Russia is the EU's significant Other and counterpart. Second, there is the process of creating a larger Self which means an integration of Russia with Europe – and the West generally (Wendt 1999 p.227-229). The first process is close to the image of the EU as trying to "consolidate as a (super) nation-state with a Westphalian brand with a clear inside and outside" (Morozov 2008 p.45). The second process is close to the image of the EU as integrating by expansion. This is most notable in the EU's policy of enlargement "which forces the periphery to accept certain conditions [the Copenhagen criteria] in order to move closer to the core" (ibid.).

4.2 The Russian Identity

What is true of the Russian state identity is that it has been formed in relation to its most significant Other, namely the West and Europe, for centuries. More specifically, Russia has historically sought to be recognised by the West and thereby formed its identity (Tsygankov 2006 p.17).

Russian state identity can be understood with regard to three distinct schools of Russian foreign policy, namely

⁷ This also explains why I first and foremost refer to the European security identity as an identity of political elites in Brussels not necessarily European populations

- *Westernisers* – who emphasise Russia's belonging to the European sphere of liberal democracy,
- *Statists* – who emphasise the Russian state's ability to preserve social and political order. Values of power, stability and sovereignty are superior.
- *Civilisationists* – emphasise the importance of expanding the Russian empire for ensuring Russian security⁸ (Tsygankov 2006 p.4-8).

The demise of the Soviet Union meant that Russia went from being a great power to a beneficiary of humanitarian loans and aid from the West which was a humiliating smack in the face to the Russian elite (Anderman et al 2007 p.30-31). With new conditions to adjust to and a need to define a new Russian position in world politics, Russia has been searching for a new identity. During the presidency of Putin the (liberal) statist tradition has gained ground, a tradition which emphasises the importance of building a market economy and political democracy. At the same time, these values are inferior to the fact that Russia must remain a great power and a strong state in order to respond to threats in the world. The content of Russia's 21st century-identity centres on an image of Russia as a unique historical experience given its own conditions and special ties with non-European nations. Consequently, Russia should develop and transform independently and according to its own capacity. Central to this image is also the view of Russia (expressed by Mr Putin himself) as a Western state that was, is and will be a major European power (Putin summarized in Tsygankov 2008 p.772).

Russia's intention to realise its great power status has been expressed in the explicit goal of becoming an energy power and the leader of the world's energy market (Vladimir Putin, Opening address at the Security Council session on Russia's role in guaranteeing international energy security on December 22, 2005).

The Russian Realist School of thought

The influence of the Realist IR-school in forming Russia's foreign policy is strong and is definitely connected with its great power-identity (a majority of the realists believe that Russian identity should be associated with the historical tradition of a great power). As put by Shakleyina & Bogaturov (2004 p.49):

This [the Realist] cultural archetype will continue to shape Russian perceptions of international events, regardless of its internal conditions. Russia remains and will remain a great power. It possesses this status because of a whole complex of unchanged considerations: its geopolitical position, substantial military and nuclear capabilities, the tremendous reserves of its natural resources, the unique intellectual and spiritual potentials, and its demography.

⁸ For a short but thorough introduction on Russia's foreign policy traditions see Tsygankov 2008.

The fact that Russia's foreign policy nowadays is more inspired by national interests than ideology (c.f. the Soviet Union) also point in this Realist direction. For example, Mr Putin has stated that: "Russian foreign policy will in the future be organized in a strictly pragmatic way, based on our capabilities and national interests" (Putin 2002, Address to the Federal Assembly of the Russian Federation on April 18, 2002).

Naturally, these capabilities refer to Russia's vast natural resources which are crucial to its economic development. According to Dmitri Trenin (2007 p.96), economic development is an essential feature of contemporary Russia. He argues that:

They [Russian leaders] plan to rebuild Russia as a great power with global reach and organised as a 'supercorporation'. They are convinced that the only way to succeed is to get their way, and they are prepared to be ruthless (ibid.).

Thus, to Russia its Western relations are competitive rather than antagonistic.

Two remarks are important here. First, just like with the EU there are two parallel processes of identity formation going on in Russia. The first refers to the reproduction of Russia's independence and great power-status in relation to the EU, which basically symbolises the reproduction of the Self in relation to the Other. The second refers to Russia's endeavour to be European power which, on the other hand, is an attempt to identify the Self with the Other. But, with respect to the above discussion, the former process is superior to the latter.

Second, even though international structures and interaction form foreign policy, domestic factors (such as the pressing concerns of the population and competing foreign policy traditions) need to be taken into account as well. Putin's presidency may well have led to the current prevalence of the statist view on Russian state identity, but change is possible. For example, as a result of Russia's decreasing economy after the financial crisis popular discontent has began to soar. The success of Mr Putin's pragmatist view is thus largely connected with Russia's strong economic development during this period. However, one must not forget that the statist tradition is solid. First, Mr. Putin has been able to create a strong platform for this tradition by putting likeminded people (i.e. people with a background in the security sector – so-called *siloviki*) in powerful positions within the administration. Even if these people have different agendas, they have a similar Realist mindset in which security is top-priority and problems are seen as zero-sum games with only one winner possible (Larsson 2005 p.4). Second, in 1994 the Yeltsin administration adopted a new foreign policy agenda and defined Russia's geostrategic priorities in terms of national interests. All the major political parties and movements supported this thinking and, hence, the revival of Russia as a great power. During Yevgeni Primakov's period as foreign minister this trajectory gained even more ground (Shakleyina & Bogaturov 2004 p.47).

The point is that there is substantial continuity in Russia's state identity as a great power, while at the same time there is substantial popular support for it (Interview with Jan Leijonhielm).

4.3 Explicating Strategic Interests

The EU's strategic interests in its Russian-relations centre on fostering a stable, open and pluralist democracy in Russia and to maintain European stability (The European Commission 1999). The beliefs about how to do achieve this centre on integration and liberalisation and find its basis in the so-called Copenhagen criteria which demands member states to develop democratic institutions, market economy and the rule of law (The European Commission 2009).

Basically, these beliefs are equivalent to what Wendt (1999 p.232) terms subjective interests. Essentially, subjective interests are "those beliefs that actors actually have about how to meet their identity needs, and it is these which are the proximate motivation for behaviour" (ibid.). Since this concept is the independent variable in the analysis below I will return to it in section 5.1.

In addition, in the energy dialogue the primary official EU-interest is to ensure long-term security of energy supply to its member states which is to be achieved by integrating and liberalising markets (Morozov 2008 p.46). Here one clearly sees that even if energy security is a strategic interest the underlying presence of the EU's subjective interests is apparent.

Russia's strategic interests, on the other hand, centre on economic cooperation and recognition of its endeavour to be a great power (Anderman et al 2007 p.5). When it comes to energy, Russia's primary interest is naturally in securing energy demand which is perceived to be important to ensure national security (Larsson 2007 p.34). Russia's beliefs about how to achieve these strategic interests centre on maintaining sovereignty and independence. In this respect, one clearly sees the influence of the statist tradition.

In addition, judging from the discussion in the two preceding sections it is clearly the case that identities and strategic interest are interrelated and almost hard to distinguish between. Even if this is a rather obvious observation it is an important one since it strengthens Wendt's constructivist assumption that 'who we are' is logically related to 'what we want' (Wendt 1999 p.231). Also, by making this distinction one can more clearly distinguish between what an identity is and what a strategic interest is.

Energy Security

An additional remark is important here. Energy security has so far been treated rather loosely which is highly unfavourable since it is not a clear-cut concept. In fact, it is heavily context-dependent. For example, to China and India it concerns how to satisfy soaring energy consumption needs on an increasingly volatile world market. To producers like Russia, on the other hand, it means projected stability of energy markets. For consumers like the EU it means security of supply at a reasonable price, which both can refer to access to geological reserves in the producer country as well as the reliability of the exporter (Larsson 2006 p.13; Petersson & Törnquist-Plewa 2008 p.8). The least common denominator, however, is that energy security is vital for development and prosperity.

5 Analysis Part II – Answering ‘Why’

In chapter 5 I will answer the question of why the energy dialogue so far has failed to create an integrated cooperative arrangement between the EU and Russia, even though it most likely to occur within this field. Also, I explore the deteriorating path that the dialogue has taken.

5.1 The Independent Variable

In the analysis I will continuously use the constructivist concept of subjective interest as the independent variable. With respect to this choice two remarks are necessary to point out.

First, the relevance of using subjective interests is due to the inherent difficulty of operationalising identity. Among other things, it is hard to actually know whether one is studying the influence of identities or not which also means that it is hard to assess the validity of the result. Subjective interests, on the other hand, are somewhat easier to operationalise, at least in this particular case, since they are *de facto* identifiable in the actors’ strategic interests. Also, judging from the definition of subjective interests (see above), this concept serves as a logical bridge between identities and behaviour. Thus, I argue that the choice of independent variable is both highly researchable and pragmatically relevant.

Second, the EU’s and Russia’s subjective interests respectively show substantial continuity over the period covered in this analysis. Consequently, it will be hard to trace any change in the independent variable and thus to connect it with change in the dependent variable. But, since subjective interests are continuously reproduced in process, which hence indicates that they are not a constant, I have decided to use it despite the lack of evident change.

5.2 The Dependent Variable

Before moving on to the analysis I present in more detail what is meant by failed energy cooperation. Accordingly, in this respect I refer to the gradual politicisation of the energy issue and the inability of the parties to achieve the basic energy dialogue-goal of mutual energy security. Included in this

operationalisation are several interrelated failures such as the inability to create a pan-European market, secure long-term investments, realise projects of common interest and get Russia to ratify the *Energy Charter Treaty* (ECT).

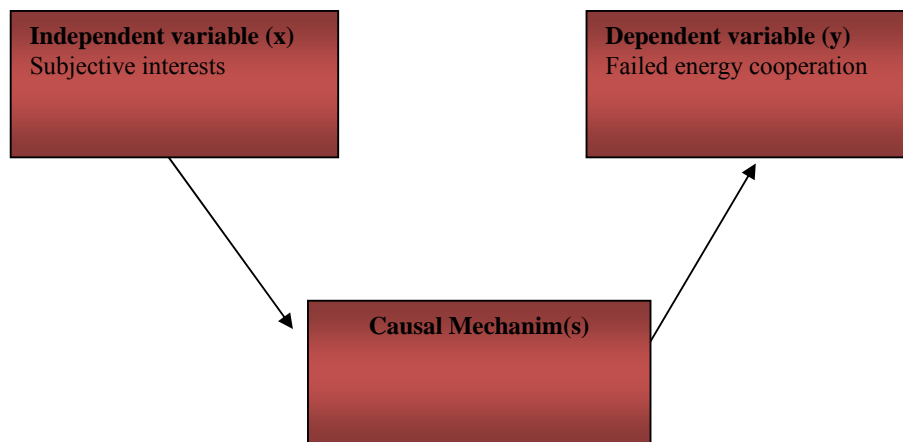
5.3 Working Causal Hypothesis

For the analysis I pose the following general constructivist-inspired hypothesis:

- *Different subjective interests have led to failure so far of the EU-Russia energy cooperation.*

The hypothesised causal chain is explicated in figure 3.

Figure 3. Hypothesised Causal Chain



5.4 Process Analysis 2000-2008

The process-tracing analysis is divided into three separate but interrelated sequences. Each sequence includes a sequence description followed by an analysis of events, processes and conditions present during that specific sequence.

First, however, I start off by lining out the structural context surrounding the energy dialogue. The basic assumption here is that this context forms the structural playing field for the energy game internationally as well between the EU and Russia and thus constrains and enables the actors across all three sequences.

5.4.1 Structural Context

The structural context consists of two parts, first the conditions currently surrounding the energy field, and second, the shared ideas on energy among the major players (notably China, the EU, India, the OPEC countries, Russia and the US).

Contextual conditions

During the initial decades of the 21st century energy is projected to be a central source of insecurity, instability and conflict between global players (above all China, the EU, India, Japan, the OPEC-countries, Russia and US)⁹.

In 2025 six countries Saudi Arabia, Iran, Iraq (possibly), UAE, Russia and Kuwait are projected to account for 39 % of the world's oil production. At the same time, OPEC's production in the Persian Gulf states is predicted to rise by 43 % between 2003 and 2025. Also, in 2025 the consumption of natural gas is projected to have grown by 60 %. Together three states (Russia, Iran and Qatar) account for 57 % of the world's natural gas resources (NIC 2008 p.42).

By 2030 gas is projected to satisfy EU demand for 32% of the total energy consumption whereas oil is predicted to satisfy 35%, despite attempts to reduce dependence on fossil fuels, most notably through the 20/20/20 by 2020-programme. Consequently, the import dependency of Europe is expected to rise from 50 to 84 per cent concerning natural gas and from 82 to 83 per cent concerning crude oil. Simultaneously Russian gas output is predicted to decrease due to lack of investments, while the world's energy consumption is set increase from 83.7m bbl/day in 2006 to 116m bbl/day in 2030, mainly due to swelling demand in China, India and Russia (Larsson 2007 p. 10; Nakhle 2008 p.25). Even though renewable energy (especially wind power) will be the fastest growing

⁹ These projections have been made by e.g. the Swedish Defence Agency (FOI), CIA's National Intelligence Council (NIC), the Developments, Concepts, Doctrine Centre (DCDC of the UK Ministry of Defence), the International Energy Agency (IEA) and the EU.

energy source it will still only make up a small part of the total energy balance (9 per cent in 2030). Add to a more competitive world order due to decreasing US superiority and rising BRIC-countries as well as instability in the Middle East (e.g. Saudi Arabia, Iraq and Iran) (Larsson 2006 p.10; Larsson 2007 p.17-18; NIC 2008 p.1-2). Thus, energy is and will continue to be a contentious issue that will influence world politics in the decades to come¹⁰.

The International Energy Culture

Within the field of energy internationally, the common assumption is that the major players act on the basis of geopolitics. This certainly has to do with the perception of energy as a limited material resource (a strategic good) which is crucial for all national economies to work. As states perceive it, the strategic value of and limited access to energy (material condition) constrains potential for cooperative interaction, i.e. autonomy costs are too high. In this respect, it is rather logical for states to behave egoistically in order to secure energy supplies (Westphal p.97). To some extent this explains the fact that many energy companies still are state-controlled (e.g. Russian Gazprom, German E.ON, French Gaz de France and Norwegian NorskHydro) despite the general tendency of liberalisation in the world economy the last few decades.

To summarise, the structural context surrounding the energy field is competitive, on the one hand, and has a clear national character, on the other.

Table 2. The International Context

International Context
Cultural Context: Competitive
Resource Context: Projected concentration and limitation of resources (notably oil and gas) in the next 10-20 years
Political/Economic Context: Rising powers (notably the BRIC-countries); Instability

¹⁰ This assumption is based on a number of strategic future trends on *inter alia* resource developments, political changes, economic developments, identified by e.g. the Doctrines, Concepts and Development Centre of the UK MoD (DCDC), CIA's National Intelligence Council (NIC), the EU, International Energy Agency (IEA), the Swedish Defence Research Agency (FOI) and World Energy Outlook.

5.4.2 Sequence I: May 2000 – April 2004

In May 2000 the EU and Russia agreed on the initiation of an energy dialogue. In the first Synthesis Report published in 2001 (p.1-7) a list of priorities were lifted, namely,

- Reform of the Russian natural monopolies
- Improvement of investment climate
- Market opening
- Access of foreign companies to exploration
- Production of and transportation of energy resources
- Security of transport networks (including transit) and
- Improved energy efficiency

In fact, many of these goals were already stated in the *Energy Charter Treaty* (ECT) and its transit protocol (signed in 1994), which Russia never has ratified (Morozov 2008 p.47).

At the Feira European Council meeting in 2000 an informal agreement was reached between the parties. The agreement decoupled the energy dialogue from the political conditionality (notably demands on opening markets and liberal democracy) usually applied to the EU's relations with Russia. As a result, this allowed the economic links between the parties to intensify (Morozov 2008 p.47: Romanova 2008 p.64). To some extent, the decision to decouple economics and politics stands in contrast to the shared vision formulated in the joint Synthesis Report (2001 p.1) in which the parties stated that a strong momentum had been generated to develop a political partnership in the energy area.

In November 2000, the EU's declared its special concern for energy security in its *Green Paper* on energy (EU Green Paper 2000 p.1):

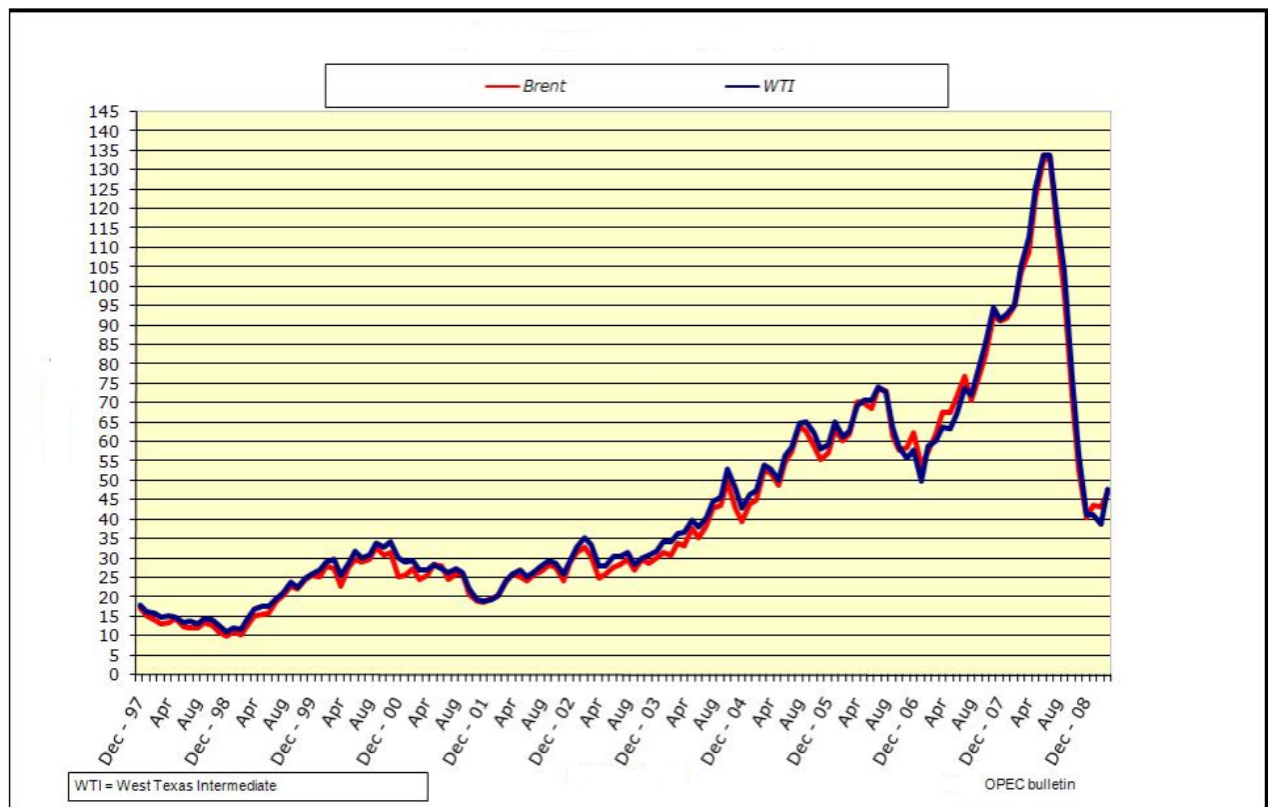
The dramatic rise in oil prices which could undermine the recovery of the European economy, caused by the fact that the price of crude oil has tripled since March 1999, once again reveals the European Union's structural weaknesses regarding energy supply, namely Europe's growing dependence on energy, the role of oil as the governing factor in the price of energy and the disappointing results of policies to control consumption. Without an active energy policy, the European Union will not be able to free itself from its increasing energy dependence.

The EU's concern over its energy import dependence was only reaffirmed in December 2003 when the Union decided to denote it as a security problem in the EU Security Strategy. In the strategy it was also stated that threats to the EU will be tackled not only through the common foreign and security policy but also through trade and aid policies (EU Security Strategy 2003 p.3). Note that the phrasing of energy in security terms occurred rather close to the enlargement of the EU (May 2004), which brought ten new members into the Union and increased import dependence. Hence, the enlargement meant a substantial change of conditions in the energy dialogue (see sequence II).

Already in August 2003, Russia had announced its official energy strategy until 2020 in which it was explicitly stated that ensuring national security was to be the fundamental task of the energy policy (Russia's energy strategy until 2020 referred to in Larsson 2007 p.34).

Also, as indicated by the EU in its Green Paper, oil prices rose during 1999/2000 and continued to rise throughout sequence I (see figure 4).

Figure 4. Development of Oil Prices from December 1997 – December 2008, in USD/Barrel
(Source: the Swedish Petroleum Institute)



5.4.1 Analysis Sequence I

A couple of identifications are crucial in sequence I. First, Russia's emphasis on the role that energy has for its national security can clearly be derived from Russia's beliefs¹¹ about how to reproduce its great power-identity. In this respect there is a clear change of ideas about how to achieve national security and interests, from the traditional importance of military capability to the contemporary importance of resource capability (an enabling factor for economic development). Arguably, this is a clear expression of the intention by the Putin administration to connect a new idea (energy as national security guarantor) to an established idea (the traditional importance that national security has for Russia's great power-identity). Thus, the mentioning of energy as being crucial for national security indicates a change in Russian identity-discourse, away from its Cold War-military beliefs towards a 21st century competitive world order-belief.

Implicitly, the connection between energy, economic development and national security indicates the importance of economic security as variable in the Russia's energy relation-equation. More specifically, it symbolises a mercantilist view which by definition puts politics first, sees economic security only as a part of a wider priority given to the state or national security, and often define economic success as zero-sum. The state, then, is set to "provide the security necessary for the operation of firms and the market" (Buzan et al. 1998 p.95). It is clear that the underlying cause is to be found in the Russian subjective interest favouring Russian independence but also in the constructing effect of the structural context which forms states to be competitive. This, in turn, is supported by the underlying condition of rising oil prices which provides Russia with higher revenues and thus increased leverage. It is also reasonable to argue that there is a connection between rising oil prices and the mercantilist view in terms of a reproductive effect. If rising oil prices give larger revenues and thus contribute to economic development, then the mercantilist view of economic nationalism (which is very much alive in the Russian gas sector) is seen as to be working. Naturally, this reaffirms the Russian belief in the importance of strengthening independence as a way to achieve national goals.

Second, the EU's decision to phrase its import dependence in security terms by itself points to a politicisation of the energy issue, since all security is political (Buzan et al. 1998 p.141). But, by mentioning its growing dependence (which was already made in the 2000 Green Paper) and connecting it with that most imports come from the Gulf, Russia and North Africa it expresses both economic and political concerns; will these actors supply, can they supply?

The economic concern, just like in the Russian case above, signals the priority given to economic security, but from a completely different angle. Rather, the EU's economic security-view corresponds with the liberal view which puts economics first, not politics. The role of the state is to let the market operate as

¹¹ From now on I will refer to subjective interests and beliefs interchangeably.

freely as possible and to provide law and politico-military security. The liberal view naturally favours a positive-sum and joint gains-position (Buzan et al. 1998 p.95-96). Also, quite obviously it can be traced from the EU's belief in the importance of liberalisation and market solutions.

The political concern naturally is connected with the economic concern since conflicts and dictatorial regimes do not favour a functioning market climate.

Chronologically, the EU's phrasing of its import dependence in security terms follows after the announcement of the Russian energy strategy. However, it cannot be substantially supported that the EU's reaction was a response to this new policy and thus an expression of increased perceived vulnerability. But, logically it is connected with it, not least with regard to the increasing import dependence due to the up-coming EU-enlargement. There is another observation pointing in this direction as well. For example, Pierre Noël (2008 p.1) has claimed that the significance of the issue of European energy security is largely exaggerated. The reason, according to Noël, is that Russian gas only constitutes 6.5% of the EU's *primary energy supply* and that Russia's market share of EU gas imports has been halved since 1980 (from 80% to 40%). Thus, despite a substantial drop in the imports from Russia and consequently less dependence, energy imports are increasingly perceived as a problem. Some part of it can be explained with regard to the projections made on increased demand and the fact that attention to energy security tends to be cyclical, triggered by focusing events (e.g. oil crises as in the 1970's and dramatic rises in oil prices as in 1999/2000). But, it can also be seen as a result of subjective policy choices and framing, i.e. how an issue is defined and eventually thought to be solved. In this matter, it is imperative to look at the constraining effect of power relations. The basic idea is that by having more power¹² Actor A can induce Actor B to change its definition of the situation more in light of Actor A's than vice-versa. The point is that in case of an imbalance of relevant material capabilities (read: energy resources) social acts tend to evolve in the direction favoured by the more powerful (Wendt 1999 p.331). The direction in this case is the political direction imposed by Russia's mercantilist approach.

A couple of concluding points are instructive here. First, the fact that not more relevant processes and events were observed in sequence I by itself indicates a lower intensity in the energy issue. Second, even so the politicising trend of the energy issue was clearly visible. Here I want to point at the crucial difference between politicisation and securitisation. Politicisation basically means that an "issue is part of public policy, requiring government decision and resource allocations or, more rarely, some other communal governance" (Buzan et al. 1998 p.23-24). Securitisation, on the other hand, is basically an extreme form of politicisation in which an "issue is presented as an existential threat, requiring emergency measures and justifying actions outside the normal bounds of political procedure" (ibid.). The behaviour of the parties in terms of the conflation between

¹² Power defined as the "ability to afford not to learn" (Karl Deutsch quoted in Wendt 1999 p.331).

energy and security definitely point in the securitising direction and at the same time stand in large contrast to the common ground between the EU and Russia which was jointly established in the progress reports (see progress reports two, three and four). But, the parties do not express the urgency which surrounds a securitisation and seem more inclined to act within the normal political boundaries. This is most noticeable in the EU's focus on policy solutions as a way to manage threats and problems (EU Security Strategy 2003). Also, the agreement at the Feira European Council meeting clearly indicates a non-political approach to the dialogue and a move towards practical. Interestingly enough, from the perspective that the EU's political conditionality is largely connected with its security identity the agreement signalled a substantial break from its subjective interests.

5.4.2 Sequence II: May 2004 – January 2006

With the inclusion of ten new members in May 2004 the EU-enlargement signalled a substantial change of conditions in the EU-Russian relations. These states all have a historically unique relation to Russia as well as a substantial dependence on Russian energy. They import 80% of their oil and 75% of their gas, compared to 15% and 20% for the EU-15 (Berg 2008 p.147). As a result, the dependence on Russian energy within the EU is asymmetrical. For instance, in 2003 Russian gas accounted for 100% of Slovakia's imports and covered 97% of its gas needs whereas corresponding figures for e.g. the Netherlands was 17% and 6% respectively (Larsson 2006 p.19).

In late November 2004 'the Orange revolution' in Ukraine took place which brought the pro-Western politician Viktor Yushchenko into power. Along with the revolution in Georgia the year before these two events significantly changed the political climate in Eastern Europe towards a more pro-Western direction.

In its December 2004 communication, the European Commission announced the strategic vision for the EU's energy relations with Russia. In the vision it became clear that the EU still believes that the only way to ensure stability of supplies on the part of Russia is to spread the principles of the EU internal market beyond the Union's borders (the European Commission 2004; Morozov 2008 p.47). Also, in April that year the Russian State Duma removed ECT from its agenda since it was viewed "as flatly contradicting national interests of Russia" and "being imposed on Russia from the outside" (Chairman of the Duma Committee on Energy, Transport and Communications, Valery Yazev, quoted in Morozov 2008 p.47).

From 2004-2005 and then on a gradual re-nationalisation of the Russian energy sector took place. A couple of events are illustrative. First, in 2004 Russia abandoned its plan to reform Gazprom as a way to introduce competition into the highly monopolised gas sector. Second, the Yukos-affair during 2004-2005 led to the nationalisation of the most important part of Yukos, Yuganskneftegaz, as well as to the imprisonment of Yukos former leader Mikhail Khodorkovsky (a process which was highly questioned in the West). Third, nationalisation also spread to other sectors, notably engineering and car manufacturing (Morozov 2008 p.51-52). However, one needs to be careful when using the term nationalisation because there is no support in official document for such an observation. I return to this point below.

In 2004 there was an instance of progress when Russia ratified the Kyoto Protocol which was an explicit goal for the energy dialogue (see e.g. the first synthesis report 2001 p.5).

In 2005 the Nord Stream gas pipeline-deal was reached between Germany and Russia, a project which the EU and Russia jointly supported (see e.g. 7th Progress Report 2006 p.4; 8th Progress Report 2007 p.4). Despite this, the Nord Stream-project has subsequently led to divided positions within the EU and with Russia. These divisions are primarily related to the question of whether Nord Stream will increase Europe's energy security or its energy dependence.

In the Third progress report (2002 p.1) it was stated that the Shtokman gas field along with the northern trans-European gas pipeline, the Yamal gas pipeline and the Adria/Druzhba network belonged to the projects of common interest to the EU and Russia (see map in Appendix II). The report explicitly stated that it was “necessary to facilitate their practical realisation” (ibid.). In addition, it had been assumed for a long time that Gazprom needed foreign partners in order to develop the Shtokman gas field. In September 2005 a number of candidates were announced, among them Norwegian Statoil and Norsk Hydro and French Total. But, in October 2006 Gazprom eventually decided that it did not need a foreign partner to develop the Shtokman gas field. This decision was greeted by the EU as yet another attempt by Russia to avoid liberalising its energy market while the IEA (the agency for energy-consuming countries) labelled it as an expression of nationalism (Romanova 2007 p.3-4)¹³.

In January 2006 the Russo-Ukrainian conflict over gas prices culminated when Gazprom decided to shut off its gas flow to Ukraine. Internationally, it was largely interpreted as yet another expression of Russian imperial pressure even though economical considerations also existed – for a long time Ukraine has paid well below market price for its Russian gas (Morozov 2008 p.53-54).

During sequence II, oil prices continued climb significantly and reach a level well beyond 50 USD/Barrel (see figure 4).

5.4.3 Analysis Sequence II

A couple of identifications are crucial in sequence II. First, 2004 was the year that really signalled a negative breach in the dialogue and as such meant a continuation of the politicised direction set in sequence I. Two events are illustrative. The first is the European Commission’s decision to emphasise the spread of principles of the EU-internal market beyond its borders as the only way to ensure security of supplies. This clearly signalled the return of the EU’s political conditionality as guiding principles for its energy cooperation with Russia.

The second is the decision by the Russian State Duma to remove the ECT from its agenda on the grounds that it contradicted Russia’s national interests. What is of interest here is the symbolic importance that this behaviour signified with respect to that the energy dialogue builds on many of the goals stated in ECT. Thus, the Dumas’ action implicitly served to undermine the whole dialogue.

The point here as to both the above events is the observed constitutive effect of identities and interests. Basically, it means that the EU cannot be an integrative

¹³ However, during 2007 both Total and Statoil Hydro signed contracts with Gazprom. An agreement was also reached regarding the creation of a common energy company. One reason for the failure in 2005-2006 to strike a deal was that the proposals were not good enough for Gazprom. Now, with a 51% ownership of the shares in the company things were different for Gazprom (Russia Today 13 July 2007).

security union without acting like one, which thus implies the application of its political conditionality. Likewise, Russia will have a hard time being a strong independent state without acting in accordance with its beliefs on how to be such a state. This clearly helps explain the rejection of the ECT on national interest (independence) grounds.

Russia's belief in the importance of maintaining/strengthening independence was further observed in the nationalisation trend (notably the non-reform of Gazprom's monopoly and the Yukos-affair). At the same time, Russia has officially formed a politically correct market economy wherein energy companies act on more or less open markets, but, which is important, in a way that does not contradict Moscow's intentions. Consequently, it is less important to look at who owns the companies than to look at actual political control since this control obviously transcends the ownership share. For example, the Russian state officially owns 51% of Gazprom but, Gazprom itself also has stakes in independent energy companies. In addition, since Gazprom has monopoly on energy export other companies must sell their energy (gas) to Gazprom. Thus, the Russian state has a lot more control than official figures tell which makes the nationalisation tendency shady (Larsson 2007 p.33-35). Shady or not, this tendency is hardly compatible with the need for foreign investment which both Russia and the EU have noticed the importance of (see Synthesis Report 2001 p.4-5). Fundamentally, foreign economic investments entail states to reduce their autonomy requirements. According to this logic less autonomy (increased vulnerability costs) is perceived to be outweighed by the benefits that investments generate (economic development). This logic, primarily advocated by the EU, stands in large contrast to Russia's independence beliefs and thus contributes to explain Russia's unwillingness to open up its market. On a principal level it has to do with the differing views on economic security referred to above where the EU's liberal view points towards openness and competition and the Russian mercantilist view points towards economic nationalism. Also, despite being primarily business-oriented some analysts argue that there is a realisation among Russian leaders of the potential political influence that market dominance gives them. According to this view, they base this realisation on the assumption that economic dependencies lead to political dependencies and eventually privileges (Trenin 2007 p.97). Hence, with respect to the EU's insistence on political conditionality, Russia has no other choice apart from either giving up its strong sovereign power-identity and integrate into a single market (without getting its way) or consolidate its political control over the energy sector and thus reproduce its identity. The choice of the latter by Russian policymakers in the case of e.g. the Shtokman gas field is by no means surprising. Building on the above constructivist assumption, Russia must behave like a great power in order to be one which means that it must act in line with existing great power-norms. As put by Jackson (p.10)

A state's behavior is viewed as an intention to reproduce its identity as a state actor conditioned by shared, intersubjective constitutive norms, e.g., if a state identifies itself as a

"Great Power," it will act to reproduce that identity in terms of prevailing norms regarding Great Power behavior.

The fact that norms are constitutive of behaviour thus helps explain Russia's actions in line with its great power-identity beliefs. In turn, this implies that Russia socialises with other actors as being a great power since these actors are the ones that decide whether Russia is to be seen as a great power or not (Wendt 1999 p.177). Thus, realisation of one's identity (and eventually reproduction) is obtained in interaction.

Certainly, a crucial enabling factor in this regard is the rising oil prices which has given larger revenues and consequently increased Russia's leverage. But, the underlying factor here, however, is found in the strong Realist position within Russian IR-research and policymaking. Due to this there is a continuous reproduction of the belief emphasising the importance of maintaining Russian independence in order to be a great power (Anderman et al. 2007 p.28-29; Shakleyina & Bogaturov 2004 p.38;49).

Hence, even if there are pure economic reasons behind e.g. the Russian decision to cut gas to Ukraine (which there arguably are) the political underpinnings are still substantial. This observation is further supported by the changed political conditions in Europe during sequence II (the pro-Western revolution in Ukraine and the EU-enlargement) which accentuated the political dimensions in the energy dialogue. Basically it had many effects on Russia's regional position, as least from Moscow's point of view. The case of Ukraine and Crimea, the Black Sea peninsula is illustrative in this respect. Crimea both has a Russian naval base and a majority ethnic Russian population which makes it strategically as well as culturally important to Russia (Kucera 2009). More specifically, it touches upon a number of Russian security considerations, namely societal security (the future of ethnic Russians), political security (the configuration of political units in the former Soviet Union) and military security (the ability to protect Russia from internal/external threats) (Buzan et al.1998 p.136-137). For the EU, on the hand, the changed political climate (the enlargement) brought about a more fragmented position towards Russia. What we see here is thus the extension of the energy issue into the fundamentally political question of Europe's and Russia's outer boundaries respectively (Morozov 2008 p. 43).

In addition, the EU's fragmented position needs to be elaborated on more. In this case the Nord Stream-process (initiated in 2005) is illustrative. On the one hand, there are those (notably Russia) claiming that Nord Stream will bring energy security to Europe since it can satisfy nearly 25% of Europe's additional gas imports needs. The German interest in Nord Stream can be traced to the ambition to lower its dependence on coal power plants in Southern Germany (Interview with Pontus Melander). For Gazprom, Nord Stream is a priority since it will help reduce Russia's dependence on transit countries (the Baltic States, Belarus, Ukraine and Poland) for exporting its energy. This gives Russia the possibility of either putting pressure on these countries regarding transit fees and gas prices or bypassing them completely. On the other hand, there are those (e.g.

the Baltic States, Poland and Sweden) who point toward increased energy dependence (Lagutina 2009 p.4). Notably the Baltic States' see Nord Stream as a threat to energy security, transit fees and energy prices' stability (Westphal 2008 p.109).

In some sense, it would be quite normal and cost-efficient for Russia as a producer to want to go directly to the consumer without transit hands. Here I want to return to the example put forth earlier (see section 2.2.2) concerning how *five hundred* British and *five* North Korean nuclear weapons respectively are perceived differently by the US (the former friendly and the latter hostile despite the superior material capability of the UK in relation to North Korea). The point is that shared ideas and experience makes the real difference in perception, not material capability. Thus, Russia is perceived as threatening due to the shared experience of Russia's use of energy for political purposes. Among many European states this perception was only reaffirmed with the incident of the Russo-Ukrainian gas war. In many ways (at least with respect to the Baltic States and Poland) this perception can be traced to their specific history with Russia (Aalto 2008 p.39). But still, the present conditions (i.e. rising oil prices and the changed European political climate) have accentuated and intensified it. Basically, this is as a result of increased Russian leverage and assertiveness on the one hand (due to rising oil prices) and increased perceived urgency for protection of Russia's regional position (due to the changed political climate). More specifically, these conditions have enabled the statist foreign policy tradition to take root and also enabled its performance.

The point is thus that shared experience in many ways explains the worries that some states have about Russia and its potential political use of Nord Stream. But, the point is also that with a different intersubjective understanding among the parties, Russia's action towards Ukraine and in the Nord Stream-case would have been perceived differently (as more economical than political for example).

Here it is also important to point out the constitutive effects of threat perceptions. Hence, if an actor is perceived by others as a threat then it will act in accordance with that perception, i.e. it will reproduce the role as a threat by acting like one (Wendt 1999 p.335). This certainly helps explain Russia's continuously harsh position towards, among others, Ukraine and the Baltic States.

At this stage, one begins to see that the presence of several conditions simultaneously (a geopolitical structural context, rising oil prices, asymmetrical EU-dependence/EU-enlargement, changed European political climate) increases the effect of the parties' differing subjective interests, and also makes the realisation of the EU's beliefs hard to achieve. There is thus something of an accumulative effect as to the present conditions, which in turn has driven the dialogue towards a deeper political posture.

The EU-enlargement has specifically inhibited the development of a common European energy policy, on the one hand, and policy towards Russia, on the other. In turn, this has undermined the EU's political power and thus the reproduction of its international actor-status.

Also, it is clear that that structural context inhibits the possibilities for the member states and Russia to see energy as a positive-sum game and consequently

they reproduce it as a geopolitical issue of national concern. In the case of Russia strong domestic considerations are also involved. Russia needs economic development to make possible the continued growth of its middle-class and to counter its problematic demographic situation. These domestic considerations thus point towards exogenously given interests that neither are constituted by the international geopolitical structure nor the interaction with the EU. Naturally, this serves to weaken the role of structure that the constructivist theory emphasises. But, which is important, it one thing to take interests (and identities) as ontologically given and quite a different thing to make an analytical observation that structure in some instances is less important.

5.4.4 Sequence III: February 2006 – December 2008

In early 2006 Gazprom announced its interest in buying the UK gas supplier Centrica. Fears in London of the possibility of Gazprom taking over Centrica led to serious consultations and eventually the adoption of a special legislation for energy security considerations which stopped Gazprom's acquisition. Interestingly enough, in 2003 the UK adopted a law under which the government is not allowed to block a merging of companies or takeover on the British market for political considerations. The Russian response to the UK's behaviour was harsh and Gazprom's CEO warned that in case of artificial obstacles, based on considerations of political pragmatism, the company would gradually reorient itself toward China and the U.S (Romanova 2007 p.2).

The EU Green paper published in March 2006 was a clear response to the national character of energy within the EU brought to the fore when the Nord Stream-deal was closed in 2005. The paper explicitly stated the urgency with which the EU needs a common energy policy and a unitary position in order to face future demands for ensuring supply of energy. As a result, it set the task of establishing itself as an international energy actor (EU Green Paper 2006 p.14-15).

At the EU-Russia summit in Sochi in May 2006, Russia explicitly rejected proposals advanced by the EU to restructure and depoliticise the gas relationship (Noël 2008 p.3).

During 2006 Russia also hosted the G8-summit at which Russia posed the question of global energy security as an issue of great importance (Kosachev 2008 p.46).

In early 2007 Russia cut the oil flow to Belarus on the grounds of Minsk's non-payment which caused a bitter reaction on the part of the EU. Already in 2004 Russia had interrupted gas shipments to Belarus for the same reasons, only this time it did not cause any harsh reaction towards Moscow (Morozov 2008 p.54; Trenin 2008 p.20).

As a response to the gas disruptions in Ukraine and Belarus, on the one hand, and their weakened negotiating position due to Nord Stream, on the other, the Baltic States and Poland launched the idea of creating a gas-NATO within the EU. The basic idea was to counter Russia's arbitrary gas policy by creating an EU-clause on mutual defence and solidarity in case of energy supply cuts. At the same time, there was much talk about involving NATO proper as a consumer watchdog (Götz 2008 p.98; Larsson 2007 p.38-39).

In February 2007 the EU General Directorate for Energy and Trade's noted the importance of showing solidarity with member states that are highly or completely dependent on a single supplier (Statement on its website referred to in Larsson 2007 p.23). With respect to Russia's role as the largest energy supplier to the EU and since many Central and East European countries are highly dependent on Russian energy the referent object was definitely Russia. Important to notice is that this statement came after the Russo-Ukrainian gas disruption in 2006.

At the Gas-Exporting Countries' Forum, a meeting with the most prominent gas producers in the world (e.g. Russia, Libya, Qatar and Iran), in Doha in April

2007 it was announced that the forum will join forces and deepen cooperation regarding the international gas market. This endeavour is to a large extent advanced by Russia, which also holds a strong position within the forum, and its political dimension was further emphasised with the inclusion of Venezuela. Venezuela lacks any serious assets of gas but has good relations with Russia (Larsson 2007 p.37-38). Due to Gazprom's shortage of funds it is projected that Russia's ability to export gas in the future will decrease. Thus, a cartel (a so-called gas-OPEC) with Russia as leader would be a way for it to continue to control the flow gas despite reduced domestic energy output (Kupchinsky 2006). Thus, in some sense such a cartel would have clear political implications.

In September 2007 the European Commission launched its proposal for the Union's Third gas directive on the liberalisation of the EU gas and power market. As perceived by some Russians the directive was "full of suspicion towards Russia; it seeks to contain our justified objective to invest in the energy sectors of EU member-states" (the Russian President's special envoy for relations with the EU until May 2008, Sergey Yastrzhembsky, 2008 p. 36).

In 2008 Russia and Italy agreed on the construction of a gas pipeline (South Stream) along the Black Sea and across a number of Balkan States. Before this deal came about, Russia secured agreements with Kazakhstan, Turkmenistan and Uzbekistan on the continued transport of Central Asian gas to Russia. The agreement should be seen in light of the EU-proposed Nabucco pipeline which is set to bring gas from Central Asia to Europe bypassing Russia (Trenin 2008 p.21).

In April 2008 a new Russian law on procedures for foreign investments in companies of strategic significance for national defence and security was passed. The law sets limits to the stakes that foreign investors can acquire in 42 sectors, some sectors as low as 10-25 percent (Cleutinix & Piper 2008 p.29). The nationalisation trend of the Russian energy sector (visible in sequence II) is definitely strengthened with respect to this new law.

Furthermore, in June 2008 the European Commission received a mandate from the EU-member states to open discussions on a new EU-Russia agreement (which Poland previously had delayed) (Cleutinix & Piper 2008 p.32-33)

Throughout the second half of 2008 the world faced the acceleration of a financial crisis. In the middle of all this the Russo-Georgian War took place in August 2008, a war that was strongly rejected internationally (not least by the EU). Following the war Gordon Brown, the UK's Prime Minister, wrote:

No nation can be allowed to exert an energy stranglehold over Europe, and the events of August have shown the critical importance of diversifying our energy supply. [W]e must more rapidly build relationships with other producers of oil and gas. Our response must include a redoubling of our efforts to complete a single market in gas and electricity, a collective defence to secure our energy supplies (Gordon Brown 2008).

During sequence III oil prices continued to rise, but following the financial crisis they plummeted sharply (see figure 4).

5.4.5 Analysis Sequence III

The many events that occurred during sequence III definitely points to an increased temperature and intensity in the energy issue (compared to sequence I). By itself this is an indication of the increased importance of the issue, which was only reaffirmed with the mentioning of energy security at the G8-summit in 2006.

Also, due to the increased intensity of the energy issue it has been possible to identify a number of parallel causal processes (or mechanisms) which all are crucial for explaining the failed energy cooperation.

The first process is the lack of trust between the parties¹⁴. Basically, events and conditions during the two initial sequences gradually turned the energy issue into a politicised field, which in sequence III led to behaviour expressing outright distrust between the parties. In turn, this behaviour reduced the level of trust even more. A couple of events are illustrative. First, there is the decision by the UK (indirectly the EU) to adopt a special legislation for energy security considerations in order to stop Gazprom from entering its energy market. Second, the EU General Directorate for Energy and Trade's emphasis on showing solidarity with member states that are highly or completely dependent on a single supplier was clearly directed towards Russia. Third, there is the statement by Gordon Brown at the time of the Georgian War in which Brown clearly connected Russia's politico-military behaviour with its behaviour in the energy field.

In this regard, I have also made an interesting discovery by studying the energy dialogue-progress reports (ranging from 2001-2008) since here one can clearly trace a change in language over time. Accordingly, up until October 2007 no emphasis had been put by parties on the common objective of the energy dialogue to promote trust and confidence. But, in the 8th progress report (2007 p.2), it was stated that "the EU and its Member States share with Russia a common objective to promote trust and transparency in the EU-Russia energy relationship..[.]". This statement was reiterated in the 9th progress report (2008 p.2) from October 2008: "the EU-Russia energy Dialogue is aimed at increasing the level of confidence and transparency in the relations between Russia and the EU in the energy sector..[.]. No earlier report has expressed the importance of these matters so explicitly. The emphasis on trust was further expressed in the EU's Second Strategic Energy Review in 2008 (p.8):

Russia will remain the EU's main energy partner far into the future and more needs to be done to ensure that this relationship is based on trust; each would benefit from consolidating the main principles on which this partnership is based into law. Negotiations could in this way facilitate the reform and liberalisation of the energy market in Russia in line with its domestic objectives, provide stability and predictability of demand for Russian gas, and clarify the conditions under which Russian companies may invest downstream in the EU.

¹⁴ This observation was further supported by Pontus Melander (Interview with Pontus Melander).

The point is that the sudden emphasis on trust and confidence by the parties jointly and the EU separately is arguably a clear indication of the lack thereof. Arguably, if the parties trusted each other then it would not be necessary to emphasise that this is a crucial goal of the cooperation.

From the standpoint that cooperative arrangements have the ability to generate “mutual confidence building and shared experience over time” (Fägersten 2009 p.68), it is clear that the lack thereof points at failed cooperation as well as the failure of the dialogue. Aaron Hoffman has convincingly argued that:

A trusting relationship co-exists with the risk of opportunistic behaviour. Without risk there would be no need for trust. Trusting someone is a gamble where you expect the trustee not to betray your interest. The behaviour of the trustee deems the trusting relationship a failure or success. Trust-building is thereby a process with its own momentum where every successful act of risk-taking on behalf of others generates trust (Hoffman quoted in Fägersten 2009 p.27).

As indicated by the above examples of the EU's and Russia's behaviour respectively, the perceived risk of opportunistic behaviour has increased gradually in the dialogue especially during sequence II and III. Certainly, this development is to a high degree connected with the present conditions (notably the geopolitical context, rising oil prices and the changed European political climate).

The second process is negative self-images. Basically, self-images refer to self-esteem, i.e. the need to feel good about oneself in terms of respect or status, which is primarily achieved in social relations (Wendt 1999 p.236-237). Arguably, the impact of negative self-images helps explain Russia's increased assertiveness, particularly noticeable in sequence II and III.

Self-images are a continuous process of reproducing the Self and naturally Russian self-images date back prior to the period studied here. Certainly, it can be traced to the phase following the fall of the Soviet Union which signified a severe hit to Russia's self-esteem (not least with respect to its dependency on loan and aid from the West). However, during sequence III this negative self-image came to be explicitly expressed in relation to the energy dialogue. Two statements by Russian representatives are illustrative. First, Konstantin Kosachev, Chairman of the International Affairs Committee of the Russian State Duma, wrote in 2008 that “they [Europeans] prefer yet again to see Russia as a threat. [V]irtually all offers the EU has made to us are not so much models of co-operation as mechanisms to neutralise Russia as a risk factor” (Kosachev 2008 p.47-48). Second, Sergey Yastrzhembsky, the Russian president's special envoy for relations with the EU until May 2008, also in 2008 wrote that “the EU-countries have often used problems with transit countries to reinforce fears about Russia” (Yastrzhembsky 2008 p.38).

Basically, “Negative self-images tend to emerge from perceived disregard or humiliation by other states and as such may occur frequently in highly competitive international environments” (Wendt 1999 p.236). Thus, the sentiments expressed above definitely points in this direction. Even though

Messrs Kosachev and Yastrzhembsky are not *representative* of the whole Russian state administration they are still *representatives* of it and thus express its identities, interests and feelings¹⁵.

In addition, the fact that the energy dialogue takes place in a competitive geopolitical context also gives credit to the constructing structural effect on actors' self-images. Hence, when the need to feel good about itself is not met, actors experience fear or frustration and depending on the circumstances the result will either be a change of interests or lead to aggression (Wendt 1999 p.131-132). Also, with respect to negative self-images, recognition can reduce an actor's need "to secure the Self by devaluing or destroying the Other" (Wendt 1999 p.237). Thus, I argue that Russia's assertiveness is largely an expression of and response to unmet needs (lack of recognition) which helps explain its unwillingness to depoliticise the energy relations and the decision to intervene in Georgia.

An additional remark is of interest here. In the earlier analysis it was stated that Russia's assertiveness was largely connected with rising oil prices. But, as the example of self-images show this connection is not the same thing as being a cause to something. Thus, the point is that rising oil prices has enabled Russian assertiveness but not caused it.

In addition, there seems to be a connection between negative self-images and role-casting. Role-casting basically assumes that in order to make one's own identity meaningful a counter-identity or role must be given to the Other (Wendt 1999 p.329). This assumption is interesting with respect to the critique that has been directed at the modernisation theory on which the EU's liberal belief builds. The basic critique is that the modernisation theory gives rise to an implicit superior-inferior relationship by assuming the pre-eminence and strength of progressive Western values. Thus, the critique is basically about the inherent ethnocentric character of the theory (Tsygankov 2008 p.763-764). Hence, provided this in-built assumption, then there must be an inferior Other which makes these values meaningful and also possible to impose these values on. Even though such role-casting may be implicit or even unconscious, it helps explain aspects of the development of the energy dialogue and the EU-Russian relations in general (e.g. the EU's insistence on political conditionality and Russia's negative self-image as being unfairly treated).

The third process is mutual othering. In this regard, mutual othering refers to an on-going process "where the identity of each party becomes crucially dependent on the image of the other as a geopolitical competitor, and potentially adversary" (Morozov 2008 p.59).

The Nabucco and South Stream-pipeline project respectively are illustrative in here. In the second progress report (2002 p.2-3) the EU and Russia mutually

¹⁵ This assumption builds on the notion of '*the logic of appropriateness*'. Developed by March & Olsen, this concept states that actors seek to fulfill the obligations encapsulated in a specific role based on the institution's ethos, practices and expectations (Badersten 2002 p.77). The point is that this point of departure makes it possible to regard individuals as representatives of a rule-based institution and as expressing the views of that institution (in this case Russian state images).

agreed on the importance of increasing the multiplicity of transportation routes. The explicit purpose was to reduce the threat of bottlenecks and the repercussions in case of a problem in the network. For this purpose the parties agreed on a number of projects of common interest. Nabucco and South Stream were not among these projects and, rather the progression of them has taken place outside the energy dialogue. Instead, the parties have come to compete for access to gas that either will increase or decrease the EU's dependence on Russian energy.

At the same time, the geopolitical competitive dimension should not be overemphasised since there are *de facto* practical reasons behind the EU's endeavour to build Nabucco. Basically, Russia is running out of easy-to-get resources and its industry and infrastructure are in great need of investments and restructuring (Larsson 2006 p.37-40). Hence, in this regard it is more about Russia's ability to supply energy rather than its reliability and consequently more about safety than security (Interview with Carolina Vendil Pallin). Arguably, this gives a more balanced assessment as to the degree of geopolitical and security-related dimensions involved in the energy issue.

Still, these dimensions are evident for instance in terms of the talk of involving NATO as an energy consumer watchdog. An involvement of a military organisation would clearly indicate that energy security has become an existential threat which requires actions outside the normal boundaries of political procedures. Also, with respect to the Nabucco and South Stream-cases respectively, the geopolitical posture of the parties respectively is clearly visible since they *de facto* compete for the same resources from the same place.

More specifically, what mutual othering essentially refers to in the energy dialogue is the change in the parties' discourses concerning the view of the Other. For instance, the European perception of Russia is in many ways connected with the classic Western belief in the linkage between democracy and security, which holds firm that undemocratic and non-liberal states are a threat to security and stability (Morozov 2008 p.55). This helps explain the change towards a more intense perception of Russia as a threat and the move towards more frequent use of Cold War-descriptions of Russia's behaviour after the oil/gas disruptions in Ukraine and Belarus and the Georgian War (Morozov 2008 p.59). More important, the democracy-security linkage lies at the very core of the EU's security identity in the sense that a Europe of democratic states is crucial for securing the continent's survival. Thus, undemocratic tendencies in and assertive behaviour by Russia is not compatible with the endurance of this identity. Likewise, Russia's perception of the EU as a geopolitical competitor basically goes back to the ambition to build a new powerful Russian state organised as a supercorporation, with the possibility of acting ruthlessly to achieve it (Trenin 2007 p.98). In this regard the concept of role-casting is again explanatory. As a competitive actor (and as an energy power), Russia needs someone to compete with just like a trader needs someone to trade with. Thus, by casting the EU as a geopolitical competitor Russia makes its own identity and role meaningful.

A couple of additional remarks are important here. First, the financial crisis during the second half of 2008 signaled a substantial change of conditions. At the current stage, it is too early to say what the long-term effects of the crisis will be

but a collapse of the Russian economy is not an unlikely scenario. This is exactly what happened in 1998 when Russia's oil-export earnings fell 30% after oil prices had plummeted (Myers Jaffe & Manning 2001 p.134). Consequently, there may be a possibility that the crisis will increase the Russia's interest in building a long-term relation with the EU since Russian leverage is severely reduced. Thus, detente is possible (Interview with Pontus Melander). Even so, at the end of sequence III the parties' beliefs about each other centre on the other as being a competitor as well as unpredictable and untrustworthy. Thus, with respect to the dialogue-reports on progress and goals, there is large discrepancy between official rhetoric and the de facto definition of the situation by the parties.

Second, the above analysis strengthens the assumption that "structural reproduction is caused by a continuous process of interaction which has reproduction as its intended or unintended consequence" (Wendt 1999 p.186). Hence, by taking a politicised and to some extent securitised turn the energy dialogue has basically reproduced the structural geopolitical context surrounding the energy field. Third, as such it has also created a ground for the continued formation of the energy dialogue. Wendt's (1999 p.187) example of the reproduction of the Cold War is illustrative in this respect. The Cold War meant that:

The US and the Soviets had a shared belief that they were enemies which helped constitute their identities and interests in any given situation, which they in turn acted upon in ways that confirmed to the other that they were a threat, reproducing the Cold War (ibid.).

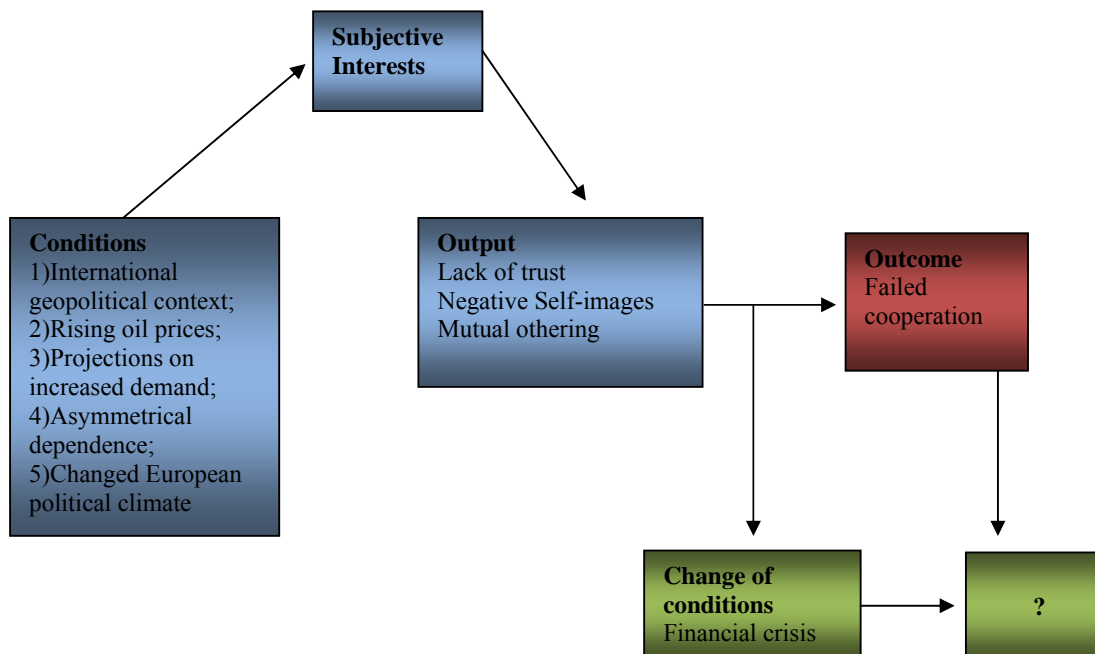
The point is that by establishing the image of the other as a competitor and non-trustworthy the (cultural) formation of the dialogue has been defined. Hence, the risk of reproducing these beliefs is substantial just like in the case of the Cold War. In this regard, the degree of interdependence and intimacy between actors matters. Hence, when dependency is strong (which it arguably is between the EU and Russia), a role identity might not just be a matter of choice that can be easily discarded, but a position forced upon the actor as a result of the representations of other actors. For instance, Russia's view of the EU as a competitor can force the EU to continue take on this role even if it wants to abandon it since Russia resists out of a desire to maintain its own competitive great power-identity (Wendt 1999 p.228).

The risk of reproducing the current dialogue structure is also due to the EU's political conditionality and its connection with the modernisation. With such a posture there is a risk for reproduction of Russia's negative self-image and provided rising oil prices in the future, this will pave the way for Russian assertiveness and aggression.

Fourth, as was stated earlier in the analysis (see sequence II) there is an accumulative effect regarding how present conditions effect the course of the dialogue. Out of the conditions I have identified here, the presence of more and more conditions have lead to an increased intensity in the energy issue as well as a stronger impact of the parties' differing subjective interests. Arguably, this identification has been reaffirmed with regard to the results in sequence III.

The results are summarised in figure 5 and in the following section I will elaborate on a couple of identifications made in the analysis.

Figure 5. Summarising the Results



5.5 A Few Remarks on the Result

Much of the analysis has focused on the importance of national interests, power and the like within the energy issue, which in many ways makes it similar to other analyses on the topic. This, however, is not due to the perspective of my analysis but to the character of the topic at hand (note, for instance, the preoccupation of the Russian foreign policy discourse with power and national interests). What I have been trying to do here is to move beyond the obvious Realist posture in Russian policymaking and in the energy field generally in order to see what difference identities make. In this respect, I admit that energy is a limited resource crucial to the well-being of all national economies, which thus makes it an issue of national interest. Still, since economic well-being is a national interest and thus equal to all states it cannot explain differences in foreign policy approaches (Wendt 1999 p.233-238). In this regard, the examples of Russia and Norway respectively are instructive. Both these states benefit from high energy prices, but still, Norway does not behave like Russia does. The point is that it is the interpretation of the national interests and how these are believed to be achieved that differs rather than the national interests themselves. As a result, this brings us to the question of 'who we are' (Wendt 1999 p.231; 237) and it is in this regard one finds the difference that identity makes in world politics, and hence between Norway and Russia.

In addition, the analysis has also been shown the importance that interaction *per se* has for actors and not just the importance of the issue around which interaction occurs. That is, events and behaviour by the EU and Russia are not just as an expression of the importance of energy as a strategic asset but also a way for the actors to reproduce their respective identities. Thus, social processes are constitutive. This thus helps explain why the EU insists on maintaining its liberal view and why Russia behave in line with its mercantilist view despite that both parties know they would be better off with a integrative cooperative arrangement. In effect, this means that there is an inherent contradiction between the parties' subjective interests and the possibility to develop an integrative partnership which makes the path that the energy dialogue has taken highly understandable. As the analysis has shown common values regarding what games to play, what norms to adhere to and what legal framework to construct are crucial for cooperation to work. Arguably, differing subjective interests have continuously worked to undermine the development of such norms and values.

With regard to the assumption that interaction is socially constructed and that actors behave as they do not because they are determined to do so but because they have learned to do it, the geopolitical/zero-sum game character of the energy issue is highly questionable. Basically, one can wonder if it is really necessary. Arguably, it is not because even if energy is political business it is business first and last which means that it has an inherent positive-sum character (Interview

with Pontus Melander; Trenin 2008 p.22-23). Thus, by paraphrasing Wendt (1999 p.313) one can say that 'energy is what states make of it'.

Also, the fact that role-taking and role-casting helps explain the current structure of the dialogue and the relations in general is important since roles can be changed. A good start is the parties' common conviction that developing the relationship further is of great importance. Even so, it must be admitted that changing the existing situation is hard with respect to the reproductive nature of structures. But, role-identities are not carved in stone and sometimes they are the only variable actors can manipulate (Wendt 1999 p.21). Thus, by questioning the parties' role identities as well as the character of the energy issue one will find the key to improving the EU-Russia energy relations. But, striking a deal on modernisation theoretical grounds now that Russia is much weaker (due to the financial crisis) is not a favourable strategy. This will only strengthen Russia's view that it is being unfairly treated and that the EU (and the West in general) tries to impose its own values without respecting Russia's unique social and historical context. If this happen the risk of reproducing Russia's negative self-image is substantial and thus when energy prices rise we will face an assertive and aggressive Russia once again.

6 Conclusions

A couple of final comments are instructive at this stage. First, as formulated initially this thesis set out to serve as input to further policy analysis on the EU-Russian energy relations. As such I have formulated some fundamental generic knowledge regarding the energy dialogue and also linked the EU's liberal and Russia's mercantilist strategies respectively to a specific outcome. More specifically, I have been pointing at the importance and impact of interaction *per se* on actors' identities and interests. Thus, energy is more than a security, politico-economical question; it is matter of reproducing the Self and the Other. Arguably, this is a conclusion not so heavily emphasised within the field of research on the EU-Russian relations and thus points towards the importance of looking at constitutive and constituting effects. On the contrary, the strong position of Realism in IR and policymaking has made other aspects (notably power and interest) more frequently exposed to decision-makers. For all its illuminating perspectives, this Realist bias creates a risk for depriving policymakers of the possibility to assess the Other's social and cultural context and need for identity-reproduction as relevant variables in the behavioural equation. Arguably, the rather modest assessment of such variables in the EU-Russia energy dialogue has not favoured its progress.

However, policymakers' judgments can only be aided to a limited extent by the kind of generic knowledge I have produced here. These judgments often involve choices between e.g. long- and short-term pay-offs, side effects and when to make a specific decision (George & Bennett 2005 p.276-277). As a consequence, my results ought to be seen as diagnostic rather than prescriptive (which was also the original purpose).

In addition, the lack of competing hypothesis in the analysis means that I have not been able to control for the significance of my hypothesis in relation to other hypotheses. Therefore, it is necessary to be cautious about the results. Also, the macro-level-character of the topic at hand has made it hard to trace definite processes and patterns.

Second, this thesis has been rather state-centric despite the fact that the energy field encompasses a whole range of different actors (notably energy companies). Even though many of these companies are state-controlled they still have their own agendas forming their behaviour and consequently the energy field. Also personal relationships matter. For example, the ties between Mr Putin and former German chancellor Gerard Schröder certainly affected the EU-Russia energy relationship with regard to the Nord Stream-project. At the same time, states and

the state system naturally form an essential part in world politics, not least within international energy politics where state authority reigns supreme.

Finally, as my results have shown more constructivist-based IR-research is desirable for future endeavours to produce policy-relevant knowledge within world politics in general and the EU-Russian relations in particular.

7 Executive Summary

The executive summary follows the same dispositional structure as the thesis. Therefore I start off with an introduction, followed by the thesis purpose, a description of the theoretical and methodological framework respectively, a summary of the analysis and eventually a couple of concluding points.

7.1 Introduction

Europe and Russia has been partners in the energy field for decades and even during the height of the Cold War Russia was considered a reliable supplier. Today, however, strong European voices talk about Russia's use of energy as a weapon.

With respect to the integrative nature of energy and the long history of energy cooperation, this field is generally believed to be most favourable to cooperation between the parties. Still, the development of a working cooperative energy relation has failed so far. Consequently, we ask ourselves why.

7.2 Purpose/Research Question

I have two general aims in this thesis. First, I will investigate the extent to which one can generate policy-relevant knowledge with a solid theoretical basis. My pre-comprehension is that a solid theoretical basis is important for explaining world politics at a deeper level of understanding and, in turn, for how one views interaction in world politics. As such this thesis serves as a source of input to further policy analysis on the EU-Russia relations.

Second, I will investigate the dynamics of the EU-Russia energy relationship, by studying the energy dialogue, and put forth theoretical explanations as to 'how' and 'why' it looks like it does.

Consequently, I pose two separate but interrelated research questions:

- *Under what identities and interests do the EU and Russia interact in the energy game?*
- *Why has enduring energy cooperation so far failed between the EU and Russia?*

7.3 Theory – Wendtian Constructivism

The basic fundament of Alexander Wendt's (1999) constructivist theory is found in its intention to be a *via media* bridging the two positions of rationalism and reflectivism.

Wendt's theory is holistic in the sense that it emphasises the constraining and constructing effects of the international system on states. At the same time, it is individualistic in the sense that it stipulates that states have internal structures which make them states and that pre-exist the state system.

Wendt's theory (1999 p. 23-24; 255) is materialistic in the sense that it specifies that material conditions (e.g. military capabilities) matter to international politics. But it is also idealistic in the sense that it states that material conditions matter depend on actors' relations.

Of main interest to Wendt's theory is identity and interest-formation and how states interaction with other states constitute and are constituted by the interaction itself and the international system.

7.4 Methodology

7.4.1 Most-likely Case study

I have chosen to focus on the EU-Russia energy dialogue since it is a cooperative attempt within a field where cooperation is most likely to occur. Still, success has been modest and by investigating this case it will be possible to find explanations representative to the EU-Russia energy relationship as a whole.

7.4.2 Process-tracing

The analysis builds on a process-tracing methodology. The specific usefulness of this methodology is that it enables the researcher to investigate several causal processes and patterns and to identify the causal mechanisms which are thought to explain a certain outcome.

The aim is basically to find general explanations that can account for the conditions under which identity and interest have mattered to the failed energy dialogue.

7.5 Analysis

The analysis was divided into two separate parts. The first part answers the first research question whereas the second part answers the second research question drawing on the results from the former.

7.5.1 Analysis Part I – Answering ‘How’

The EU-identity

Can one really talk about the existence of an EU-identity since it is not a state and not a unitary actor but still aspire to obtain state-like characteristics (e.g. the constitution). For example, Morozov (2008 p.43) views the EU as a political project “whose nature and role is continually (re)defined in political processes”. Arguably, there is a European political identity which is based on a self-understanding that the continent needs integration in order to avoid fragmentation (Waever 1996 p.122-123). This identity is chiefly about survival and thus an objective interest equivalent to a state’s survival. But, it is not an ethno-national identity and hence gives room for national cultural aspirations (ibid.).

Russian State Identity

For centuries Russia’s state identity has been formed in relation to the West and Europe, and Russia has historically strived to be recognised by the West (Tsygankov 2006 p.17).

During the 21st century Russia has sought for a new place and identity in world politics. The content of Russia’s 21st century-identity centres on an image of Russia as a great power and a unique historical experience given its own conditions and special ties with non-European nations. Basically, the emphasis on Russia as a great power owes a lot to the influence of the Realist school of thought in Russian policy-making (Shakleyina & Bogaturov (2004 p.49).

7.5.2 Analysis Part II – Answering ‘Why’

The second analytical part is divided into three separate but interrelated temporal sequences. The sequence analyses were directed by an initially posed hypothesis, stating that:

- *Different subjective interests¹⁶ have led to failure so far of the EU-Russia energy cooperation.*

¹⁶ Subjective interests basically refer to “those beliefs that actors actually have about how to meet their identity needs, and it is these which are the proximate motivation for behaviour” (Wendt 1999 p.232).

Main Findings in Sequence I: May 2000-April 2004

First, the Russian energy approach builds on a mercantilist view and has a clear connection to the belief in favouring Russian independence. The possibility to realise this mercantilist view is strongly connected with rising oil prices.

Second, the EU's decision to phrase its import dependence in security terms in 2003 expresses both economic and political concerns. The political concern is naturally connected with the economic concern since conflicts and undemocratic states do not favour a functioning market climate and is thus not compatible with the EU's liberal view.

Third, a central issue regards whether the problem of the EU's import dependence is exaggerated. For example, Russia's market share of EU gas imports has been halved since 1980 (from 80% to 40%) (Noël 2008 p.1). By looking at the effect of subjective policy choices and framing (i.e. how an issue is defined and eventually thought to be solved) one partly finds the answer to why this is the case.

Fourth, the fact that not more relevant processes and events were observed in sequence I by itself indicates a lower intensity in the energy issue. Even so the politicising trend of the energy issue was clearly visible here with respect to the parties' differing beliefs (the liberal vs. the mercantilist belief). For example, the behaviour of the parties in terms of the conflation between energy and security definitely point in this direction and at the same time stand in large contrast to the common ground between the EU and Russia which was jointly established in the progress reports (see progress reports two, three and four).

Main Findings in Sequence II: May 2004-January 2006

First, 2004 was the year that really signalled a negative breach in the dialogue and as such meant a continuation of the politicised direction set in sequence I. The decision by the Russian State Duma to remove the *Energy Charter Treaty* (ECT) from its agenda on the grounds that it contradicted Russia's national interests is illustrative since the dialogue builds on many of the goals stated in ECT. Thus, the removal of ECT of the Duma served to undermine the whole dialogue.

Second, an actor cannot be what/who it wants to be without acting like it. Thus, with respect to the EU's political conditionality in its relations with Russia, Russia can either choose to give up its strong sovereign power-identity and integrate into a single market or consolidate its political control over the energy sector and thus reproduce its identity. The choice of the latter by Russian policymakers is by no means surprising with respect to 1) the strong Realist position within Russian IR-research/policymaking and 2) the presence of rising oil prices which has given larger revenues to Russia and consequently increased leverage.

Third, the Nord Stream-project is seen by Russia as a way to reduce its dependence on transit countries (notably the Baltic States and Ukraine) and in some sense, it would be quite normal and cost-efficient for Russia to go directly to consumers without transit hands. But rather, Russia's endeavour is perceived as threatening due to the experience of Russia using energy for political purposes. The present conditions (notably rising oil prices and the changed European

political climate) have contributed to intensify this perception. The principal point here is that shared experience, not material capability *per se*, helps explain the worries about Russia's potential use of Nord Stream for political purposes. Thus, with a different intersubjective understanding between the parties, Russia's actions would have been interpreted differently (perhaps as more economically-inspired).

Fourth, there is also a tendency that the presence of more and more conditions (notably the geopolitical structural context, rising oil prices, asymmetrical EU-dependence/EU-enlargement, changed European political climate) drives the dialogue towards a deeper political posture and increases the effect of the parties' differing subjective interests.

Main Findings in Sequence III: February 2006-December 2008

Due to the increased intensity in the energy issue I identified three processes (mechanisms) in this sequence. First, there is the lack of trust. The most notable examples of this is 1) the UK adoption of a special legislation for energy security considerations in order to stop Gazprom from entering its energy market, 2) the EU General Directorate for Energy and Trade's emphasis on showing solidarity with member states that are highly or completely dependent on a single supplier (which clearly is directed towards Russia), and 3) the emphasis on trust and confidence in the progress reports (if the parties trusted each other they would not suddenly have to emphasise the need to promote trust). Second, there are the negative self-images. A negative self-image is basically a feeling of unmet identity needs which either is met with aggression or change of interests by the actor in order to restore the self-esteem. This helps explain Russia's increased assertiveness. Third, there is the process of mutual othering which signifies a process "where the identity of each party becomes crucially dependent on the image of the other as a geopolitical competitor, and potentially adversary" (Morozov 2008 p.59). This process basically refers to the change in the parties' discourses concerning the view of the Other in relation to their own identity. In the EU's case it refers to the belief in the traditional linkage between democracy and security. Russia is viewed as a threat/competitor due its undemocratic tendencies which threatens the European security identity. In Russia's case it refers to the casting of the EU as its competitor in light of its own competitive great power-identity.

By taking a politicised and to some extent securitised turn the energy dialogue has reproduced the structural geopolitical context surrounding the energy field. As such it has also created a ground for the continued formation of the dialogue by establishing the image of the other as a competitor and non-trustworthy. Hence, the risk of reproducing these beliefs is substantial not least with respect to the strong dependency between the parties.

7.6 Conclusions

Basically, this thesis has shown that interaction *per se* is important to actors as a way for them to reproduce their identities. It has also shown that the existing geopolitical structure of the energy issue has been reproduced due to the politicised turn of the energy dialogue

Also, the fact that the roles the parties play in the energy game explain the current structure of it and the relations in general, is important since roles can be changed. Role-identities are not carved in stone and sometimes they are the only variable actors can manipulate (Wendt 1999 p.21). Thus, by questioning the parties' current role identities as well as the character of the energy issue one will find the key to improving the EU-Russia energy relations. But, striking a deal on the EU's terms now that Russia is much weaker (due to the financial crisis) is not a favourable strategy. This will only strengthen the Russian view that the EU tries to impose its own values without respecting Russia's unique social and historical context. This will increase the risk of reproducing Russia's negative self-image and thus increased assertiveness once oil prices rise.

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9 Appendix I

This section presents summaries of the interviews I obtained during the course of the thesis.

9.1 Interview guide

Introduction

To keep the time limit of approximately 30 minutes I have chosen to limit the number of questions in each part to three questions. Since the interviews are semi-standard this means that the questions are more open than in standardized interviews but more narrow than in open interviews (Flick 2006).

Part 1 – Constitutive questions

Theory-driven questions

- 1) How has the EU and Russia's identities and interests formed the energy dialogue?
- 2) How has international norms formed the energy dialogue? (This question was only posed to Carolina Vendil Pallin and Jan Leijonhielm)
- 3) Has the energy dialogue the character of a zero-sum game? (This question was only posed to Pontus Melander)

Part 2 – Causal questions

Theory-driven questions

- 1) What can explain the securitising tendency in the EU-Russia energy dialogue during the 21st century?
- 2) To what extent does the level of trust explain the securitising tendency in the energy dialogue?

- 3) To what extent do differing dependency structures explain the securitising tendency in the energy dialogue? (This question was only posed to Pontus Melander)

9.2 Interview Summary I

Date: May 5, 2009

Location: Stockholm, Sweden

Interviewee: Pontus Melander, formerly energy coordinator at the Swedish Foreign Ministry, is an expert in energy-, security- and EU-issues.

Pontus Melander (PM) on:

Energy and National Interests

According to PM it is the national interest that directs the energy issue and today there is no common EU-interest. The main national interest is to secure long-term supply of cheap energy (notably gas). Furthermore, the national interest can be understood with regard to the fact that the EU-member states compete for the same thing, namely gas. As a consequence, the states strive in different directions and the absence of a common energy policy strengthens this EU-division. The fundamental problem is that different interests are present in the EU's policies towards Russia which, in turn, lead to bilateral dependencies.

Fundamentally, the cause for the national interest within the energy issue is that energy by definition has a national character.

The EU-Russian energy relation as a zero-sum game

According to PM the energy relation *per se* is not a zero-sum game since energy is a trading good. In essence, this means that energy has a win-win character. It is also the case that the parties have common interests in terms of long-term deals, predictability and secured access (on both supply and demand).

At the same time, PM argued that there is a common view on Russia that it sees negotiations as a zero-sum game where there is always a winner and a loser. This is not a problem *per se* since the EU can provide for its interests even if Russia sees the negotiations as a zero-sum game.

EU's energy dependence

PM started off by pointing out that gas is the biggest issue in the energy relation since the competition for gas is set to increase. The reason is that gas is more environmentally friendly than oil and coal which means that more states want it. For example, in Germany it has been decided that the country's nuclear facilities are to be shut down (this decision has not been implemented however). The common German-Russian endeavour to build Nord Stream also points towards an

increased German interest in gas which also has to do with the ambition to lower its dependence on coal power plants in Southern Germany.

According to PM there is an asymmetrical dependence within the EU in relation to Russia. Sweden, for example, uses oil mainly for transporting and the Government has concluded that Sweden is in no need of Nord Stream pipeline. This indicates a lower degree of dependence. The Baltic States, however, use oil, coal and gas for warming houses which has created a significantly larger dependence on Russian energy.

PM also pointed out that the EU will have to rely on Russian gas in the reasonably near future. The energy relation between the EU and Russia is here to stay. Mainly this depends on the fact that it is in Russia the gas deposits will be when the Nord Stream gas is coming to an end and when Norway will not be able to provide for the need.

However, there are some circumstances that speak for an increasing dependence on Russian gas. First, there are the Arctic deposits. But the possibility to exploit these deposits depends on the melting ice and the development of new technology. The result, in that case, will be expensive gas. Second, there are the deposits in for example Iran, Qatar and Turkmenistan. Concerning Turkmenistan Russia is trying to tie up its gas. Third, there is the possible construction of the Nabucco pipeline. But even if this pipeline will be constructed this would not be enough to cover the need for energy within the EU. PM's point is that alternative possibilities can regulate the depth (i.e. the dependence) of the energy relation but that the EU will be continuously dependent on Russian gas.

PM also meant that the key to a solution is that the EU will agree on some common denominators. Above all, this is a question of coming to an agreement on how to avoid the scenario that Russia can play the EU-countries off against each other.

One way to do this, according to PM, is to create an internal energy market within the EU, which would eliminate bottlenecks and engender a basis for common politics. Thus, national interests could be raised to common interests.

Trust between the EU and Russia

According to PM no trust exists between the EU and Russia. Within IEA (which was originally founded as a way for energy consuming countries to counter OPEC) much effort has been put on trust-building. For example, IEA has worked towards creating a larger understanding with producing countries for consuming countries position and vice versa. In this regard, PM argued that instead of perceiving this as a trust-building initiative, Russia has seen it as a strategy for the EU to get more gas.

The increased Security Policy-character of the Energy

According to PM the energy issue (notably gas) definitely has gained an increased security policy-character during the 21st century. PM exemplified by pointing towards his own position as energy coordinator at the Swedish Foreign Ministry. On a principal level the energy issue has gained increase significance and now includes foreign policy implications which it did not previously do.

Effects of the financial crisis

According to PM the effects of the financial crisis may lower the temperature of the energy issue. Today, the price of oil has decreased heavily and PM pointed out that a depreciation of the price of gas also is probable despite the fact that gas contracts often extend over long periods of time.

In the short term, the financial crisis may also cause a reduced need of energy due to industrial decrease.

The financial crisis has caused Russia a great loss of income and PM pointed out that this may have an impact provided that the Russians want to have a long-term relation with the EU. The alternative to diversify Russian deliveries to for example China is, according to PM, less realistic due to the fact that both the LNG and pipelines from Yamal would cause great costs.

In this way, said PM, the financial crisis has given some respite and created a possibility to establish functional relations within the EU, on the one hand, and with Russia on the other.

9.3 Interview Summary II

Date: May 6, 2009

Location: Stockholm

Interviewee I: Carolina Vendil Pallin, researcher at the Swedish Institute of International Affairs (UI), is an expert on Russian foreign policy, Russian military capability and the EU-Russia relations.

Interviewee II: Jan Leijonhielm, formerly Head of Research at the Swedish Defence Research Agency (FOI), is an expert on the EU-Russia relations.

Carolina Vendil Pallin (CVP) and Jan Leijonhielm (JL) on:

Common interests and common values

According to CVP the division of common interests and common values is a chimera as common interests are based on common values. If the parties do not have a common view on how to build up the energy relation, problems will arise, for example the opinion of the rule of law in the energy field.

One example of this situation, according to CVP, is the environmental supervision that has been referred to concerning the Nord Stream, something which Russia regards as an *attempt* to delay the process. Furthermore, according to CVP, there is a fundamental intention within the EU to emphasize common values.

CVP also pointed out that a complicating circumstance in the negotiations between the EU and Russia, is that the EU seem to have decentralized the decision making while Russia prefers a centralized approach. The EU wants experts to discuss with experts while negotiating. Russia, on the other hand, sends

negotiators without authorization due to the emphasis on a centralized decision making. This shows another difference in values which causes effects on the relation between the parties.

ECT, PCA and Russia-EU

Another issue which CVP and JL pointed out was about the ECT and the PCA. CVP emphasized that Russia de facto has been the initiator of the ECT. The question at present that enclose the ECT is whether Russia is tied to it despite the fact that the Russians have only signed the agreement but not ratified it.

In this context, CVP mentioned the fact that a number of owners of the Yukos are pursuing legal proceedings against the Russian state in which they claim that Russia is tied to the ECT.

Another important issue that was discussed was that Russia has refused to consider the ECT as a part of the PCA. CVP emphasized that now when the PCA is being renegotiated it has been shown to be of importance for Russia to obtain acknowledgement for their international status despite the fact that two summits per year are held between the EU and Russia something which to a certain degree displays the Russian status (at least in its relation to the EU).

Russia

CVP pointed out that to a certain degree there is a Russian great-power identity and that it plays a role in the energy relation. CVP also emphasized that much can be explained referring to tight economic interests. JL, on the other hand, pointed out that there is a certain support among the Russian people for the Russian great-power identity and also for the use of energy as means of coercion. This is basically a question of using the powers they have in order to reach the intended goals.

JL also pointed out that the crisis in Georgia and the gas-stop to Ukraine early this year have had an impact on the EU perception of Russia, i.e. that Russia to an increasing extent is regarded as a threat. In this context JL also pointed out that Russia has been of the opinion that this is a politicization of the energy issue by the EU, something which the Russians do not consider as being necessary since there is no need to combine politics with economics.

CVP pointed out that the sovereignty is important for Russia which is a fundamental idea for the Russian government when approaching other states. This is in glaring contrast to the fundamental idea within the EU which implies that the member countries give up their own sovereignties. CVP meant for example that Russia has difficulties to understand how major states like Germany and France give up their sovereignties within the EU and how they let minor member states put their veto in issues where they disagree with Germany and France.

CVP carried the discussion on to the apparent difference that Russia makes between multi-polarity and multi-laterality. The fundamental idea is that Russia is of the opinion that a number of strong states should make up the rules of game, i.e. multi-polarity but not multi-laterality.

The EU

CVP pointed out that the EU would prefer to regard itself as being a security political actor but that this idea is not equally shared by other actors and least of all by Russia.

JL meant that the location of observers in Georgia has not strengthened the concept of the EU as being a security political actor in the eyes of Russia. With a major common European Union force this concept would possibly be altered.

CVP also pointed out that the EU is powerful in the field of trade policy while the EU is Russia's most important partner for example concerning the FDI in Russia.

CVP pointed out, that the concept of the EU within Russia probably varies in Moscow depending on where a decision-maker is, how much experience he (it is mostly a man) has of the EU and which policy issues that are related to EU-RF. Also, the EU is a diffuse entity to comprehend in general. The possible consequence that CVP pointed out is that different issues are dealt with differently in different areas.

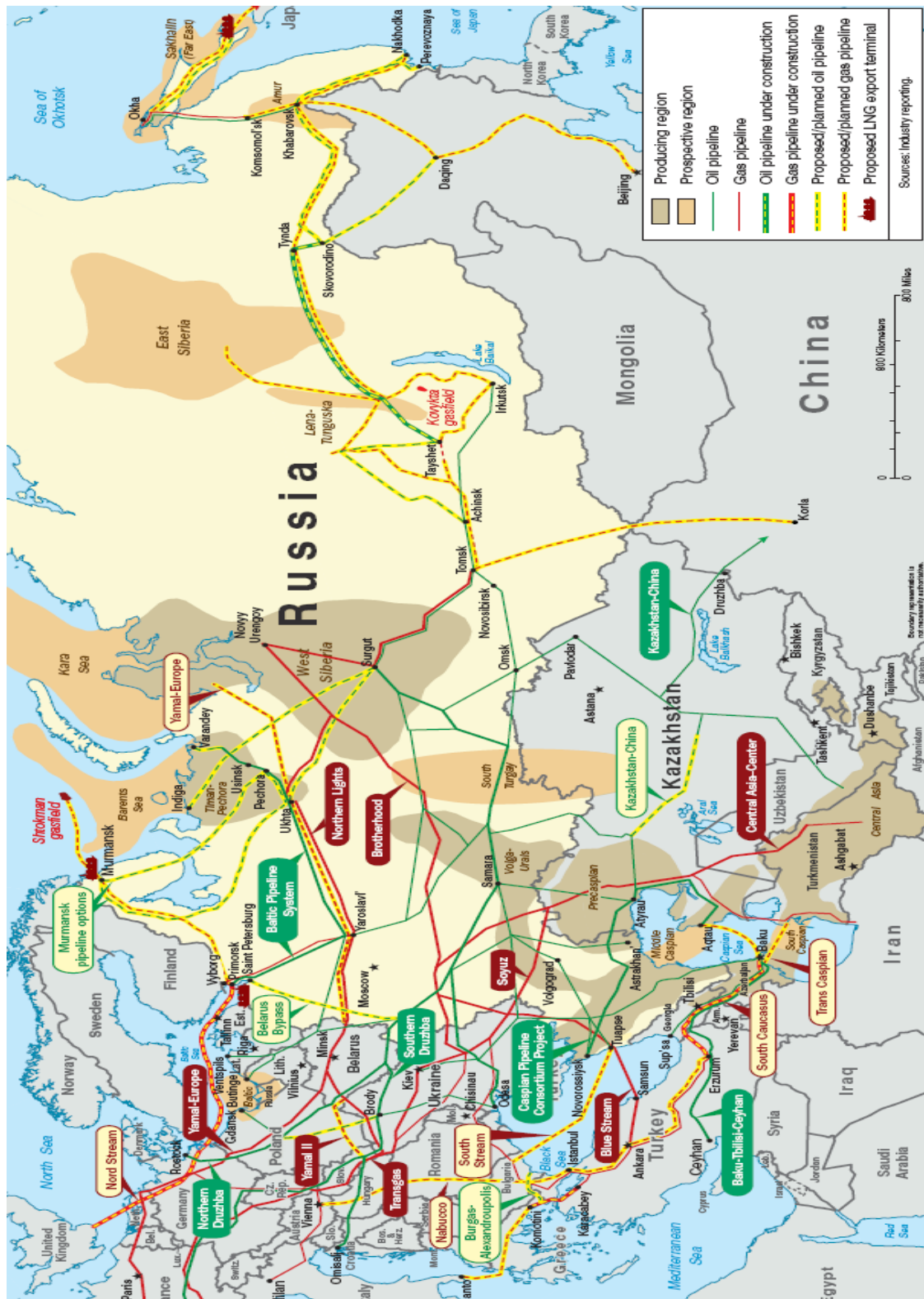
The tendency in security policy

CVP pointed out that the tendency in security policy and the "securitization" of the energy issue is not particularly strong. The emphasis within the EU is more on the legal treatment of the issue in relation to the third party (in this case Russia).

JL pointed out, however, that there is a certain tendency in security policy while, from the Russian point of view, they have been of the opinion that the EU has politicized the energy issue, particularly after the Georgian crisis in the autumn of 2008.

One point that CVP put forward was, that security can deal with many issues. One issue in particular is the Russian capacity to deliver energy. In that case it is more a question of safety rather than security.

10 Appendix II



Source: Energy Information Agency (EIA)