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# The Shifting Geopolitics of the Black Sea Region

## Actors, Drivers and Challenges

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## Introduction[2]

The Black Sea has long been a focal point for regionalization. Both the EU and NATO have had a proactive policy in the region, and various cooperative arrangements have been made to enhance multilateral maritime governance in the Black Sea. Numerous regional mechanisms for interaction and cooperation among the littoral states have been set up, such as the Organization of the Black Sea Economic Cooperation (BSEC), the Black Sea Forum for Dialogue and Partnership (BSF) and the Black Sea Initiative of the EU (BSI). In January 2011, the European Parliament adopted a resolution on the Black Sea, reflecting the fact that since 2005 the region itself has entered a new *modus operandi*. The European Parliament recognized that the Black Sea 'is of geo-strategic importance for the energy security of the EU', and stated: 'given the strategic importance of the Black Sea region for the EU and the rather limited results of the BSI, a strategy should be launched to enhance the coherence and visibility of EU action in the region. Such an EU Black Sea Strategy should be an integral part of the EU's broader foreign and security policy vision' (European Parliament 2011). That report, however, is based on the assumption that the current level of political cooperation does not reflect the high number of multilateral cooperative forums in the region (Hedenskog 2010).[3] Moreover, the effect of such regional initiatives has been called into question, not least due to the rising significance of pipeline politics.

Euro-Atlantic integration has been put on hold. The prospects for transformative Europeanization commonly associated with enlargement processes have been replaced by selective EU engagement under the heading of 'compensatory regionalism' – engagement focused on compensating EU neighbours for the disadvantages of being *outside* the EU, rather than informed by the prospect of letting them *in* (Emerson 2008). NATO-member Turkey seems further away from EU membership; and, although Ukraine still seeks EU association and membership, it shelved its NATO aspirations in 2010.

In the southeastern corner of the Black Sea, the Caucasus is still struggling to overcome the effects of the 2008 Russia–Georgian war, and the existence of the 'de facto' states continues to complicate regional integration. Finally, the prospect of the Black Sea as an energy hub also raises questions concerning the increasingly vector-dominated foreign policy of Ukraine and Turkey. Ukraine balances off the EU and Russia in the energy sector, while Turkey is seeking to develop a distinct foreign policy

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2 Written by Geir Flikke.

3 According to Deborah Sanders (2009), what has been preventing multilateral maritime interaction in the Black Sea is tension between littoral states.

identity that can combine regional weight with strategic energy importance.

## The Approach of the Report

This report discusses the Black Sea region with regard to the parameters of 'shifting geopolitics'.[4] The term 'geopolitics' is understood in the contexts provided by Bobo Lo in his analysis of volatile interest-based relations, and Ole Gunnar Austvik in his reading of the geopolitics of energy. Lo sees global (and regional) geopolitics as:

> [policies] challenging the Western-driven, positive-sum interdependency that has become discredited in many parts of the world. It is a hybrid phenomenon, reflecting the transitory nature of the contemporary international system. (…) This geopolitics is flexible in approach, employing both hard and soft power and making use of multilateral, bilateral and unilateral mechanisms (…). The new geopolitics is not based on fixed and long-lasting 'strategic partnerships', let alone alliances, but on much more supple arrangements that frequently are opportunistic, non-committal and volatile (Lo 2008: 6).

Ole Gunnar Austvik puts a more specific energy dimension into geopolitics, arguing that demands, pipeline structures, market constellations, transport distances, prices and resource availability all blend to form the geopolitics of energy. Two factors matter – imperfect markets, and resource control and availability. Both enhance the significance of political behaviour:

> (…) the more imperfect markets are, the more important the behaviour of the participants is, being political, regulative or commercial (…) the size and location of resources, how available they are, who controls them, their cost, how regional and global markets balance, market mechanisms, political decisions, and energy prices in general, are also important (Austvik 2009: 87).

The paradox of this approach is that, in energy relations, no single actor can impose its will on any other without an economic cost. Hence, the region is also an arena if not for interdependence, then at least one where sovereignty makes little sense if interpreted in absolute terms. 'Territory' also has limited value in the classical sense of geopolitics, as most regional territories are 'bridges' and 'transit areas', with policies that have been sculpted to fit these qualities. Moreover, unresolved territorial issues have a long history, and can only be understood in the context of regional rivalries and the drive for quasi-statehood in autonomous areas. However, this interdependency is not 'Western-driven', and that the political shifts in the region are a consequence of this.

4 For an early assessment of these shifts, see Sherr (2008).

## About the Report

The report provides an overview of political developments in Turkey, Ukraine and the South Caucasus, as well as an energy inventory of the Black Sea region, and discusses the regional developments that fuel balancing policies driven by interests and shifting constellations. The first two sections of this report (written by Einar Wigen and by Geir Flikke) emphasize the volatility of energy partnerships based on transport proposals and the impact of political decisions and volatile energy markets on interaction around the Black Sea. Concerning the South Caucasus, Helge Blakkisrud and Pål Kolstø debate the genesis of the de facto states that continue to have a significant imprint on relations in that area. While these are not newcomers, their significance for regional stability was highlighted in the short August 2008 conflict between Georgia and Russia.

The findings and recommendations of the report are presented in a separate concluding chapter. In summary, we may note that the report argues that the reach of European and trans-Atlantic institutions into the Black Sea region has encountered clearly articulated challenges. First, with the reorientation of the foreign and security policies of states (Ukraine and Turkey); second, with the complexity of energy politics (Ukraine, the Caucasus and Turkey); and third, with Russian recognition of the de facto states of South Ossetia and Abkhazia, coupled with a more distinct presence in the region of the South Caucasus.

# Turkey: A Strategic Backdrop[5]

As with so many other aspects of Turkey's foreign policy, the country's approach to the Black Sea region has long been dominated by its twin commitments to NATO (through membership), and to the EU (through hopes of accession). These two commitments seem to be continuously at odds in the way Turkey approaches its neighbours. On the one hand, there is the tendency to internalize European practices of economic integration and reduce conflict levels for the sake of economic benefit. On the other hand, at least two of Turkey's neighbours are pitted against the West (Iran) or defiant to NATO (Russia). Cultivating close economic relations with states that are at odds with the security pact of which Turkey is a member (although not necessarily with Turkey itself) generates inherent policy problems. Although policy makers may be concerned about this privately, it is seldom problematized in public. In the Black Sea region, this means that Turkey is continuously trying to work out the best way to approach, or (if one prefers) balance, different power constellations. Where the 'old elite' would rely on hard power to achieve this – by having a large standing army – the government that has held power since 2002 has increasingly sought to use softer tools in its foreign policy. As Turkey could never match Russia in hard power, focusing on soft power has opened a new space of political possibilities. It obviously also helps that Russia's relations with NATO are now less problematic than before, and that Turkey's relationship with NATO is no longer as all-important as it used to be.

At the same time, even as the prospects of EU membership seem to be slipping, Turkey has been working hard to make itself more attractive to the Union. Whether this is in the seemingly vain hope that the EU will change its mind, or in order to negotiate some sort of privileged partnership as a substitute, is a moot point. Regardless, increased energy cooperation is one way of making oneself a valuable partner. Turkey possesses few energy resources itself, and will suffer from energy shortages a few years down the line unless it can secure new sources. Nevertheless, in its relations with the EU, Turkey plays up its geopolitical location, claiming that it possesses a unique geopolitical position as regards energy transit. In Turkey, this view is so commonly accepted that it has become entrenched in Turkish politics; it also seems to be largely accepted in Europe. The reasoning goes that Turkey's geographical position 'between East and West' (or rather between the producers and the consumers of fossil fuels) is so valuable that the question is not *whether* Turkey should move into the field of delivering energy to Europe, but *how* that

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5 Written by Einar Wigen.

role should be developed. There seems consensus that Turkey is currently on the way to becoming an important player in the field of energy. As energy projects generally require huge infrastructural investments, tying states together in interdependent relationships, this will place Turkey between Azerbaijan, Iran and Iraq on the supply side and Europe on the demand side. That could put Turkey in a difficult squeeze if the Europeans were to come into conflict with one or more of these states – which at present does not seem entirely unlikely. The required investments will tie Turkey into such a relationship for the foreseeable future, and it will take some time before these investments pay off. What is seldom mentioned is that this is also one of the few ways Turkey can obtain a steady supply of energy products, at predictable prices, for its own domestic needs.

Energy is an interesting field for exploring Turkey's self-perception of its role both within its immediate neighbourhood and in the wider world. While Turkey's material resources are limited, its geopolitical position is treated as if it were the key to almost every problem. Indeed, Turkish policy makers and the Turkish public alike seem to believe in the marketing of Turkey as a 'bridge between continents' and a 'cradle of civilizations'. Still, given the growing insecurity about the reliability of Russian gas supplies to Europe, it is not unlikely that Turkey will be able to utilize its geographical location to serve its own interests: to integrate with and make itself indispensible to Europe; and to secure its own domestic demand for energy, with European and American companies footing the bill.

In the following we will first offer a snapshot of the current configuration of pipelines and supply. Then we present the Turkish energy discourse within the wider context of Turkish discourse on geopolitics, as well as a typology of possible energy scenarios elaborated by Turkish experts. Finally, we turn to the various pipeline projects in which Turkey is currently involved.

## Strategic Pipelines and Domestic Energy Security

> Turkey is undertaking the role of a bridge between East and West. Turkey is developing its geopolitical power with the current [energy transport] projects. We have the Nabucco gas transit project to Europe. This will increase Turkey's importance (Hilmi Güler, Turkish Minister of Energy and Natural Resources, quoted in Socor 2009).

Turkey's role in the geopolitics of the Black Sea region is highly intertwined with the country's approach to energy politics. A key aspect is the recurrent theme of pipeline projects to supply oil and gas to Europe. Turkey is trying to become a central player in the European energy supply chain even though the country actually possesses few deposits of energy resources itself. It is rather its 'unique geography' that is marketed as Turkey's strategic asset. Turkish politicians dealing with energy politics frequently refer to their country in terms of an 'energy corridor'. However, such pipeline projects do come with certain implications attached. For one thing, if Turkey is to be seen as a viable partner in providing energy to Europe, it will need to downplay the pipelines' potential as a tool of foreign policy. That means cooperative integration into European energy markets. At the same time, however, the field of energy policy is driven by some of the same actors who seek to enhance Turkey's role as a regional power. There is also the inherit tension between competing pipeline projects, like South Stream and Nabucco, although the Turks seem to downplay this problem.[6]

Currently, Turkey has five existing pipelines carrying gas or oil to or across its territory.[7] The oil pipelines are built so that the oil ends up at the Mediterranean harbour of Ceyhan and can thus be exported, while the gas pipelines connect with the domestic grid, supplying Turkish consumers. In addition, Turkey is involved in three planned pipeline projects.[8] Of most interest to the Europeans are the pipeline projects that seek to bring Caucasian and Middle Eastern gas to European markets. This is also the main aspect brought to the fore when the issue is discussed by Turks in English-language media. However, a set of interviews conducted by this author in Istanbul in September 2010 would seem to indicate that, from Turkey's point of view, the most important aspect is the country's own energy security. This may be an interesting case of discursive difference between the domestic and the international level: Whereas Turkey's own needs are seldom mentioned internationally, they are acknowledged privately (although possibly less so publicly) on the domestic arena.

Following the break-up of the Soviet Union, the thaw in relations between Russia and NATO made it possible for Turkey to enter into arrangements that had been impossible a few years earlier. Prior to this, there had only been one international transit pipeline crossing Turkey – the Kirkuk–Ceyhan pipeline, carrying Iraqi oil for export. While this was a valuable contribution to the Turkish economy, it did not mean a great deal for domestic supply. To meet this demand, Turkey has since the mid-1990s pursued a strategy for connecting the Greater Caspian area to the Mediterranean Sea in order to act as an outlet for the landlocked countries of the Greater Caspian Region. The backbone of this strategy

6 The current hallmark of the policy of Turkey's Minister of Foreign Affairs is 'integration'. Whatever the problem, his solution is usually 'dialogue' and 'integration'. The result is that Turkey is simultaneously attempting to integrate with the Middle East, Russia and Europe. This is bound to create fissures, and certain priorities will have to be made. Energy projects in and around the Black Sea are a case in point.

7 The oil pipelines are the Baku–Tiblisi–Ceyhan pipeline and the Kirkuk–Ceyhan pipeline; the gas pipelines are the South Caucasus pipeline, Tabriz–Erzurum and Blue Stream I.

8 These are Blue Stream II, Nabucco and South Stream. Blue Stream II is an extension of Blue Stream I, to bring Russian gas across Anatolia to Ceyhan for further shipping to markets overseas (see factbox 3).

has been the Baku–Tbilisi–Ceyhan (BTC) oil pipeline, with the parallel pipeline carrying natural gas to Erzurum (the latter designed for domestic Turkish consumption). Even though the pipeline running from Azerbaijan to Turkey is the one most frequently mentioned in international research literature, it is not the most important pipeline for securing Turkey's domestic demand. Russia is clearly the greatest supplier of hydrocarbons to Turkish markets today (Bilgin 2010a: 87).

## The Turkish Tradition of Geopolitics

The Turkish scholar Pınar Bilgin has argued that Turkey has developed a particular approach to the political science discipline known as geopolitics. As Bilgin argues, this was first formulated in Turkish strategic discourse in 1941 by Professor Ziyaeddin Fahri Fındıkoğlu, who claimed: 'It would prove vital to use the weapon of this new science against those who may set their eyes on our territories in the post-war period' (quoted in Bilgin 2007: 742). The new foreign-policy tool came to be accepted as the key to Turkey's survival and territorial integrity in the post-WWII era.

This was later coupled with the representation of Turkey as possessing a unique geopolitical position, which made geopolitical truths even more pertinent. As Bilgin sums it up:

> (…) the discourses of seemingly diverse actors collude with one another to produce one assumption: that Turkey's geographical location is more unique that others are, and that it has more deterministic power over Turkey's policies than in some other countries (ibid.: 751).

It may well be that the Turkish state has been exceptionally successful in manufacturing consensus on this particular topic. The state does have access to all Turkish males when they do their stint of conscripted service, and since the 1970s, National Security – in which the insights of the Turkish version of geopolitics is taught – has also been a subject that all Turkish secondary school students must take. The current textbook opens with the following paragraph:

> The Turkish Republic, because of its geopolitical position, has had to face [political] schemes devised by external powers. The Turkish youth needs to be prepared to deal with such schemes (quoted in Bilgin 2007: 746).

While Turkey may have developed an idiosyncratic approach to thinking about strategy and geography, this thinking is nevertheless based on geopolitical facts. One may disagree about the relative value of geographic location, but Turkey's location is undoubtedly a potentially useful asset.
It is noteworthy that the traditional Turkish discourse on geopolitics sees competition and cooperation in terms of zero-sum games – what a part-

ner gains by cooperation is equal to what Turkey loses, and vice versa. Hence, if the EU gains something by Turkey's accession, that must mean that Turkey loses equally. The current Minister of Foreign Affairs, Ahmet Davutoğlu, is, however, frequently referred to as the architect of combining the discourse of 'Turkish centrality' with one in which cooperation is argued to be more than a zero-sum game. In order to realize what Davutoğlu sees as the potentiality of Turkey's central position in the world, Turkey needs to use its 'strategic depth' (a metaphor much akin to the Russian 'near abroad') in order to enhance its own position (Bilgin 2007: 749). In this context, Turkish energy policy (and that relating to pipeline projects in particular) is deeply engrained in Turkey's self-understanding as a country central to world politics. Turkish analysts nearly always see a role for their country, no matter what transport configuration is discussed. Turkish politicians will almost invariably talk about Turkey's centrality to world energy supply, in particular that of Europe.

> Turkey is indispensable when it comes to addressing some of the key global energy problems. Turkey is also at the center of energy geopolitics. (…) For a more stable and prosperous world, Turkey, as the shining star of the Near East is always aware of its great responsibility. Today and in the future, an option without Turkey will not suffice in solving all regional and global powers (Yıldız 2010: 16–17).

## Geopolitics and the Making of Turkish Energy Politics

The energy field is discursively linked with this geopolitical school within Turkish strategic thinking. The Turkish Minister of Energy and Natural Resources, Taner Yıldız, is adamant that Turkey is endowed with a unique geographical position that makes it a valuable partner for almost anyone in the field of energy:

> As for the regional role and contributions of Turkey to the world's energy security, it is indeed true that Turkey is geographically a bridge between Europe and Asia. However, with our diverse history, Turkey can also become a bridge between cultures, serving as a platform of exchange to better understand the people in these lands, and their systems. Therefore, it is misleading to view Turkey only as a bridge. Turkey is on the way to becoming a regional center between Asia and Europe. The center of Turkey's energy policy is circular. And the diameter of this circle is equal to the world's diameter. Thus, Turkey's policy on energy security directly affects global energy security (ibid.: 16).

One way of summarizing this is that Turkey is the centre of the world in terms of energy geography, while in terms of culture, it is in a mediating position between two cultural centres. This way of representing Turkey is continuously repeated within Turkish literature on geopolitics; and, as energy is frequently treated through the lens of geopolitics, Turkey is represented as either an 'energy hub' or an 'energy centre'. When Turkish energy expert Mert Bilgin points out that 72% of the world's proven hydrocarbon resources are located 'in its [Turkey's] neighborhood' (Bilgin 2010a: 82), that is not factually incorrect. The problem is rather that this vision of Turkey as the centre is taken for granted by Turkish policy makers and outside analysts alike, even though almost none of these resources are located in Turkey itself. One way of looking at this would be to say that Turkey is 'talking up' its own value as a transit country in order to gain economically from pipelines running through its territory. As Mert Bilgin pointed out in an interview with this author, Turkey's main challenge in the energy sector is not how to exploit its geographic position between energy suppliers and energy markets: it is how to cover its domestic demand for energy. Although future energy demand is difficult to forecast, there is wide consensus that if Turkey intends to continue its rapid economic growth, demand will continue to increase over the next 15 years. According to Bilgin, Turkish energy demand will grow by 5.9% per year until 2025 (ibid.).

Turkey's unique geography and role as a 'central country' is, however, not merely a point of view, but an assumption that underpins the discourse within most security-related policy areas in Turkey. Moreover, it contributes to monopolizing certain policy areas for the rule of experts: geopolitical thinking comes with the attendant assumption that, since it is scientifically based, it should be left to the scientists. One main finding of the fieldwork carried out in connection with this report is that this way of thinking is of great importance to how the field of energy politics is treated in Turkey: it is seldom discussed in open forums, and when it is, intervention by government-sanctioned experts seems to narrow the debate down to a few acceptable positions. Moreover, most decisions are made not in the Turkish Parliament (*Türkiye Büyük Milli Meclisi*), but in various ministries screened from public view. What is disseminated are highly mediated texts, such as the *Annual Report* of the Ministry of Energy and Natural Resources (Republic of Turkey… 2010) and the five-year *Strategic Plan* (Republic of Turkey … n.d.). There are also various articles published in Taner Yıldız' name in journals such as *Insight Turkey* and *Turkish Policy Quarterly* (see e.g. Yıldız 2010a, 2010b).

Energy politics is not entirely closed off from discussion in the Turkish Parliament (see e.g. Türkiye Büyük Milli Meclisi 2010c: 62). However, it seems that the pipelines are not discussed *qua* energy policy, but rather as a side-topic to something else. There is the occasional minister bragging about what the government has managed to accomplish (ibid. 2010b: 48), or the discussion of some aspect of the economy where energy is thrown in for good measure, but then it is rather to illustrate a broader point than to discuss energy in itself. The references to the Nabucco pipeline in the minutes of the Turkish Parliament illustrate what was also highlighted in the interviews: that when discussed on the home arena, it is the question of domestic energy security that gets the most attention. According to Muharrem Selamoğlu (MP from AKP, Niğde),

> Making great strides in the field of energy production in the direction of our country's natural resources, we have developed and implemented less expensive energy projects. We succeeded in making our country a key country by providing energy supply security for our own country and the world through the Baku–Tbilisi–Ceyhan, Shah Deniz, the Nabucco project and the Samsun-Ceyhan oil pipelines (ibid. 2010c: 62)[9]

Indeed, this looks rather familiar when compared with the other representations made by the expert community and ties in nicely with the geopolitical strand of Turkish security policy. There is also a tendency to use the already accomplished pipelines as a way of arguing that Turkey is enjoying increased international prestige (ibid.).

In connection with the signing of the agreement on the Nabucco pipeline project in May 2009, there seem to have been quite a few letters with questions posed by MPs. These are noted in the minutes of the Turkish Parliament, but are not widely available (see e.g. ibid. 2009a: 7; 2009b: 1, 3, 20). There is a concern that the pipelines may be affected by the tectonic fault lines on which Turkey rests. According to Hasip Kaplan (MP from BDP, Şırnak),

> I'd just like to ask: we experienced an earthquake in 1999 and the BOTAŞ pipeline crosses these [very same] faultlines. Now, Nabucco will also pass over these fault lines. But if you look at the cities which this pipeline passes through, there are buildings being built [sic] on top of it; there is a building ban 50 metres to the right and 50 metres to the left. So why is this happening? Does this kind of thing continue? (ibid. 2010a)

## Turkey as Energy Corridor, Hub or Centre?

Mert Bilgin has created a typology of three possible options for Turkish energy policy: energy transit corridor, energy hub, and energy centre. The differences relate to how Turkey profits by getting involved.

> Turkey as an energy transit corridor implies a variety of oil and gas pipelines, and other sorts of transportation, originating from Russia, Caspian and the Middle East not only for [the] Turkish market, but also for Europe and other markets via [the] Mediterranean. Turkey, in this scene, receives certain transit fees; however fails to put priority on domestic needs; is satisfied with average transit terms and conditions; and can not re-export [a] considerable amount of oil and gas passing through its lands (Bilgin 2010b).

[9] All quotes from Turkish-language texts have been translated by this author.

This means that Turkey will have little role in the price-setting mechanisms. It will not buy oil and gas at its eastern border and sell it at the point of export, pocketing the margin. Instead, it will be paid either per unit of product transported: in kind with gas delivered for domestic consumption; or as a percentage of the selling price at the endpoint. This would mean that Turkey merely provides the locale for the pipeline, leaving the rest to other countries, with the exception of the state oil and gas companies that are part of the consortium running the projects. This 'energy transport corridor' model resembles how Turkey's pipelines function today. Turkey is tightly bound by the regulative regime surrounding the BTC and the Kirkuk–Ceyhan pipelines.

The second option outlined by Bilgin is that of an 'energy hub':

> Turkey as an energy hub indicates Turkey's extensive influence on a web of oil and gas pipelines as well as LNG trade not only in terms of its ability to influence transit terms and conditions, but also to re-export some of [the] hydrocarbons passing through this system. Compatibility between international agreements and [the] domestic energy mix is of utmost significance to avoid negative impact of one on [the] other and describes the level of success if Turkey appears as an energy hub (ibid.).

The key point here is that Turkey is able to use its location as a foreign policy instrument also *after* the infrastructure has been built, and not merely when negotiating the initial investment or contract. This would in theory be a valuable resource for Turkey, but it is an open question whether the country would be able to employ this instrument. There may be other structural factors, such as existing friendships and aspirations, that could prevent the effective use of such a tool.

The third model would give Turkey an even more extensive say in how the energy flows of the region will turn:

> Turkey as an energy center refers to a situation in which Turkey's energy hub features have been supported by massive investments such as nuclear power plants, [a] renewable energy program and a comprehensive infrastructure composed of additional refineries, natural gas storage facilities, LNG trains, vessels, marine terminals and ports. Turkey as an energy center also requires her achievement of sufficient energy intensity and a sustainable energy mix (ibid.).

That does sound like something of a Turkish pipedream. On the one hand, it would require a supply industry to service the infrastructure and to trade the energy products. On the other, it would give Turkey extensive power over who in Europe and the Middle East will get their energy needs met. Mert Bilgin has, in an interview in September 2010 with this author, said that he considers it unlikely that Turkey would use such a set-up to pursue foreign policy goals. Rather, it is a question of profit, of securing domestic supply and benefiting from the related industries.

While this typology may offer us an interesting analysis of the differences between these three options, it may be more pertinent to look at what is read out from the possible policy routes. The analysis is silent on the possibility that Turkey may be irrelevant altogether, that it does in fact not have any of these resources itself, and that its centrality is produced through discourse. One may of course point out that Turkey is geographically situated where it is, but this does not explain the route taken by the Baku–Tbilisi–Ceyhan pipeline. The shortest route is obviously through Armenia, the second shortest route is through Iran – and yet, Georgia managed to play its cards (helped by the enmity between Azerbaijan and Armenia and suspicions between Iran and the United States) so that it emerged as the transit route. Similarly, Turkey's role as a transit country is not at all God-given, although it is treated as an accepted fact by Turkish policy makers and policy analysts. The role is hardly problematized in the media, seldom discussed in Parliament and remains to a large extent the privileged domain of the executive branch of government, the Ministry of Energy and Natural Resources and the Ministry of Foreign Affairs.

In summary, Turkey's role in these pipeline projects is both as a recipient and as a transit country for natural gas from the Caspian region and Russia. With the AKP government in power, Turkey has played an increasingly assertive role in its immediate neighbourhood. One may claim that Turkish foreign policy has been 'Europeanized'; that instead of emphasizing its old reliance on a strong military to deter invasion, Turkey is now using economic integration and diplomatic efforts to stabilize its neighbourhood and relations with its neighbours.[10] During the late Cold War period, Turkey's energy policy was mostly confined to the Yumurtalik–Kirkuk pipeline and the Russian gas coming from the Western pipeline via Bulgaria. The present government has gone much further in its ambitions for integrating with European energy markets. In the words of Minister of Foreign Affairs Ahmet Davutoğlu, Turkey is seeking to move from being an 'appendix country' to being a 'centre country' (see Davutoğlu 2001). Energy policy is one crucial area where Turkey has the potential to become a major player without finding itself at odds with the EU.

## Pipelines Projects: South Stream vs Nabucco

The linchpin of Turkey's East/West energy corridor strategy is the planned Nabucco gas pipeline, which is to run for 3,300 kilometres, from Erzurum in eastern Turkey to Baumgarten an der March in Austria, passing through Bulgaria, Romania and Hungary. As the plans currently stand, the pipeline is expected to be operational by 2015; it will initially carry 8 bcm per year, with planned maximum capacity of 31 bcm of natural gas per year (Freifeld 2009: 68). Such schedules are, however,

[10] See e.g. Aydin & Acikmese (2007) or Triantaphyllou & Fotiou (2010).

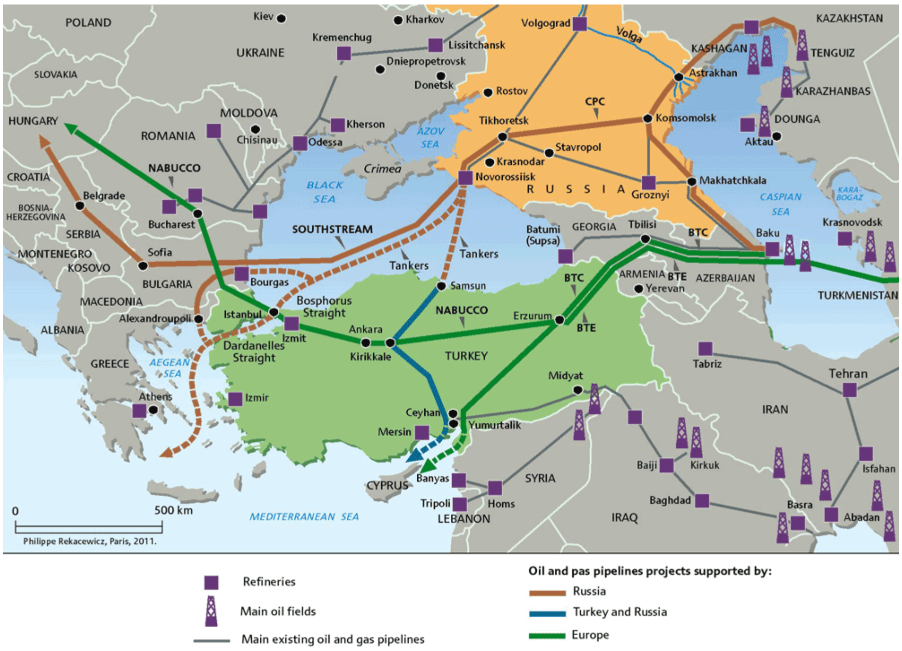
notorious for delays. The pipeline would not only contribute to diversifying the gas supply of Europe, it would also boost the capacity of the newly independent states around the Caspian to act independently of Russia. Likewise, it may offer a viable export option for Iraq. One point seldom touched upon is that it also provides new opportunities for Iranian export: the terminal where the Nabucco pipeline is intended to start is also a terminal for Iranian gas, so there would be a good match between Iran's supply and Europe's demand[11] – although this may not be part of the picture of the energy security that Europe is hoping for.

What gave provided the impetus for Nabucco (see factbox 1) to go from a faint vision to a more concrete plan? The answer is found in the EU's perceived need for diversification of supply. Russia is currently the main supplier of natural gas to the EU, and both sides are dependent on this relationship. The main route for getting Russian gas to the European market goes through Ukraine and Belarus. Between 2004 and 2009, relations between Russia and Ukraine experienced a problematic period. Gas quarrels between Russia and Ukraine in 2006 and again in 2009 led to periodic stoppages in the flow of Russian gas to Europe. This induced Russia and the EU to search for new transit routes – and, in the case of the EU, to seek diversification of supply. Many plans for bringing energy from other sources and via new routes have been drawn up – however, with few concrete investments thus far. These plans include the Nabucco pipeline, which seeks to bring Caspian gas from Azerbaijan to Austria, and the competing South Stream pipeline, which aims to take Russian gas to Italy and Austria.

11 What is noteworthy about Iran's new pipeline is that the country's major gas fields are located in the south, whereas main population centres are in the north. In consequence, for quite a while Iran has been liquefying and exporting gas from the south, while importing gas from Central Asia for consumption in the north. Tabriz, located in the north of the country, is, however, to be fed from Iran's own deposits of natural gas, and the Tabriz pipeline will be able to deliver gas to the European and Turkish markets.

*Factbox 1. Nabucco*

| | |
|---|---|
| Initiated (year and partners) | 2002; Turkey (BOTAŞ), Romania (Tranzgaz), Bulgaria (Bulgargaz), Hungary (MOL) and Austria (OMV); 2009 intergovernmental agreement with EU and US backing. |
| Annual capacity | 31 bcm |
| Estimated costs | 7.9 billion EUR |
| Other partners | Germany (RWE) (2008) |
| Length | 4,042 kilometres |
| End of project period | Operational in 2015 (planned) |
| Countries affected | Bulgaria, Romania, Turkey (all ratified agreement in 2010), Hungary. |
| Resource feeders | Iraq, Azerbaijan, Turkmenistan and possibly Egypt |




Turkey, along with many of the Balkan states, initially entered readily into Russia's South Stream project (see factbox 2), which Russia had launched in order to put pressure on Ukraine. Recently, however, three factors have changed the game concerning South Stream. First, a more Russia-friendly government came to power in Ukraine in February 2010. Ukraine is thus no longer so antagonistic towards Russia, and it is unlikely that we will see a similar deterioration in relations between the two countries in the near future. European energy supply via the Ukrainian route is therefore less likely to be disrupted. Second, the capacity of the pipeline running through Belarus has been increased so as to take some of the gas originally going via Ukraine. Third, the North Stream pipeline (see factbox 4), to transport gas from Russia via the Baltic Sea to Germany, is now being built, and will take some of the pressure off the

Ukrainian route. In sum, the South Stream pipeline, which Russia was planning to build across the Black Sea, has now become a project less likely to be implemented. It is a very expensive option that would not make economic sense if Russia can rely on transit through Ukraine. The point of building it (or at least simply airing the plans) was to increase Russia's leverage on Ukraine. Now that Russia no longer needs such instruments towards Ukraine, the South Stream project has become less important, and seems to have fallen off the agenda. That is not to say that it has necessarily been permanently scrapped. Ukraine may change its mind again, and turn against Russian interests, at which point South Stream could reappear as a possible route for circumventing Ukraine as an energy corridor.[12]

*Factbox 2. South Stream*

| | |
|---|---|
| Initiated (year and partners) | 2007; Russia (Gazprom), Italy (ENI) |
| Annual capacity | 31 to 63 bcm |
| Estimated costs | 25–28 billion EUR (Åslund et al. 2010) |
| Other partners | Austria OMV (2011) |
| Length | 3,300 kilometres |
| End of project period | Operational by 2015 (estimate) |
| Countries affected | Bulgaria, Greece, Serbia, Hungary, Italy, Austria, Ukraine (environmental feasibility plan) |
| Resource feeders | Russia, Turkmenistan |
| Map: See factbox 1 | |

As regards Nabucco, there is a problem of supply. Despite recent discoveries in Azerbaijan's Shah Deniz gas field, Azerbaijani reserves will not be sufficient to feed more than half of Nabucco's potential full capacity (Bilgin 2009a: 4486). Who is to fill Nabucco? There are two main possibilities: Turkmenistan and Iran, with as Iran stands out as the more likely candidate. Whereas Turkmenistan is largely intertwined in Russia's network of gas pipelines, and Russia has recently agreed on a price hike, Iran is currently completing a pipeline carrying gas from Tabriz to Erzurum, the proposed starting point of Nabucco. Interestingly, the goal of diversifying European gas supply away from Russia may lead to greater dependence on Iran. This may cause some tension as the USA, one of the main sponsors of Nabucco, has been pressing for an embargo on Iran. Still, having two potentially unreliable suppliers is better than having only one.

The way Russia and Ukraine tried to hit at each other by manipulating gas transit (abruptly turning on and off the gas pipelines at critical points in time) can provide some interesting lessons for relations with European demand-side states; Turkey and the transit countries in the Balkans; and the supply-side states of Azerbaijan, Iran and Iraq. Just as the gas pipeline became a political tool for Russia in its relationship with

[12] For an alternative view, see Geir Flikke's section on Ukraine below.

Ukraine, so does the Nabucco pipeline have the potential to become a tool in any future conflict between these states. Since more states, with different types of regimes, are involved in the Nabucco pipeline, there is also more potential for disputes and ripple effects. The overall lesson is probably that infrastructural projects serve to bind states together. The costs of using such pipelines as tools to promote other interests in a conflict are enormous, and all sides have a stake in trying to keep relations stable.

There have been some problems regarding the agreement between Turkey and the other partners on the Nabucco pipeline. These can be summarized in three main points:

- Tension between Turkey and the EU, as Turkey asked the EU to open the energy chapter which has remained closed due to the veto of Cyprus.
- Disagreement on taxation of transit: Turkey wanted to guarantee the transit countries tax income calculated in terms of the distance that the pipeline passed through these countries, claiming that the Vienna-based Nabucco consortium would pay tax only to Austria.
- The insistence of BOTAŞ[13] on buying 15% of all gas in transit at discounted prices (Bilgin 2009b: 15).

## Cooperation across Former Blocs

Although the Black Sea region is an important transit area for bringing oil and gas from deposits to buyers, getting gas and oil from the Caspian region and Central Asia to markets in Europe involves large-scale projects that carry significant political risks. The BTC oil pipeline, running from Baku in Azerbaijan to Ceyhan in Turkey via Tblisi in Georgia, is one of the politically most ambitious such projects ever completed. This cooperation cuts across the traditional power-blocs of the Cold War era, involving Azerbaijan, Georgia and Turkey, states that do not necessarily trust one another (for example, both Azerbaijan and Georgia, although the former more than the latter, are still very exposed to Russian pressure). As observed by Ole Gunnar Austvik, the distance between deposits and the markets for oil and gas is a perennial issue when discussing global politics, and its discipline geopolitics (Austvik 2009). Hydrocarbons are a highly prized natural resource, as they can be easily converted into revenues for the state. However, many of the largest deposits of oil and natural gas are located far from the places where they are in demand by industry and consumers. The main reason why the Black Sea Region is of such great importance to this issue is that it is located along the shortest route between the oil and gas deposits in the Caspian region, Central Asia, Iran and the Gulf, and markets in Europe.

[13] BOTAŞ (Boru Hatları ile Petrol Taşınma A.Ş.) is a Turkish state-owned oil and gas transportation company. It has the rather peculiar slogan 'Natural Gas is a Civilizational Project'.

When demand and supply are located far apart, it is vital for the states that need these goods and for those who supply them to ensure that supply lines do not fall into the hands of states or corporations that could disrupt transit. In recent years, the debacle between Ukraine and Russia has been a clear example of this. Ukraine has tried to maximize the revenues from transit for Central Asian and Russian gas: Russia has countered by turning off supply to Ukraine. However, Russia is as dependent on getting its gas to the market as any other supplier, and cannot live off its revenues unless it finds a way of bypassing Ukraine. The obvious choice of using shipping lines is problematic for two main reasons: sea-lane congestion and limited facilities for liquefying gas for transport. The two straits leading out from the Black Sea, the Bosporus and the Dardanelles, can barely handle any more traffic than that already passing through them, so the actors have turned to the less flexible and in the short run economically much costlier option of pipelines. The huge financial commitments involved make the question of long-term stability in political cooperation between the contributing states exceedingly salient.

The Black Sea region is now riddled with potential projects for gas pipelines which all aim to get gas from the Caspian region and Central Asia to European markets. The game is one of political control over these gas pipelines. Although some residuals of the old bloc system of the Cold War seem to come into play, partnerships cross-cutting this are being formed. Italy and Russia are collaborating on the planned Blue Stream II pipeline (see factbox 3), as are Russia and Turkey on the South Stream pipeline. In addition to the above-mentioned projects, planned or built by established actors in the international energy sector, a rather unconventional conglomerate has thrown itself into the competition. The 'Persian Pipeline', which Iran is trying to build in order to transport its own gas to Europe, is a project which involves the National Iranian Gas Export Company (NIGEC) and the Turkish oil company SOM Petrol (*Reuters* 2010). The latter is owned by a Turkish Islamist businessman, reportedly a friend of the Turkish Prime Minister Reçep Tayyip Erdoğan (*Intelligence Online* 2010). According to the head of the section on economic affairs at the Iranian Embassy in Ankara, Ahmad Noorani: 'The Pars [Persian] Pipeline will go from Turkey to Greece, through Italy and on to other European countries' (*Press TV* 2009). In July 2010, Iranian Oil Minister Masoud Mir Kazemi confirmed that NIGEC and SOM Petrol had signed an agreement to build a pipeline across Turkey (*Reuters* 2010). With a capacity of 37–40 bcm, also this pipeline is too large for the purposes it is intended to fill. Confronted with these facts in the summer of 2010, Turkish Minister of Energy and Natural Resources Taner Yıldız replied: 'As for BOTAŞ [the Turkish state-owned gas company] or the Energy Ministry of the Republic of Turkey, we have not signed any such agreement' (*NTVMSNBC* 2010).

*Factbox 3. Blue Stream I & II*

| | |
|---|---|
| Initiated (year and partners) | 1997 (intergovernmental agreement Russia and Turkey); 1999, Gazprom (Russia) and ENI (Italy). |
| Annual capacity | 16 bcm by 2010. |
| Estimated costs | 3.2 billion USD |
| Other partners | |
| Length | 1,213 kilometres |
| End of project period | Operational in 2003 |
| Countries affected | Russia, Turkey (second phase thwarted by Nabucco and South Stream) |
| Resource feeders | Russia |


What then are Turkey's intentions? One way to interpret the fact that Turkey has signed deals for three different pipelines intended to fulfil approximately the same function is that Turkey is hedging its bets. If the South Stream silently fizzles out, then Turkey will have saved face and not have to set priorities. However, the stakes of signing on to both of these competing projects are rather high. Being seen as an unreliable partner to the EU would undercut Turkey's attempts to become an important part/partner of the Union.

Another way of seeing this is that while the discourse on Turkey's energy role is quite monolithic, the oil and gas companies are the main actors in the implementation of energy policy, with different companies being involved in different pipeline projects. Rather than viewing Turkey as a unitary but 'schizophrenic' state, one could move the analysis one level down, and argue that energy is one sector in which Turkish energy companies are in competition with one another. However, in a sector where the commercial actors need political licensing to go ahead with their projects, this is a bit problematic. It is difficult to keep the two levels separate in this sector. It seems unlikely that Turkey would throw in its lot with a largely unknown oil company owned by a friend of the Prime Minister, over its state-owned and more experienced companies.

Summing up, four new pipeline projects (Nabucco, South Stream, Blue Stream II and the Persian pipeline) involving even more complex conglomerates of cooperation, and one exploration mission of the Black Sea seabed[14] are being planned, all of them cross-cutting the traditional patterns of cooperation and making power politics in the region seemingly more complex than ever before.

## Conclusions

Turkish involvement in the Black Sea region and Turkish energy policy overlap mainly in the matter of pipeline politics. Yet there are some clear trends as to how the issue of pipelines and energy transport are framed in Turkey. It is taken for granted that Turkey is 'endowed' with a unique geographic setting. The question is not *whether* Turkey should play a role in the international energy game, but rather *how* and *with whom* to cooperate. As the SOM Petrol case highlights, there is also a corollary to the question of with whom to partner up – that of *who inside Turkey* are privileged to engage in such a politically and strategically important infrastructure project as a major pipeline. SOM Petrol, though it may be well connected, is not seen as a sufficiently secure and reliable partner for such a project.

In Turkish politics, topics that become an issue of contention often polarize the country and evoke strong feelings. Energy is not such a topic, however. It is kept away from the parliamentary arena and whenever it hits the newspapers, it is mostly in the matter-of-fact manner characteristic of topics where there is broad national consensus. That most Turkish observers do not make a point out of the fact that Turkey has thrown its lot in with two incompatible projects, South Stream and Nabucco, is also indicative of this consensus. If the idea that *Turkey is a country central to the transportation of energy* is already taken for granted in a country that possesses almost no such resources itself, Turkey needs to mitigate the possibility that a pipeline may simply bypass it, thereby negating this truism. Given this consensus in Turkish politics and the fact that Turkey is partnering up with nearly all the pipeline projects in the region, there seems little doubt of success.

14 In May 2010, Turkey and Brazil signed an agreement for exploring oil and gas on the seabed of the Black Sea. However, this seems to have limited potential.

# Ukraine: A Strategic Backdrop[15]

Like Turkey, Ukraine is an important player in the energy politics in the Black Sea region. Its role in the energy configuration is strategic in two senses. First, Ukraine is a major transit country for gas to European markets: 80% of all the gas that Russia exports to the EU passes through the Ukrainian gas transportation system (Mankoff 2009), which consists of 37,500 kilometres of pipelines and 13 underground storage facilities. The total annual amount of gas received by EU countries through this network is 110–120 bcm,[16] while Ukraine itself consumes from 60 to 75 bcm annually (Elkind 2010: 133; Chow & Elkind 2009: 78, 81). This pipeline infrastructure is thus crucial to European energy security; revenues from gas transit also play an important role in the domestic economies of Ukraine as well as Russia.[17] Second, Ukraine's role as a littoral state, bordering on the Black Sea, makes Ukraine a stakeholder in existing and potential transport routes for hydrocarbons across the Black Sea.[18] There are also potential oil and gas deposits on the Ukrainian shelf that may be exploited.[19] Indeed, in the squeeze between the EU on the one hand, and Russia on the other, the Black Sea region has been considered by many as *the* arena on which Ukraine could make a visible and counting impact.

Ukraine's importance in energy transit is fraught with dilemmas, however. Like Turkey, Ukraine is not self-sufficient in energy. In 2009, Ukraine met only 25% of the domestic oil consumption and 30% of the gas consumption through its own production, and depended on Russia to cover the rest (Razumkov Centre 2009: 4). As of 2010, Ukraine depends on Russia for 75–80% of the natural gas and 85–90% of the oil consumed, and the prospects for increasing domestic production of oil and gas remain slim. Indeed, energy deficiency is a major problem, as Ukraine is currently able to cover only 47–49% of its energy needs (ICPS 2010a: 21).[20] This has made Ukraine vulnerable to Russian influence, and

15 Written by Geir Flikke.

16 Estimates vary as to Russia's total share of EU energy imports. In 2006, Russia's share was estimated to be 33% of crude oil and 42% of natural gas (Whist 2008). Anders Åslund estimates that Gazprom alone stands for 40% of the EU's gas import and 25% of its total energy supply, but suggests that this will decline (Åslund et al. 2010: 160). See also Gira (2010).

17 The gas transited through Ukraine accounts for less than 25% of Russia's production, but two thirds of Gazprom's revenues, according to Chow & Elkind (2009: 78).

18 Unlike Turkey, however, Ukraine is not an important military player in the Black Sea region. For an account of Turkey as the most significant maritime power in the Black Sea, see Sanders (2010: 110–11).

19 In January 2010, the Ukrainian government issued a permit to Naftogaz to conduct geological surveys of the Pallas field in the northeast section of the Black Sea. The field is expected to contain 157 bcm of gas (Rudnitskiy 2010). Other sources claim 75 bcm of natural gas and 490 million metric tons of oil (RIA Novosti 2010).

20 As Anders Åslund contends, Ukrainian economy is highly energy-intensive and consumes much energy (Åslund et al. 2010: 165). Chow and Elkind (2010: 81) indicate that Ukraine is

also inscribed Ukraine in increasingly complex relations involving the EU, NATO and Russia. Moreover, transit issues have a direct effect on domestic policies.[21] The two gas cut-offs in 2006 and 2009, motivated by controversies over prices and transit, exposed Ukraine to tough political turmoil and economic hardships. Adding to this, Ukraine's political transition after the Orange Revolution was vulnerable to external influences, especially due to the East/West divisions within the elite.

This part of the report highlights Ukraine's transit conundrum and balancing behaviour. Having since 2005 aspired to both NATO and EU membership, Ukraine in 2010 shelved its aspirations to NATO membership, but still argues that it has a 'clear right to become an EU member if it qualifies' (Grishchenko 2010). This position is combined with a more accommodating Russia-policy. Ukraine sees energy transit as a means to enhance its significance for the EU, while at the same time seeking to repair relations with Russia. Still, its Russia-policy in many ways enhances the dilemmas rather than solving them. Ukraine's domestic arena provides an ambivalent display of Russia's importance.[22] Moreover, the new pricing mechanism for gas binds Ukraine in with several issues, such as Black Sea security and energy politics. In this sense, Ukraine displays some of the characteristics of 'shifting geopolitics' referred to above – and increasingly so since 2010.

## Geopolitics and Ukraine's Energy Conundrum

Unlike Turkey, Ukraine does not seem to have made geopolitics a major field of study for aspiring professionals. Still, the matter seems to haunt the Ukrainian polity. When the term 'geopolitics' is used as a description of Ukraine's strategic realities, it is mostly in two contexts: energy, and linguistic divides. The first involves transit issues; the second, politics and political identities. In the energy conundrum, the two come together in a peculiar fashion. Energy transit is a factor that boosts Ukraine's importance, while the country's political identity serves as a major impediment to its modernization. Hence, to the degree that factors combining territory and national identity exist, Ukrainian researchers have referred to Ukraine as a 'dual periphery' situated at the cross-roads of Europe and Eurasia (Perepelytsia 2009: 106–07). While various versions of Ukraine as a divided society have been cultivated at different stages of Ukraine's history, the argument has not manifested itself in any clear assertive or forward-leaning geopolitical posture. Rather, it is the vulnerability of

the sixth largest gas consumer globally and that it consumes more than the Visegrad 4 (Poland, Hungary, Czech Republic and Slovakia) put together.

21 Robert Legvold and Celeste Wallander (2004) have discussed the political effect of a gas cut-offs on a transit country. They suggest that the fact that Russia can sustain the costs of a cut-off longer than Ukraine accounts for its notable political influence.

22 Domestic policies often take circuitous routes that reach back to a deep-rooted domestic policy stand-off over constitutional reforms. In the course of 2010, several important institutional gains from the Orange Revolution were reversed (Flikke 2011)

Ukraine to inherent and surrounding civilizational divides that is the key point. The prestigious *Annual Strategic Review of Ukraine* thus states:

> [Ukraine's] intercivilizational position as a frontier country has become more complicated. Ukraine found itself in an unstable and uncertain civilizational situation. It can be viewed simultaneously as a periphery of the West, i.e. of the Western civilization, and as a periphery of the Eastern civilization, i.e. Eurasia. This *dual periphery* generates challenges faced by any periphery country. Attempts to integrate into either civilization evoke strong resistance of the other civilizational community. Peripheral conditions doom the country to economic backwardness and political instability (Perepelytsia 2009: 106–7).

If anything, the political stand-offs after the Orange Revolution have illustrated Ukraine's ambivalent posture in foreign and security politics, but have not changed the strategic vulnerability of the country. In fact, Ukraine has been considered central to Europe and the European civilization in more than one sense, but certainly more so as an energy transit country. Since 2005, Ukraine has become increasingly aware of the 'strategic energy triangle' involving the EU, Russia and Ukraine, and that Ukraine is 'decisive for European energy security' (Razumkov Centre 2009). In 2008, the *Annual Strategic Review of Ukraine* stressed that 'Ukraine is an important link in providing the European consumer market with fuel and energy resources', adding to this the assertion that Ukraine with its strategic location as a transit country 'takes all required measures to aimed at integration in the European energy community' (Perepelytsia 2009: 5–6).[23] Other analyses have looked more to the inherent 'civilizational' conundrum, and opted for a 'balancing act' policy, suggesting that 'Ukraine, as an energy bridge between the EU and Russia, should not cause conflicts between them, but conciliate and take into the interest of all parties' (Razumkov Centre 2009: 9).

To solve the energy conundrum and prepare for a coherent energy strategy, an *Energy Strategy of Ukraine* was adopted in 2006. Since the adoption of this strategy, Ukraine has sought not only diversification of transit sources, but also alternative sources of energy. The aim was to diversify external energy supplies from three main sources – oil, gas and nuclear energy – each representing about 25–30% of the total volume (Razumkov Centre 2009: 8). However, this strategy has been backed up by clear procedures for adopting energy legislation; according to some estimates, 'the country has no set of effective, interrelated and strategic documents in the energy sector' (ICPS: 2010a: 5). Moreover, a main challenge for Ukraine as a transit country is the poor state of the pipeline system, and what has been termed the 'investment hunger' in the energy sector. The

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[23] In this strategic review, analysts also emphasized the importance of bilateral relations with the USA and Poland first and foremost. The EU follow-up on a Free Trade Agreement with Ukraine after Ukraine's WTO membership in 2008, and the negotiations on the Energy Community starting in 2008 were also seen by Ukrainian analysts as being of primary importance. See Perepelytsia (2009: 91–92).

full capacity of the pipeline system was to be 141 bcm annually, but in 2009, according to Ukrainian estimates, only 75 bcm passed through Ukraine, due mainly to the poor state of the system and the supply crunch in Russia. Modernization of the 40-year-old system has now become mandatory, and Russia has recently embarked on a forward-leaning and proactive policy in this domain (Grib & Gavrish 2010a).

It has not been easy to overcome the structural limitations that domestic consumption, energy deficiency and transit issues emplace on foreign policies. Ukraine's policy on gas prices and relations to Russia has vacillated between a policy of confrontation, arguing that Russia has priced gas too high, using the debt as a means to limit Ukraine's sovereignty, and one of temporary accommodation and agreements. This is due not least to Ukraine's dependence on Russia's hydrocarbon resources to cover domestic demand – a dependence that does not seem to decline, and a fact that makes any attempt to balance the interests of demanders and suppliers more difficult.

Russia's pricing policies undoubtedly play an important role in shaping the Ukrainian energy sector. In May 2009, the debt accumulated by the Ukrainian state energy company Naftogaz exceeded 4.4 billion USD. Of this, 2.2 billion USD were urgently needed to pay overdue credits (Razumkov Centre 2009: 8, 19). To be sure, in the aftermath of the 2008 global economic crisis, Russia carried costs as well. Ukraine is a major gas market for Russia, and Russia's insistence on being a global energy actor obscures the fact that the CIS region remains the most important market for Russian hydrocarbons. Moreover, in 2009, Gazprom experienced a decline in EU demand for gas, as well as the heavy costs of long-term and fixed-price contracts (Åslund et al. 2010: 162). The collapse of the SATs pipeline bringing gas from Turkmenistan to Russia in April 2009 added to the problems. Russia lost the Turkmens to China; and given Russia's dependence on cheap Turkmenistani gas, this impacted on the economy as well.

Nevertheless, while Ukraine sees the transit of gas to European markets as being a foreign policy asset, it also has the potential for huge impacts on the national economy. This will remain so also in the future: The already-dire need for investments in the pipeline infrastructure will increase, and Ukraine's domestic capacity for production is decreasing (ICPS 2010a). The Lithuanian analyst Sirijos Gira is correct in saying that the 'aspirations of the Ukrainian government to review energy relations with Russia may be explained by the wish to obtain additional leverage in the negotiation process on modernization and privatization issues of the Ukrainian natural gas transportation system' (Gira 2010) – and subsequently with the EU as well. In Ukraine, 'Europeanization' currently means energy policies, first and foremost: Ukraine wants any relationship to the EU to be 'special' – that is, adapted to the domestic and economic realities of Ukraine – but Ukraine cannot simply leave the *realpolitik* of the gas transit. A Razumkov study has concluded that 'the EU and Russia – in the chase for diversification of ways [transport routes] and sources of gas delivery sometimes neglect economic principles' (Razumkov Centre 2009: 24). This is an understatement, and reflects two things: the reliance of Ukraine on energy transit; and the apprehension that other transport routes may challenge its transit importance. The net result is *politics*.

## The EU: Between ENP and Energy

EU policies with Ukraine are designed to fit with what has been called 'compensatory regionalism' (Emerson 2008).[24] The European Neighbourhood Policy (ENP) is a primary tool in this approach. It sets 'accession Europeanization' demands, without offering the incentive of membership (Wolczuk 2009). The ENP is about making neighbours 'European': on the one hand it is characterized by strict conditionality in a 'top–down' approach to the recipient country, and on the other, by a 'conditionality lite' as it offers only a loose framework for 'Europeanization' (Franke et al. 2010: 149–50).[25] This said, the bilateral format of the ENP is designed to address country-specific issues, taking into account the huge regional differences. For Ukraine, the prospects of an association agreement or membership have overshadowed any other incentive offered by regional cooperation. This stems partly from the fact that there are numerous regional initiatives, including the Visegrad 4, the Eastern Partnership, and the Black Sea Synergy. For Ukraine, it is sometimes hard to conceptualize what 'regional cooperation' means if membership is not an option. Moreover, for regionalism to matter, the various regional initiatives will have to be more effective – but then again, Ukraine has not positioned itself unambiguously in any of these.

Although the incentives are weaker than if full membership were on the agenda, the ENP apparently has an effect, not least in combination with other tools. According to the theory of 'institutional entrapment', the EU can create conditions for integration by developing a critical mass of institutional links with Ukraine. The idea is to create institutional levels that promote transformation, secure convergence and create a critical mass that raises the cost of opting out of the integration – or neighbourhood process.[26] This entrapment works two ways, however. As Flemming Splidsboel-Hansen contends, there are also dangers of 'reverse rhe-

24 Emerson contrasts this with 'transformative regionalism' and 'geopolitical regionalism', where the former alludes to 'accession Europeanization', and the latter to a status-quo interest policy. Given the nature of the EU, several understandings of regionalism may apply.

25 Gwendolyn Sasse (2008: 296) argues the converse, suggesting that conditionality criteria are more 'vague for both the EU and the ENP countries', indicating that conditionality is stronger for the EU on the Balkans.

26 Institutional entrapment cuts across several levels of political life, bureaucracy and civil society in Ukraine. Discourse on association and 'Europeanization' are launched at several levels. Ukraine has about 650 officials dealing with the EU at various levels (Solonenko 2010).

torical entrapment', where 'ideational reasons may compel the EU to offer much more than it would otherwise have done' (Hansen 2006). The idea of a Europe that is open to all may create expectations within the elite that they can seek legitimacy for their policies by appealing to 'Europeanization'.[27] In this sense, much of what the EU considers to be the transformational effect of its ENP would depend on Ukraine's ability to absorb EU reform demands, and also Ukraine's regional posture.

As a transformative actor, the EU has focused primarily on governance and convergence with EU policies. In the energy sector, the EU has relied mainly on institutional incentives. Ukraine has ratified the EU Energy Charter (1998), but not the transit protocol regulating relations between producers, consumers and transporters. From 2005 until 2009, the EU offered few specific new incentives, conducting generally regular high-level summits, focusing on the internal political reforms of Ukraine, a core issue for the EU during this period. For instance, at the 12th EU–Ukraine Cooperation Council meeting in 2008, the final statement addressed political stability and constitutional reforms (Gliére 2009: 89). The EU did sign a MoU with Ukraine on energy in 2005, benchmarking policies for Ukraine to pursue in order to become energy-efficient (Fedorchenko 2010); and in 2009, it embarked on an agreement to modernize the gas transit system of Ukraine conditional on the Ukrainian side providing state guarantees for funding. As of December 2009, Ukraine also became a member of the European Energy Community, originally a tool for expanding the EU energy market to southeastern Europe.[28]

Energy and internal transformation remain critical focal points for the EU also in a larger regional context. As argued by Latvian analysts Toms Rostoks and Andris Spruds, the EU can have an impact on regional energy cooperation, both in terms of financial means (mainly investments in the infrastructure of new members) and as a multilateral arena for discussions on energy deliveries (to overcome 'energy unilateralism') (Spruds & Rostoks 2009). The former could be related to the neighbourhood policies, or pledges to invest in transit systems, while the latter relates to a distinct 'arena effect' on external surroundings, involving the implementation of norms. In both instances, bilateralism would be problematic.

Even in this context, Ukraine has been considered a 'test case' for the transformational power of the EU, and partly also as an important frontrunner in Europeanization (Solonenko 2010; Franke et al. 2010). The

27 For example, while the EU may use multiple levels to create structures that make it costly for elites to abandon conditionality and Europeanization, it cannot guard itself against a reverse conditionality, or rhetorical entrapments that suggest the need for quick association agreements. Hence, when Ukrainian Prime Minister Tymoshenko in the autumn of 2009 stated that it was necessary to sign an association agreement with the EU before the presidential election, she was inviting the EU to take a political stand (Sidorenko 2009).

28 The European Energy Community is open to third members and observers. Current observers are Georgia, Norway and Turkey.

effect of the 'energy unilateralism' disruptions in 2006 and again in 2009 was instrumental in prompting the EU in March 2009 to pledge a 2.5–3.5 billion USD loan to modernize Ukraine's pipeline system, while simultaneously launching the Eastern Partnership (EaP). The loan would be given by the World Bank and the EBRD, pending transparent handling of transit issues and EU access to pipelines and underground storages in cases of gas disruption. Russia reacted promptly, condemning the deal for leaving Russia 'out', which again illustrated Ukrainian vulnerabilities.

Ukraine has sought to get Russia to focus its concerns on NATO membership, not on the prospect of EU integration. Ever since declaring in 2006 that Ukraine would not need a membership action plan (MAP) from NATO, now President Viktor Yanukovich has, at least at the rhetorical level, preferred tighter association with the EU. To substantiate this, Yanukovich immediately after his presidential inauguration in March 2010 travelled to Brussels to get the EU to implement a new visa-free regime starting from January 2011.[29] In an attempt to add increased credibility to its policy, the Ukrainian government also submitted a draft law to the Rada on 'Applying for membership in the European Union', which included a presidential mandate to establish a commission preparing for rapid accession to the EU (Sviridenko 2010).

Still, Ukraine's official shelving of future NATO membership in June 2010 has dismantled the logic of Euro-Atlantic integration pursued by the outgoing Yushchenko administration (parallel EU and NATO processes). According to the foreign-policy outline of the new government, Ukraine is to pursue a policy of 'strategic balancing' and 'transparent neutrality' that rules out NATO membership. At the same time it opens up for Russian leasing of naval facilities for its Black Sea Fleet up to the year 2042 (see below for details). In the current government's perspective, such a policy implies 'Europeanization' without harming relations with Russia, as well as making the most of Ukraine's strategic assets, including gas transit, all in the name of economic modernization (Grishchenko 2010). This may, however, very well imply an example of reverse rhetorical entrapment. The Ukrainian government has from time to time tried to make the most of what it refers to as 'EU promises', but without referring to the conditions set by the EU. In July 2010, Ukrainian foreign minister Konstantyn Grishchenko indicated that the EU could not back down from its commitments to Ukraine. Claiming that Ukraine as a European democracy had an 'absolute right' to become a member of the European Union, Grishchenko lamented that the EU stood in danger of becoming 'a democratic ghetto, separated from the rest of the continent' (ibid.).[30]

29 This visit was partially in response to the European Parliament's adoption of a resolution in February calling for a 'road map' for a visa-free regime with Ukraine.

30 The Party of Regions has also sought recognition from the European Parliament, seeking a membership in the club of social democrats.

Ukraine gets no free ride from the EU, however. As mentioned above, the EU's commitment from 2009 to invest in the pipeline system and secure transit is tied to Ukraine's own contribution with state guarantees. As regards the prospects of visa-free travel, despite Yanukovich's attempts in March 2010 to reassure the Commission that Ukraine would 'continue its path towards European integration' (Sidorenko 2010b), the EU did not drop its demands that Ukraine should establish a new government body dealing with migration and should undertake the reform of the system of assigning international passports. In addition, all EU members would have to ratify a treaty with Ukraine individually (Sidorenko & Kalnysh 2010). In a parallel process, the EU cut the ENP funding to Ukraine by 24 million EUR, earmarking the remainder (totalling 470 million EUR) for economic and legal reforms (90–140 million EUR), sustainable development (211–258 million EUR), plus the implementation of *acquis communautaire* norms (117–164 million EUR) (Panchenko 2010). Similar indications of caution were given in April 2010 with the circulation of a non-paper called the 'Matrix', an informal way of communicating the EU benchmarks for Ukraine, but without the high-level clout attached to the regular summit declarations (Solonenko 2010; Sidorenko 2010c). The Matrix did contain a road-map drawing up short-term, medium-term and long-term goals, including listing a Free Trade Agreement (FTA) as a new long-term goal. Finally, as a result of its accession to the European Energy Community, Ukraine has to make investments of 8–15 billion EUR in order to implement the EU directives on environmental standards and energy efficiency (ICSP 2010b).

## The Kharkov Agreement: Russia Goes Downstream

While EU–Ukraine relations were characterized by mutual caution throughout 2010, Russian–Ukrainian relations revitalized substantially over the same period. This is mostly due to Russia's rapid reactivation of relations after the presidential elections, especially in the energy sector. For Ukraine, the strategic outlook has remained relatively constant – one of asymmetric dependence on Russian energy transit to the EU. According to the *Annual Strategic Review,* 'Ukraine's energy security included [in 2008] the same unresolved problems that emerged back in 1991 – the need for reducing energy dependence on the external monopolist supplier, and enhancing energy efficiency in the national economy' (Honchar 2009: 127). Still, the 'civilizational factor' has had an imprint in the sense that those of Ukraine's political elite currently in power have appealed to Russia to solve its modernization issues and mounting budget deficits in the wake of the 2008 crisis.

In 2010, this set adrift what James Sherr has termed the 'mortgaging of Ukraine's independence' (Sherr 2010b). At first, this involved an appeal to both the EU and Russia. Prior to the elections, Yanukovich proposed to form an international consortium for modernizing Ukraine's pipeline system. Shares would go to the EU, Ukraine and Russia, and would be made conditional on lower domestic gas prices for Ukraine. The foreign-policy vision attached to this was that Ukraine should be central focus of the consumer interests of the EU and the energy companies of Russia and Central Asia, with a capacity increase of 200 bcm per year (Grib & Gavrish 2010a). After taking office, President Yanukovich tried to address energy issues and foreign policy within a framework if not for European integration, then at least for a common European vision of Ukraine's importance in transit questions.

The attempt to enhance the significance of Ukraine as a transit country dwindled with the impact of the economic crisis, however. Ukraine could not 'pull Russia in through the pipeline', as *Kommersant* indicated (ibid.), without incurring substantial political costs. The impacts of the 2008 crisis were deep. Ukraine's foreign currency reserves had been reduced from 22 billion EUR in 2007 to 17 billion EUR by 2010. The currency had depreciated by 60%, and the budget balance worsened from a 1% deficit in 2007 to a 10% deficit by 2010. Most importantly, foreign debt as estimated in percentage of GDP was 55–60% in 2007–08, but increased to 90% in 2009 (UNIFIN 2010). In March 2010, the government woke up to a budget deficit that was higher than the 6% threshold introduced by the IMF, thus preventing the release of a 15.8 billion USD stand-by loan.

Identifying energy costs as a source of the fiscal crisis, the government set out both to negotiate lower gas prices and to reclaim control over the national energy company Naftogaz.[31] Originally, the scheme included the Azarov government's ambition of securing a reduction of the gas price from 305 USD per 1000 cubic metres to the same level as Belarus paid, that is 168 USD per 1000 cubic metres, in exchange for the establishment of a gas transport consortium (Gavrish & Grib 2010a), but also against a raise in the leasing fees for the Black Sea fleet.[32] Gazprom was playing hard to get, however, signalling that gas prices would remain at the former level (Rudnitskiy 2010). Also the idea of a joint gas-transport consortium was downplayed by Gazprom, which argued that it would be interested only if it could receive a controlling package in Uktransgaz. This demand was repeated during a meeting with Putin and Azarov, when Gazprom representatives argued that the gas market had changed,

31 Two former employees of the Firtash-controlled Ostchem Holding were promoted as directors of the departments on gas exploitation (Ukrgazdobycha) and gas transit (Ukrtransgaz). Moreover, the government was preparing to regain a majority stake in Ukrtatnaft (Gavrish & Ledenev 2010). *Kommersant* warned against the tendency of the prime minister to involve the state in all branches of the economy (Gavrish et al. 2010a).

32 Before the election, President Viktor Yushchenko had asked the Constitutional Court to rule on whether an addendum added in 1997 to allow for leasing of the Black Sea naval base was in conflict with paragraph 17 of the Constitution, which prohibits permanent foreign military bases in Ukraine. Yushchenko argued that paragraph 14 should be seen as a preliminary regulatory act with a specific time-limit, and also that parliamentary debates on the paragraph dating back to 1996 justified a termination of the leasing by 2017, or even before (2012 was proposed). The attempt failed, partially because that the members of the Constitutional Court saw no possibility of reaching a conclusion on the time-limit of this clause (Sidorenko 2010a).

that Russia now exported more to the global market and was thus less interested in regional solutions (Grib et al. 2010a).[33] Clearly, the Ukrainians did not have a strong hand. The gas price formula of 2009 was already putting Ukraine's economy under pressure.[34] Hence, the first summit between Yanukovich and Medvedev, which had been planned for 17–18 May 2010, was moved to 21 April (Grib & Gavrish 2010b). The reason for moving up the summit was, according to *Kommersant*, that the government needed to 'quickly adopt the budget, which depends on Russian gas prices' (ibid.). The government was in other words placing the adoption of the budget at Russia's will.

Russia effectively exploited this. The Kharkov Agreement of April 2010 introduced a mechanism for swapping future leasing fees for the naval facilities in Crimea against Ukraine's accumulated debt. Moreover, the agreement stipulated that gas sold at a price lower than 333.33 USD per 1000 cubic metres was to be exempt from custom fees. Gas sold at higher prices would incur a fee equal to the difference between 30% of the price and 100 USD per 1000 cubic metres. This implies that Ukraine will save about 40 billion USD over a ten-year period, which is substantially more than what has been offered by the EU (2.5–3.5 billion USD for pipeline modernization) and the IMF (15.8 billion USD in a structural reform stand-by loan). Russia, on the other hand, is to maintain control over the naval base in Crimea for a longer period than originally foreseen in the Agreement of Friendship (the lease is extended from 2017 to 2042). In sum, the Kharkov Agreement thus strengthened Russia's footing in the region and put Ukraine in a tight spot also in the setting of Black Sea cooperative arrangements.

## Pipeline Politics: The Black Sea Region

This report has situated 'geopolitics' in the nexus between volatile alignments and imperfect energy markets. The EU's effect on this arena is limited to incentives for modernization and 'Europeanization'. In accordance with this, the EU in March 2009, as mentioned above, signed an agreement with Ukraine stipulating massive investment in return for a liberalization of the internal gas market in Ukraine, undisrupted gas deliverances, access to pipelines in the event of irregular deliveries, and access to underground storage facilities by third parties (Gavrish 2010a).[35]

Clearly, the EU is also seeking to enhance its energy security through diversification. The Nabucco project plays an important role here, not

33 This is not the case. As shown by Anders Åslund, most of Russia's energy export goes to the CIS region (Åslund et al. 2010).

34 The 2009 agreement included a price formula which stipulated a 25 USD rise every third month, reaching a maximum price of 390 USD per 1000 cubic metres in 2010. See Sherr (2010b).

35 Ukraine signed another memorandum with the EU in October 2009, obliging Ukraine to adapt to the norms of the EU Energy Charter by 2012. This will involves full liberalization of the internal energy market in Ukraine.

least since there are serious concerns that the Russia-promoted South Stream project is not economically viable.[36] This cost-calculus notwithstanding, Russian success in Kharkov emboldened Russia and Gazprom. On 30 April 2010 Putin proposed that Gazprom and Naftogaz should merge into one company controlling the pipeline system. This would also entail lowering the internal gas prices in Ukraine to the level on the domestic market in Russia. Yanukovich did not take part in this meeting, and argued that if he had been present, he would have proposed a 50–50 solution (Gavrish & Grib 2010b). Absent or not, in May 2010, the Ukrainian government started talks with Russian counterparts on merging Naftogaz and Gazprom. The value of Naftogaz was about 8% of the total value of Gazprom, but Ukraine was reluctant to see Naftogaz 'absorbed into Gazprom', as government sources put it (ibid.). Moreover, the Ukrainian government did not want to lose control over the pipeline system. In addition, a merger of the two companies would have repercussions for the Ukrainian economy, since Naftogaz, according to some estimates, was generating about 9% of the total Ukrainian budget revenues (ibid.).

Russia reciprocated through Gazprom, and employed South Stream (see factbox 2) as leverage on the merger talks. Russian government officials argued that the gas infrastructure in Ukraine was an asset only insofar as there was gas in it, and that South Stream would make the Ukrainian infrastructure less valuable for Russia (ibid.). Ukraine did not accept this, and argued that a merger should entail Ukraine retaining national control over the company. Russia countered by claiming that a merger between Gazprom and Naftogaz would give Ukraine access to Russian gas fields and that the creation of a vertically integrated company structure would increase the security of supply in Ukraine (Gavrish & Grib 2010c). Ukraine responded by inviting Russia into the Black Sea, suggesting that a joint venture could be created for offshore oil extraction in the Ukrainian EEZ (Gavrish et al. 2010b). This was reiterated at the Black Sea Forum in June, where Yanukovich proposed a 'swap' deal and to merge the companies in a way that would give Russia access to the Pallas field in the Black Sea, and Ukraine access to oil and gas fields in Russia.[37]

Again, the response from Gazprom was cool. The company argued that it would prefer to purchase a controlling stake, as it had done in Belarus, where Gazprom paid 2.5 billion USD for a controlling stake in Beltransgaz. Russia also reactivated its lobbying for South Stream vis-à-vis Turkey. While presenting survey data on the proposed route of South Stream, Putin suggested the formation of a Turkish–Russian energy alli-

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36 See Einar Wigen's argument above. There are also obstacles to the realization of the Nabucco pipeline, however: Both Azerbaijan and Turkmenistan have pledged to deliver 30 bcm to Nabucco, but Turkmenistan lacks a pipeline system for transporting gas across the Caspian Sea.

37 This idea was based on the German experience with asset swaps and joint ventures between Wintershall and Gazprom (ibid.)

ance (Grib & Gavrish 2010c). Russian representatives underlined the geostrategic considerations of this alliance, by indicating that any support to the Samsun–Ceyhan oil pipeline would depend on the Turkish response to South Stream. This created apprehension in the Ukrainian camp, and Ukraine proposed to increase the flow of gas through the existing pipeline system providing gas to the Balkans from 40 bcm annually to 60 bcm (ibid.). The estimated costs of improving this existing pipeline would be 4–5 billion USD, against the 26 billion USD cost of South Stream, the Ministry of Energy argued (ibid.). Ukraine also started talking about a strategic Turkish–Ukrainian partnership at the level of presidential administrations (Sidorenko 2010e). Moreover it was rumoured that that the Ukrainian–Russian honeymoon was over, and that Ukraine would step up its attempts to thwart South Stream (ibid.). Russia made a new move in July 2010, hinting that it might invite German RWE to take part in South Stream. Such an invitation would undermine Nabucco, where the RWE has been a primary engine in negotiating gas deliveries to feed into the proposed pipeline (Grib et al. 2010b).

These twists and turns in Ukraine's relations with Russia illustrate a crucial point: in the geopolitics of energy, the Russian South Stream project has always been a challenge to Ukraine's role as a transit country for gas to European markets. Ukrainian politicians and analysts have long been aware of both the options and challenges of serving as the major link for Russian gas to the EU. The claim that the EU–Ukraine–Russia triangle is 'decisive for energy security in the Eurasian region' is indeed an understatement. Domestic diversification is in fact the only viable strategy for Ukraine to meet Russian influence in the energy sector, and closer collaboration with the EU is a possible way in which to escape a dilemma (Razumkov Centre 2009).

Nevertheless, Ukraine has tried to sustain its planned balancing act between Russia and the EU. In July 2010, the Ukrainian government reiterated that a 'tripartite' structure consisting of the EU, Russia and Ukraine should be set up for the modernization of the Ukrainian pipeline system. The project was framed as a construction project for enhancing gas deliveries to the European markets, increasing the capacity of the current network with 60 bcm annually (Gavrish 2010b).[38] Moreover, the Ukrainian government moved rapidly to push a draft law on market liberalization through the Rada. The law was adopted at the first reading on 5 July (Mordyushenko & Gavrish 2010) and in a final reading only seven days later (Mordyushenko 2010). This was interpreted as a first step toward realizing the 'tripartite' scheme, allowing for equal access of contracting partners to Ukraine's 13 underground gas storage sites. The law also stipulated the division of Ukraine's national companies into three sepa-

38 The tripartite scheme was not a novel invention, but the resurrection of a proposal from 2002. At that time, however, there was, as observed by James Sherr, no consortium and no bypass project (South Stream) (Sherr 2010a: 3).

rate companies, allegedly in accordance with the proposals of the European Commission, thus putting any talk about a Naftogaz and Gazprom merger on hold (ibid.). Still, *Kommersant* claimed, the law also opened for Gazprom ownership in Ukraine's pipeline system; and, while it did not stipulate Russian participation in the process of modernizing the pipeline system, it allegedly 'allowed for it' (ibid.).

The final condition for releasing the promised EU support was a transition to market prices at Ukraine's internal gas market. However, the tax scheme negotiated with Russia at the Kharkov summit lowered the price of Russian gas in the second quarter, from 305 to 232 USD per 1000 cubic metres – far below market price (Gavrish & Grib 2010e). Hence, the EU support was not released (ibid.). In August 2010, the Ukrainian government proposed to scrap the custom-free formula, and to fix prices at the level of southeastern Europe. In return Ukraine would buy more gas from Russia (55 to 75 bcm annually) as well as granting Gazprom access to the Pallas project in the Black Sea. Russia responded by reiterating that Ukraine could gain access to gas fields in Russia only if it accepted the merger of Gazprom and Naftogaz assets in a new company (Gavrish & Grib 2010g). If this was accepted, access could be given to Yamal and Astrakhan (Gavrish & Grib 2010h). To sweeten the pill, Russia threw in the prospect of selling gas to Ukrainian consumers at the same rate as on the Russian domestic market, i.e. at 60 USD per 1000 cubic metres (Gavrish & Grib 2010f).[39]

While the Ukrainian government wanted access to Urengoy, and motivated this by lower investment costs, more effective production and the need to invest in the pipeline system, [40] it was difficult to find a way to balance Russia's demanding offers. There is also a question of whether the government wanted to. In October 2010, the Ukrainian government instructed the Rada to revise the law on the pipeline transport system, especially paragraph 7, which prohibited a re-opening of the privatization of the pipeline system. This would effectively open a back door for the government, making it possible to accept the conditions for a merger as presented by Russia and to permit Gazprom to obtain a share in the Ukrainian pipeline network (Gavrish & Grib 2010j). The Ministry of Energy stated that it would support the initiative to have the Rada revise the law – more specifically, the part that prevented any reorganization of the already privatized pipeline system in Ukraine (ibid.). This would allow Gazprom and Naftogaz to merge, *Kommersant* noted, and would further promote the allegedly 'gas-driven' brotherhood of Russia and Ukraine (ibid.).

39 Within three years, however, Russia also intends to charge market prices in the domestic market.

40 Ukrainian officials argued that the 2.5 billion USD earmarked for the pipeline system would be lost in the investment and production costs at Yamal or Astrakhan (ibid.).

Moreover, this tribute to Russia would allow Ukraine to gain access to hydrocarbon deposits in Russia, while giving Russia a share in the Ukrainian offshore field Pallas. Ukraine could also secure low domestic prices on gas (ibid.).[41] Prime Minister Azarov then travelled to Brussels to announce that it would not be possible to advance the free trade agreement with the EU before the planned summit in November. Azarov gave 'the necessity of making new dispositions in the energy sector' as the reason, and was seconded by a spokesperson from the Ministry of Finance, who indicated that 'Ukraine's entry into the European Energy Community raises new questions that should be decided upon' (Sidorenko 2010f).

*Factbox 4. Nord Stream*

| | |
|---|---|
| Initiated (year and partners) | 1997 (Gazprom and Finnish Neste); renamed Nord Stream (2006) |
| Annual capacity | 27.5 bcm (55 bcm indicated in Åslund et al. 2010). |
| Estimated costs | 8.8 billion EUR (subsea) plus 6 billion EUR onshore facilities (Germany and Russia). |
| Other partners | Saipem (Italy, 2007), Gasunie (Netherlands, 2007), GDF Suez (France, 2008), Rolls Royce (UK, 2008), |
| Length | 1,222 kilometres (subsea) |
| End of project period | Operational in 2012 |
| Countries affected | Poland, Latvia, Lithuania, Sweden, Finland and Estonia. |
| Resource feeders | Russia |
| Map: See factbox 3 | |

In summary, the energy talks between Ukraine and Russia have showed that imperfect energy markets and volatile and shifting alliances are ingredients in the pipeline games. In the case of Ukraine, policies are rooted in energy dependencies and transit issues. The EU plays an awkward role in this game – both as a provider of incentives, and as dependent on energy transit. The consequences of the Kharkov Agreement for Black Sea security remain uncertain. True, Russia attached new modernization plans to the agreement, claiming that towards 2020, the naval base was to receive 15 new frigates and diesel-driven submarines (Ryabchun & Konovalov 2010). At a lecture at Taras Schevchenko University, Dmitry Medvedev stated that the agreement to extend the leasing of the naval base would help 'preserve status quo' and avoid any 'serious shake-ups in the Black Sea region' (Sidorenko 2010d). Russia's ambitions seem to reach further than the status quo, however, as evidenced by developments on the eastern shore of the Black Sea.[42]

41 Gavrish & Grib (2010j) suggested that Ukraine would receive a site that could provide 30 billion bcm annually, which would help to cover Ukraine's domestic needs. These needs are estimated at between 60 and 75 bcm annually by Chow & Elkind (2009).
42 See Helge Blakkisrud and Pål Kolstø in this report.

## Conclusions

The impact of the Kharkov Agreement on the relationship between Ukraine and Russia should not be underestimated. Russia will hold greater influence in Ukraine, which will affect the regional policies of both the EU and Black Sea littoral states like Turkey. In the event that Russia stipulates conditions for Ukraine that are incompatible with EU standards, the EU will have to work hard to promote conditionality and European values. If bilateral relations between Ukraine and Russia come to matter more, EU energy conditionality and regional posture will decline. As of this writing, the EU does not seem to envisage any alternative to transit through Ukraine, although it has sought to reactivate the Nabucco project (Socor 2011). For the EU, other pipeline projects, such as South Stream or Nord Stream, would not be viable alternatives. According to EU Commissioner for Energy Günther Ettiger, for the next decades the most important transport grid will go through Ukraine, so alternative pipelines would have only a back-up function. Moreover, the EU cannot not interfere with any disruption of gas supplies – only 'hope that the European contracts held by Gazprom would be kept' (Gavrish & Grib 2010d).

This may be true, but the fact that Russia has called the shots was evidenced by the signing of a package of agreements between Prime Ministers Azarov and Putin on 27 October 2010 that may open for co-management of Ukraine's transit network by the EU and Russia. At the meeting of the intergovernmental Ukraine–Russia commission for economic cooperation, a protocol on cooperation between the energy companies of the two countries was signed – with the EU present on the sidelines.[43] Interestingly, this protocol treats gas transit separately from the overall cooperation within this sector: Ukraine and Russia are to draw up two separate interstate agreements, one on coordinating the work on a 'unified energy system' for the two countries, and one on cooperation in the gas sector. The former be presented by 31 December 2010, the latter by 1 June 2011 (ibid.). Potentially, this could imply that Russia will first set the premises for ownership structures in the Ukrainian gas sector, and then define the graphics for cooperation with the EU. In other words, by removing gas transit from the overall sector agreement, Russia could delay any international agreement involving the EU until Russian business networks had been positioned in Ukraine's vitally important energy transport sector.

It may seem that the EU has been engaged in a tripartite scheme that puts in question the normative effect of the Union on domestic policies in Ukraine, opening up for Russian-energy driven unilateralism. Symptomatically, Ukraine's independence as a transit country was questioned when Gazprom in September 2010 put pressure on Naftogaz to block

[43] On the one hand, this may imply that the door is open for the EU. Some Ukrainian sources have a different view, however; see e.g. Sidorenko 2010g.

the transit of E.ON Ruhrgas gas to Poland. Gazprom argued that a Polish company had bought 3 bcm of gas without 'coordinating' this with Gazprom, and instructed Naftogaz to block transit through the Ukrainian pipeline system (Gavrish & Grib 2010i). Russia was thus using Naftogaz as a 'proxy' – Naftogaz had no independent position. Indeed, the Ukrainian Ministry of Energy argued that they were trying to persuade Russia to drop South Stream, and hence that a conflict over 3 bcm gas was inexpedient.[44]

To summarize, if the EU is a player in the geopolitics of energy, it is a player with certain limitations. The EU does not have sufficient influence to affect the pricing games between Ukraine and Russia. Moreover, Russia's influence in Ukraine is growing. This influence is economic and political; in part, this confirms the assertion of Donaldson and Nogee (2009: 339) that international relations are 'unipolar in the military realm, and multipolar in diplomacy, in economic transactions and in transnational relations', with Russia shaping its future position in the junction between the two. Moreover, as the EU recognizes its energy dependency on Russia, it is also invited to take on a more 'geopolitical' role in defining the terms of transit. While the Ukrainian government presented its strategic balancing policy as a modernization of Ukraine's foreign policy based on the idea not to antagonize Europe and Russia but to 'unite' the two (Grishchenko 2010), the energy transit dimension has accentuated the competition between EU standards and Russian investment schemes. For the EU, energy supply is more important than norms in the neighbourhood, simply because disrupted transits will affect EU border areas.

To conclude, the current reconfiguration of Black Sea regional politics analysed in this section is driven by the quest for energy and control over transit that may foster interdependence, but not strong institutions. Volatile alliances are at the core of the competitive game, but these are not necessarily conflict drivers. To be sure, the geopolitical gambit that Russia lays around the South Stream pipeline does involve offers of strategic alliances. Indirectly, this scheme is related to the weakness of the EU as a foreign policy actor: the weaker the EU's incentive system is, the more room is there for Russian capital and 'special alliances' to flourish. Russia's energy appeals and overtures to Turkey are a case in point, but also one that demonstrates that Russia cannot expect to achieve endorsement of all its initiatives.

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44 Russia has effectively employed its version of multipolarity to gain access to the EU's internal energy markets. In October 2010 Putin signed a contract between Rosneft and Petroelos de Venezuela's refinery capacity, gaining control over 10% of total refinery capacity in Germany. The sale will come into effect only in 2011 and only after German and EU approval, but the event clearly signals a deeper dependency on Russian oil for Germany. As a carrot, Russia has announced that it will increase its deliveries of oil to Germany. As Vladimir Socor (2010) points out, Rosneft places 18% of its total refinery capacity in the heart of the European market, and gains refining capacities for 11.5 million tons crude oil annually.

# South Caucasus: Sovereignty Issues and De Facto States[45]

The 2008 declaration of independence of Kosovo and the Russo–Georgian war over South Ossetia later that same year catapulted the Eurasian de facto states[46] into the attention of the international community. Not that the de facto states were entirely new to the scene – ever since the break-up of the Soviet Union and Yugoslavia several statelike entities have existed along Europe's fringes. However, the secessionist conflicts from which these de facto states emerged had been 'frozen' for more than a decade, resulting in dwindling attention from politicians and media alike.

De facto states are states with no, or only partial, international recognition. Their very existence challenges the existing world order, based as it is on reciprocal and universal recognition of state actors. And yet, it appears that the three South Caucasian de facto states–Abkhazia, South Ossetia and Nagorno-Karabakh – cannot be brushed off as simply a transitory phenomenon connected to the disintegration of the Soviet empire. They have existed for nearly two decades now; and some other de facto states can refer to an even longer history.[47]

The de facto states have remained an understudied phenomenon.[48] Initial research focused primarily on the roots of the secessionist conflicts or designs for their solution. The inner dynamics of the de facto states have been generally ignored, with reference being made mainly to these states as 'black holes' that harbour terrorists and engage in the smuggling of weapons, drugs and human trafficking. Only recently has the focus turned to the internal developments in the de facto states in an attempt

45 Written by Helge Blakkisrud and Pål Kolstø.

46 There is no universal agreement on terminology concerning what to call these entities – different authors have at various stages identified them as 'unrecognized states' (King 2001), 'pseudo-states' (Kolossov & O'Loughlin, 1999), 'quasi-states' (Kolstø 2006) and 'contested states' (Geldenhuys 2009). Whereas several of these terms have some merit in the sense that they indicate essential characteristics of these entities, there seems to be an emerging consensus on the term 'de facto' states, and we will therefore use this appellation. The distinction between de facto states and regular restive regions is that the former have officially declared independence from their parent state and have been able to hold on to such de facto independence for some time (Kolstø 2006 argues for a minimum of two years).

47 The Turkish Republic of Northern Cyprus was established in 1974 (officially proclaimed in 1983), and is still recognized only by Turkey. Some would also include Taiwan (Republic of China) in the group of de facto states. (Taiwan is currently recognized by 23 states.)

48 Some of the most important attempts to theorize around de facto states include Pegg (1998), Kolstø (2006) and Caspersen & Stansfield (2011). For more empirically focused studies of the South Caucasian de facto states, see e.g. Lynch (2004) and Kolstø & Blakkisrud (2008).

to understand the nature of these regimes and how they have been coping with non-recognition.[49]

The aim of this case study is to contribute to the research on de facto states by examining some of the dynamics that characterize the separatist conflicts in the South Caucasus.[50] In the following, we will examine the track record of the de facto states when it comes to consolidating state and nation through establishing territorial control and institutionalizing power (both processes pertaining to state-building), and strengthening identification with – and thus support for – the de facto state (nation-building). Both these processes are aimed at strengthening internal sovereignty (Kolstø 2006). Then we turn to the de facto states' relations with the outside world, especially the interaction between parent and patron states. Observing that the de facto states' quest for external sovereignty in the form of international recognition does not seem to be moving forward, while at the same time negotiations for a peaceful settlement within the borders of the parent states remain stalled, we conclude that, for the foreseeable future, the world is likely to have to live with a new type of statelike entities in the international system, entities that find themselves in an intermediate position between autonomy-seeking regions and fully recognized states: the de facto state with its lack of – or only partial – international recognition.

## State-building and Nation-building

The secessionist conflicts in the South Caucasus have often been described as 'frozen conflicts' (see e.g. Blank 2008). In a certain sense, this is an accurate depiction. There is 'no peace, no war' (Walker 1998): With the exception of the 2008 war in Georgia, there has neither been discernible progress toward conflict resolution, nor open warfare since the conclusion of ceasefire agreements in the early 1990s.[51] Such a description nevertheless runs the risk of under-communicating the dynamics on the ground. As the years pass by, the vestiges of a feeling of communality across the de facto borders gradually fade, and the new, post-conflict institutional and economic arrangements become increasingly entrenched. The de facto states of today are clearly very different entities

49 Important attempts to explore internal dynamics of the evolving regimes of Eurasian de facto states include Popescu (2006), Kolstø & Blakkisrud (2008), Matsuzato (2008), Protsyk (2009) and Blakkisrud & Kolstø (2011).

50 The study draws on fieldwork carried out in Abkhazia and Nagorno-Karabakh in September 2010 and more than 20 interviews with politicians, bureaucrats, journalists and NGO activists. We decided against including South Ossetia due to an assessment of the security situation. Whereas it is relatively uncomplicated to enter Abkhazia from Sochi, Russia, and Nagorno-Karabakh from Armenia, we would have had to fly to Vladikavkaz and travel through the Roki Tunnel to get to South Ossetia. As the situation in this part of the North Caucasus is volatile, we found it advisable to drop the visit to Tskhinvali. However, both authors have carried out fieldwork in South Ossetia, as well as the other two South Caucasian de facto states, before the 2008 war.

51 This is not to say that the 'frozen conflicts' have not claimed casualties: In the Nagorno-Karabakh conflict alone, more than 3000 people have been killed in skirmishes along the de facto border since the conclusion of the ceasefire.

from those that declared their sovereignty in the early 1990s. This is not just a matter of generational change, but the result of deliberate policies on the part of the de facto authorities. Behind the 'frozen' ceasefire line, they have actively fostered a sense of common identity among the local population and a loyalty towards the would-be state. As Charles King (2001: 525) puts it, the territorial separatists of the 1990s have become the state-builders of the early 2000s.

## Establishing Territorial Control

In order to be able to proceed with state-building, the de facto authorities[52] have to control at least part of the territory they lay claim to. Despite substantial variation among our three cases, up to the 2008 war none of the South Caucasian de facto states had succeeded in acquiring full control over the territory of the previously autonomous entities from which they had sprung.

In 1993, Abkhazian[53] separatists had succeeded in pushing the Georgian forces back across the Inguri River, the administrative border between Abkhazia and Georgia proper. However, for all practical purposes, the northeastern corner of the republic, the Upper Kodori Valley, remained outside the reach of either Sukhumi or Tbilisi for more than a decade.[54] In 2006, Georgian President Mikheil Saakashvili dispatched police forces to Kodori to bring the region back under central control. This represented a major blow to the de facto authorities, not least since Tbilisi went on to develop Kodori as a bridgehead for the future reintegration of the whole of Abkhazia, setting up an interim capital in the village of Chkhalta, to which part of the pro-Georgian Abkhazian government in exile was then relocated.[55]

In South Ossetia, the territorial control of the de facto authorities was even more precarious, with the territory along the ceasefire line dotted by a patchwork of Ossetian and Georgian villages with diverging loyal-

52 The authorities, institutions and borders of Abkhazia, South Ossetia and Nagorno-Karabakh are all considered 'de facto' due to the lack of international recognition – or since 2008, only partial international recognition. To avoid heavy phrasing, however, we have not repeated the qualifier 'de facto' each time we use a noun referring to these entities. This should in no way be construed as taking a stance in the conflict. Likewise, the use of names is politicized in all three conflicts. We have opted to employ the forms that are most commonly used in English – e.g. Stepanakert, not Khankendi; Sukhumi, not Sokhumi, Sukhum or Aqwa; and Tskhinvali, not Tskhinval or Ch'reba. Again, this should not be seen as taking sides, simply as a pragmatic solution.

53 With the term 'Abkhazian', we refer to residents or representatives of Abkhazia, irrespective of ethnic origin. The term 'Abkhaz' is used to denote a person of Abkhaz ethnicity.

54 According to the 1994 Moscow Agreement, the ceasefire line was drawn across the Kodori Gorge, although Georgian forces were obliged to pull out of Upper Kodori. Until 2006, this region was ruled by regional strongman Emzar Kvitsani. In addition, the de facto authorities' control over the traditionally Georgian/Mingrelian populated Gali region has at times been tenuous.

55 When Georgian forces retreated from Sukhumi in 1993, the pro-Georgian part of the Abkhazian Council of Ministers evacuated to Tbilisi. Georgia still recognizes this as the legitimate government of the Abkhaz Autonomous Republic.

ties.[56] In 2006, the situation was further aggravated by an internal rift within the South Ossetian elite: After having fallen out with South Ossetian President Eduard Kokoity, former Prime Minister Dmitrii Sanakoev switched sides and declared his loyalty to Tbilisi. Subsequently, with Georgian support, he was elected head of the rival 'Provisional Administrative Entity of South Ossetia'.

In the years leading up to the 2008 war, the authority of the de facto authorities in both Sukhumi and Tskhinvali was thus challenged by rivalling structures established within the borders of the former autonomies. The war was to change this. With the help of Russian forces, the Abkhazian army drove the pro-Georgian government out of Kodori, and even more significant gains were made on the South Ossetian front. When the Russian Federation recognized the two de facto states in late August 2008, it was thus within the old borders of the former autonomies.

All the same, as regards securing territorial control, the de facto authorities in Nagorno-Karabakh have undoubtedly been the most successful of the three. When the ceasefire was concluded in 1994, Karabakhian forces controlled the entire territory of the former Nagorno-Karabakh Autonomous Oblast (NKAO), save its easternmost parts.[57] In addition, Stepanakert had captured, fully or partially, seven Azerbaijani regions surrounding the former autonomous oblast[58] – including the strategically important Lachin Corridor, a narrow sliver of land that used to separate the NKAO from Armenia.

Up to the mid-2000s, the Karabakhian de facto authorities usually referred to the formerly Azeri-populated territories as 'the liberated territories' (elsewhere, in diplomatic circles as well as in the literature, they are commonly referred to as 'the occupied territories') and as such, clearly as distinct from the rest of territory under the control of Stepanakert. With the exception of the Lachin Corridor, these regions were frequently seen as a bargaining chip that could be traded in return for recognition of some kind of special status for Nagorno-Karabakh. With the adoption of a Karabakhian constitution in 2006, however, the liberated/occupied territories were merged with the neighbouring Karabakhian administrative entities.[59] On official maps produced in Stepanakert, the 'liberated' regions have now disappeared, whereas the Azerbaijani Shahumyan region

56 For an excellent map showing the pre-2008 de facto border as well as the ethnic composition of South Ossetian villages, see Bartuzi (2006).

57 More specifically, the easternmost parts of the Martuni and Martakert regions, together comprising some 12.8% of the territory of the NKAO.

58 The 'non-NKAO' territory currently under the control of Stepanakert actually makes up two thirds of the territory of the de facto republic. In official Azerbaijani discourse on the conflict, reference is routinely made to the occupation of 20% of Azerbaijani territory. In reality, the de facto authorities control approximately 13% of the internationally recognized territory of Azerbaijan (see de Waal 2003: 284–86).

59 According to Article 142, 'Till the restoration of the state territorial integrity of the Nagorno Karabakh Republic and the adjustment of its borders public authority is exercised on the territory under factual jurisdiction of the Republic of Nagorno Karabakh' (Constitution of the Nagorno Karabakh Republic 2006).

is shown as 'occupied'.[60] By formalizing the status quo, the Karabakhians have raised the bar for a negotiated solution to the conflict. Today, Stepanakert seems very reluctant to yield any territory to Baku.[61] In public discourse, it is frequently claimed that these territories were 'taken by blood' and therefore cannot possibly be ceded voluntarily.

To sum up, today all three South Caucasian de facto states have secured physical control over (almost) the entire territory to which they lay claim. This has made them status-quo oriented actors – although their ultimate goal is international recognition, neither war nor negotiations are likely to strengthen their positions concerning territorial control.[62]

*Factbox 5. Abkhazia*

| | |
|---|---|
| Declaration of independence | 12 October 1999 (declaration of sovereignty 25 August 1990) |
| Ceasefire concluded | 14 May 1994 (fighting ended with the fall of Sukhumi, 27 September 1993) |
| Area | 8,400 $km^2$ |
| Population size (official estimate) | 216,000 (2003 census) |
| Capital | Sukhumi |
| Heads of state | Vladislav Ardzinba (1994–2005)<br>Sergei Bagapsh (2005– ) |
| Parliamentary elections | 1996, 2002, 2007 |
| GDP per capita | USD 2,370 (2009)* |


* Official data from the website of the de facto president, available at www.abkhaziagov.org/en/news/detail.php?ID=32339.

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60 Shahumyan is a formerly Armenian-populated region north of Nagorno-Karabakh. The Armenian population was forcibly deported by Soviet authorities in the spring of 1991 as part of 'Operation Ring', an attempt to defuse ethnic tensions in Azerbaijan.

61 This was confirmed in numerous interviews during our fieldwork in Stepanakert in September 2010.

62 A negotiated solution would, at least in the case of Nagorno-Karabakh, be likely to entail surrendering territory; in all three cases, it would entail the return of IDPs/refugees and a weakening of the position of the titular group.

## Institutionalizing Power: Elections and the Development of Democracy

As to the consolidation of political power, neither the Soviet heritage of single-party rule nor post-conflict developments with uncertainty over future status, lack of international recognition, and a creeping siege mentality have been conducive to fostering pluralism. All the same, all three South Caucasian de facto states have – at least on the rhetorical level – embraced democratic ideals and participatory democracy: they have organized multi-candidate elections to new executive and legislative bodies and have – to varying degrees – allowed the opposition to be represented in the parliament. External incentives may well have been more important than internal pressure in fostering these developments,[63] but the outcome has nevertheless been that the de facto states now display most of the formal trappings of democratic statehood (Caspersen 2008a). At the same time, the political regimes that have emerged in the de facto states do not differ markedly from those of (most) other post-Soviet states: there is a preference for strong presidencies; parliaments are weak; the party systems underdeveloped; and control over 'administrative resources' is seen as crucial for the outcome of electoral processes.

There are, however, also distinct differences among the three de facto states. South Ossetia undoubtedly has the weakest democratic credentials. Here institution-building appears to have been given less priority than in the two other entities. One explanation may be that from the very beginning, the aim of the South Ossetians has been to unite with their ethnic brethren in North Ossetia rather than to pursue independent statehood.[64] On the positive side, the current president, Eduard Kokoity, ran against and defeated incumbent Lyudvig Chibirov in the 2001 presidential elections.[65] In these elections Kokoity narrowly defeated his main opponent in the run-off. The 2006 elections produced a more Soviet-style result, however, with Kokoity officially receiving 98.1% of the vote.

The South Ossetian parliament has limited powers, and is currently dominated by Kokoity's party, Unity.[66] In the 2009 elections, Unity won 46% of the vote, and 17 seats in the parliament; 9 seats went to the People's Party and 8 seats to the Communist Party. Although officially the current chairman of the parliament is a member of the 'opposition'

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63 An important incentive for embracing democracy was the 'Standards before status' policy. This refers to the benchmarks the UN introduced in 2003 in connection with Kosovo's aspirations to independence. The Kosovar leaders were told that these standards would have to be met before the status question could be resolved (Caspersen 2008a).

64 According to Article 8 of the South Ossetian Constitution, South Ossetia 'builds its relations with the Republic of North Ossetia–Alania, on ethnic, national and historical-administrative unity and on socio-economic and cultural integration' (*Konstitutsiya* …2001).

65 Chibirov finished third. Kokoity's victory has been credited to the support of the powerful Tedeev clan, which had previously worked together with Chibirov but now funded Kokoity's campaign (Dzugayev 2005). In 2003, Kokoity consolidated his grip on power by ousting the Tedeevs from the South Ossetian security structures.

66 It is no coincidence that the party bears the same name as the previous 'Party of Power' in Russia: Unity was established with a similar goal and currently collaborates with Putin's United Russia.

(Stanislav Kochiev of the Communist Party), politics is more focused on personalities than on parties, and there are no major differences among the three parties in the sitting parliament.[67] In addition, the South Ossetian parliament plays a marginal role, even by post-Soviet standards, and political power rests with the president[68] – although since 2008, Kokoity has had to cede certain competencies to Russian citizens who at the behest of Moscow have been included in the Ossetian administration. Today, however, Kokoity's rule is formally drawing to an end. According to the constitution, he is barred from seeking a third term in 2011, and the next few months will thus represent a test of how strong his control over the republic really is.[69]

Although the South Ossetian incumbent was defeated in the 2001 presidential elections, the most openly contested presidential election in the South Caucasian de facto states so far took place in Abkhazia. In 2004, ailing incumbent Vladislav Ardzinba chose not to seek re-election. His preferred successor was Prime Minister Raul Khadjimba. This succession scheme had also got the stamp of approval from Moscow. But contrary to expectations, the Abkhazian electorate rallied behind former Prime Minister Sergei Bagapsh. When Bagapsh won the first round with a slim majority (50.1% of the vote), Khadjimba (who got 34.6%) refused to acknowledge defeat, and demanded new elections.[70] The subsequent standoff brought the republic to the brink of civil war. In the end, a compromise was reached: Bagapsh and Khadjimba agreed to run as a team in new elections scheduled for March 2005 (with Bagapsh as president, Khadjimba as vice president). This awkward alliance won 91.4% of the vote and formally survived up to spring 2009. In the elections in December that year, Bagapsh won an easy victory with 61.1% of the vote, while Khadjimba this time finished a distant second with 15.3%.[71]

A distinctive trait of Abkhazian politics is the tendency toward ethnocracy. Unlike in South Ossetia and Nagorno-Karabakh, the Abkhazian president is required not only to know the state language – he or she must also belong to the titular ethnic group. Likewise, the Abkhazian parliament is completely dominated by ethnic Abkhaz. That the parliament should be more or less mono-ethnic is not surprising in South Ossetia or Nagorno-Karabakh, given the ethnic composition of these de facto states (see below). In Abkhazia, however, the Abkhaz are generally

67 The only pro-Georgian party, Sanakoev's Salvation Union of South Ossetia, evacuated to Georgia proper in connection with the 2008 war.

68 See *Konstitutsiya* (2001), articles 47–55, especially the long list of presidential prerogatives in article 50.

69 Kokoity has drawn increasing criticism, from both former members of the local elite and Russian news media, for the widespread corruption in connection with reconstruction efforts after the 2008 war.

70 Khadjimba also accused Bagapsh of being too pro-Georgian, casting doubt about his commitment to an independent Abkhazia.

71 The term of office is five years, and Bagapsh's second and final term will end in 2014. Speculations about his successor are already ripe. In our interviews in Sukhumi in September 2010, current Vice President Aleksandr Ankvab was frequently mentioned as the most likely candidate.

estimated to constitute only about a third of the total population, with the Armenian and the Georgian/Mingrelian populations being of almost the same size.[72] In its current convocation, 26 of 35 members of the Abkhazian parliament are ethnic Abkhaz, and there are only three Armenians and two Georgians.[73] That the Georgians/Mingrelians have been temporarily disenfranchised and are only slowly being admitted into the electorate is perhaps not that surprising, but it is an open question how long the Armenians will remain content to be deprived of political influence. So far, the other ethnic groups seem to accept that the Abkhaz monopolize politics and bureaucracy, but over time, there is reason to expect the ethnocratic model to come under pressure.[74]

In Nagorno-Karabakh, the presidency has changed hands three times since the declaration of independence – but, unlike in the two other de facto states, this has been closely orchestrated processes, involving the orderly transfer of power from an incumbent to a handpicked successor. The first de facto president of Nagorno-Karabakh, Robert Kocharyan, stepped down in 1997 in order to become Prime Minister of Armenia.[75] In the subsequent elections, Kocharyan's long-time ally Arkadi Ghukasyan was elected president. During his rule, a Karabkahian constitution was adopted which, *inter alia,* introduced the limit of two consecutive presidential terms. After some hesitation, Ghukasyan opted to step down at the end of his second term in 2007, transferring power to Bako Sahakyan. With the support of all major political parties, Sahakyan was elected with 85.1% of the vote.

According to one observer, presidential elections in Nagorno-Karabakh are too important to be publicly contested – the major actors work out the succession question behind the scenes, hence the unanimous support for the regime's candidates.[76] Nevertheless, Nagorno-Karabakh is rated by Freedom House as the most democratic of the three de facto states in the South Caucasus (Freedom House 2010). In fact, Nagorno-Karabakh has consistently received a better rating than Azerbaijan as regards political rights – a point not missed in the Karabakhian discourse on sovereignty, the argument being made that the West cannot sacrifice a 'democratic' Nagorno-Karabakh to the 'authoritarian' Azerbaijan (i.e. that

72 For a discussion of the controversies around the ethnic composition of Abkhazia, see the section on identity and nation-building below.

73 The final four members of the de facto parliament are three Russians and a Turk.

74 Many observers point to the Soviet tradition of bestowing special rights upon the titular nations as an explanation of why the other groups do not challenge the Abkhaz monopolization of power. This was confirmed in several interviews the authors conducted in Sukhumi in September 2010.

75 Among the de facto states, the level of elite integration between Nagorno-Karabakh and its parent state, Armenia, represents an exceptional case: Whereas in Abkhazia, and in particular in South Ossetia, Russian citizens have been parachuted into local power structures, an opposite trend has been witnessed in Nagorno-Karabakh, where Karabakhians to some extent have monopolized power in Yerevan.

76 Authors' interview with Manvel Sarkisyan, researcher at Armenian Centre for Strategic and National Studies and former advisor to President Ghukasyan 2000–05, Yerevan, 17 September 2010.

democracy will trump territorial integrity when it comes to the future status of Nagorno-Karabakh).[77] Abkhazia, on the other hand, is currently trailing Georgia by one point in the same rating, both being categorized as 'partly free'; and South Ossetia is said to be 'not free' (ibid.).[78] Perhaps somewhat surprisingly, the lack of international recognition does not appear to have had an impact on the level of democracy development: when it comes to respect for political rights, the de facto states seem to do not much worse, and perhaps even better, than the states from which they are seeking to secede.

*Factbox 6. Nagorno-Karabakh*

| | |
|---|---|
| Declaration of independence | 6 January 1992 |
| Ceasefire concluded | 16 May 1994 |
| Area | 11,500 km² |
| Population size (official estimate) | 141,000* |
| Capital | Stepanakert |
| Head of state | Robert Kocharyan (1994–97)<br>Leonard Petrosyan (acting) (1997)<br>Arkadi Ghukasyan (1997–2007)<br>Bako Sahakyan (2007– ) |
| Parliamentary elections | 1995, 2000, 2005, 2010 |
| GDP per capita | USD 2,040 (2008)** |


* Official estimate for 2010 from the website of the de facto president, available at www.president.nkr.am/ru/nkr/statePower.
** Calculated based on data in *Statistical Yearbook…* (2009).

77 Authors' interviews in Stepanakert, September 2010. For a discussion of democracy development in Nagorno-Karabakh, see Kolstø & Blakkisrud 2010.

78 Nagorno-Karabakh has scored 5 on 'political rights' every year since 2002, while Abkhazia improved its score from 6 to 5 in 2006. South Ossetia, which was included in the rating only in 2009, has received the lowest possible score – 7.

## Identification with and Support for the De Facto State

All three South Caucasian de facto states initially mobilized for independence under the banner of national self-determination. During the Soviet period, Abkhazia had enjoyed status as an autonomous republic whereas both Nagorno-Karabakh and South Ossetia had been recognized as autonomous oblasts. During the final years of the USSR, a wave of demands for enhanced sovereignty swept across the Union. As the Union unravelled, the autonomies saw an opportunity to strengthen their position, and secessionist aspirations were further stimulated by the reluctance of the new authorities in Tbilisi and Baku to accommodate their ethnic minorities. The result was violent secessionist conflicts, large numbers of IDPs – and a subsequent strengthening of the position of the titular nation within the autonomies/de facto states.

The most fundamental changes took place in Nagorno-Karabakh. During the Soviet period, the population of the NKAO had always been composed of an Armenian majority and a substantial Azeri minority. The last pre-conflict data stem from the 1979 Soviet census, according to which the population of the NKAO included 75.9% Armenians and 22.8% Azeris (de Waal 2003: 285).[79] During the war, however, the entire Azeri population was uprooted, not only from the territory of the former NKAO, but also the surrounding Azerbajani provinces which fell under Stepanakert's control. Estimates vary: according to the official Azerbaijani discourse, the number of Azeri IDPs/refugees amounted to 1 million, whereas most outside observers would agree that the figure is closer to 750,000 (see e.g. de Waal 2003).[80] Population statistics are heavily politicized in the secessionist conflicts, but that Nagorno-Karabakh today is ethnically homogeneous with almost no traces of the traditional Azeri minority is beyond discussion (according to the 2005 census, the population is officially 99.7% Armenian).[81] More questionable is the official claim that the population now stands at 141,000 (cf. factbox 6) – only some 4,000 lower than what was reported to be the ethnic Armenian population in 1989.[82]

Also the Abkhaz war of secession led to considerable displacement of the population. Before the war, the Abkhaz had been a minority within the republic: according to the 1989 census, Georgians/Mingrelians made up almost half the population (45.7%), while the Abkhaz (17.8%) had to

79 The last Soviet census was held in 1989, but the conflict in the NKAO had already erupted by then.

80 Thomas de Waal (2003: 285) estimates that some 500,000 Azeris from Nagorno-Karabakh and the surrounding regions were forced to flee during the war. In addition, the IDP/refugee population includes Azeris (and others) that fled Armenia, which brings the total number to approximately 750,000 (ibid.).

81 According to the census, there were only six Azeris left in Nagorno-Karabakh (*Rezul'taty perepisi…*).

82 In-migration is said to have picked up in recent years, and a state 'birth encouragement' programme as well as generous support from private donors has sparked what has been described as a 'baby boom' (Grigoryan 2010a). However, there are no independently confirmed figures, and de Waal reports that, as late as in 2000, then de facto Prime Minister Anushavan Danilyan referred to population statistics as a 'state secret' (de Waal 2003: 284).

compete with the Armenians (14.6%) and the Russians (14.4%) for second place. In the final days of the war, the Georgian/Mingrelian population was forced to leave their homes and evacuate together with the retreating Georgian troops. Large tracts of eastern Abkhazia, most prominently the traditionally Mingrelian-populated Gali region, were virtually depopulated. In the following years, some of the population of Gali trickled back, partly in the form of seasonal migration, with former Gali residents tending to their farms during the summer and harvest season and then spending the rest of the year in Georgia proper. However, the volatile security situation in the Gali region as well as Sukhumi's reluctance to accept the return of what it considered 'war criminals' has precluded a more permanent return for most of the IDPs.[83]

Before the war, Abkhazia had more than half a million inhabitants (525,000 in 1989). According to the highly contested results of the 2003 census, the population dropped by more than half, and now stands at 216,000 (*Naselenie Abkhahziya* n.d.). However, despite war and economic hardship, the number of ethnic Abkhaz had reportedly increased from 93,300 in 1989 to 94,600 by 2003; they were now claimed to make up 43.8% of the total population. At the same time, the Georgian/ Mingrelian share was said to have dropped to 21.3% and the Russian to 10.8%. By contrast, the Armenians had seen a relative strengthening, and now constituted 20.8% of the population (ibid.)

Most outside observers dismiss the census results as manipulated[84] as regards both the total population figure, which is claimed to be much lower, and the ethnic breakdown. Representatives of the Armenian minority speculate that Armenians now actually outnumber the ethnic Abkhaz,[85] and also the Georgian/Mingrelian population is probably considerably bigger than the 46,000 reported in the census.[86] Whereas the census may well have been doctored to legitimize Abkhaz dominance, the continued uncertainty around the real figures threatens to undermine this strategy. Attempts to woo the Abkhaz diaspora (predominantly settled in Turkey) to return to their ethnic homeland have produced few results thus far. The fear of once again becoming a minority within 'their' republic has made the de facto authorities rule out a wholesale return of IDPs.[87] But also without large-scale return, the privileged position of the ethnic Abkhaz may soon come under threat.[88]

83 There are various accounts of the number of IDPs. According to Georgian sources, there are 212,000, while the Abkhazian de facto authorities operate with the figure of 150,000. Part of the discrepancy is probably due to the fact that some 40,000–50,000 IDPs who have returned to Gali are still included in the Georgian statistics (ICG 2010a: 9).

84 Even President Bagapsh has admitted that the number of ethnic Abkhaz is exaggerated, and has indicated that the Abkhaz now number approximately 70,000 (ICG 2010a: 8).

85 Authors' interviews in Sukhumi in September 2006 and September 2010.

86 Estimates range from 55,000 to 75,000 (ICG 2010a: 9).

87 Authors' interview with Abkhazian de facto Minister of Foreign Affairs Maksim Gunja, Sukhumi, September 2010. The Georgians/Mingrelians are so far allowed to settle only in the Gali region. IDPs from other parts of Abkhazia are not allowed to return.

88 In the 2009 presidential elections, for instance, most of the Georgian/Mingrelian population was disenfranchised as they were not issued passports, a prerequisite for voting in these elec-

In South Ossetia, there was less displacement during the war of secession[89] as well as more cross-border contacts in its aftermath, something which contributed to a relatively low level of ethnic tension. Before the war, the population of South Ossetia had stood at 99,000 – 66.2% Ossetians and 28.8% Georgians. The size and composition of the post-war population is disputed, as in the other de facto states. Up until 2008, the eastern part of the former autonomous oblast, the Georgian-populated Akhalgori region, as well as many villages in the vicinity of the capital Tskhinvali, had remained under Georgian control, with people moving more or less freely across the de facto border.[90] That made it difficult to produce exact figures. According to the de facto authorities, approximately 82,000 people lived in South Ossetia before the renewal of hostilities in 2008, some 60,000 of whom were living in territories under the control of Tskhinvali (Pakhomenko 2009).[91]

Unlike in Abkhazia, where the 2008 war did not significantly alter the ethnic balance,[92] more than half of the population in South Ossetia fled the war zone. Whereas almost all the Ossetians who sought refuge in North Ossetia soon returned, the majority of the Georgian population are still IDPs in Georgia proper.[93] According to the official website of the de facto president, South Ossetia in 2009 had 72,000 inhabitants, with ethnic Ossetians making up 80% of the population (Pakhomenko 2009). This figure is hard to reconcile with the fact that, at the same time, there were some 20,000 to 24,000 IDPs registered in Georgia (ibid., ICG 2010b: 1). While the Georgian government claims that the post-2008 population of South Ossetia stands at somewhere between 8,000 and 15,000, most external observers estimate it to be around 30,000 (ICG 2010b: 2).[94]

Overall, the tendency has been a sharp population decline in all three de facto states. This has led to a relative strengthening of the 'titular nations'

tions (previously they had been allowed to vote with a temporary registration document). An attempt on the eve of the elections to issue citizenship to Gali residents caused uproar among the opposition, and the authorities had to backtrack. In the long run, however, it will be difficult to leave this group without political rights. For an excellent account of the development of inter-ethnic relations in Abkhazia, see Trier et al. 2010.

89 During the war of secession, an estimated 10,000 Georgians fled to Georgia proper and a similar number of Ossetians to North Ossetia. Most of these did not return after the cessation of hostilities. According to the UNHCR, only some 1,300 Georgian and 1,500 Ossetian IDPs/refugees had returned by 2005 (Pakhomenko 2009). Nevertheless, the biggest impact of the 1991–92 war was on the Ossetian population of Georgia proper: this dropped by 60,000 compared to the pre-war level (in 1989, 98,000 Ossetians had been living in Georgia proper) (ICG 2005: 1)

90 During a visit to South Ossetia in 2000, we crossed the border between Georgia proper and the de facto state several times without being stopped – and without seeing other border personnel than a single Russian peacekeeper.

91 As the de facto authorities did not conduct a census, population figures are all estimates.

92 The main exception being a small group of Svans, a Georgian sub-ethnos living in Upper Kodori, which fled Abkhazia as the Georgian forces withdrew.

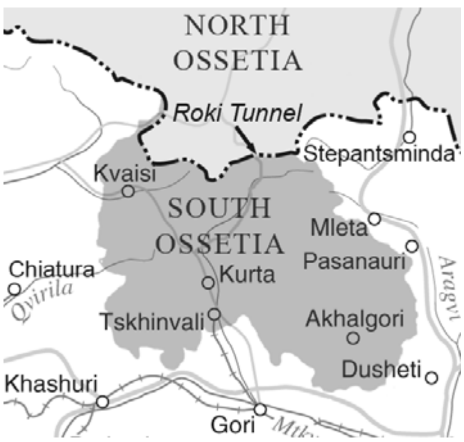
93 ICG estimates that 2,500 Georgians now live in South Ossetia, although, given seasonal migration, this figure rises to 4,000–5,000 during spring and harvest-time (ICG 2010b: 3).

94 A Russian specialist on demography has, on the basis of indicators such as voters' lists and number of school children, estimated the current population to be in the range of 26,000 to 32,000 (Pakhomenko 2009).

– ranging from establishing a virtually mono-ethnic Nagorno-Karabakh, to what constitutes a contested plurality status of the Abkhaz. When the titular nation constitutes a clear majority, this obviously makes the nation-building process easier – although nation-builders in Stepanakert and Tskhinvali have to strike a balance between emphasizing the nation (understood in ethnic terms) within the borders of the de facto state and the wider ethnic community to which this group belongs, resulting in a sort of 'waiting-room nation-building'. Pending a future merger of the de facto states with their ethnic kin in Armenia and North Ossetia, the de facto authorities seek to cultivate a regional sub-identity. This is particularly true in Nagorno-Karabakh, where the current elite have been nurturing a new national mythology based on the Karabakhians as the defenders and consciousness of the Armenian nation.[95] By contrast, the South Ossetians have invested much less in active nation-building. In Abkhazia, the emphasis on 'Abkhazia as the homeland of the Abkhaz' has not yet been seriously challenged, but the ethnocentric approach of the Abkhaz elite may risk alienating the Armenian minority, thereby undermining the state-building project as such.

*Factbox 7. South Ossetia*

| | |
|---|---|
| Declaration of independence | 28 November 1991 |
| Ceasefire concluded | 24 June 1992 |
| Area | 3,900 km$^2$ |
| Population size (official estimate) | 72,000* |
| Capital | Tskhinvali |
| Head of state | Lyudvig Chibirov (1993–2001)<br>Eduard Kokoity (2001– ) |
| Parliamentary elections | 1994, 1999, 2004 2009 |
| GDP per capita | NA |




* Official data from the website of the de facto president, available at http://presidentrso.ru/republic.

95 Authors' interview with, *inter alia*, Presidential Advisor David Babayan, Stepanakert, September 2010.

## Relations with the Outside World

Although the de facto states are by definition cut off from normal interaction with the international community, they do not – and cannot – exist in a vacuum. Thus, they have to seek ways to overcome their isolation. The continued existence of the de facto state is intrinsically connected to its parent and patron states as well as the interrelationships involving these three actors. The 'parent state' is the internationally recognized state entity from which the de facto state is trying to break away, while 'the patron state' is the one that provides the security guarantees and political and economic support that allow the de facto state to maintain the status quo (see also Caspersen 2008b). In the three cases discussed here, Armenia serves as a patron state for Nagorno-Karabakh, and the Russian Federation for Abkhazia and South Ossetia.[96]

### Parent States

The post-conflict relations with the respective parent states have varied considerably among the three cases. Up until the 2003 Georgian Rose Revolution, relations between Tbilisi and the de facto authorities in Tskhinvali were relatively relaxed. There was a lively cross-border trade – the sprawling Ergneti Market, which extended across the de facto border, was for years a major hub for illegal trade in fuel, food and tobacco. More importantly, there were also examples of practical cooperation between Georgian state structures and the South Ossetian de facto authorities.[97] As a result, outside observers would often point to the South Ossetian conflict as the one with the best chances for a peaceful solution.[98]
However, the Rose Revolution heralded a more activist approach from Tbilisi. Encouraged by the swift and bloodless reintegration of Adjara in the spring of 2004,[99] President Saakashvili decided to step up pressure on the South Ossetian de facto authorities, including depriving them of the income from the lucrative trade. Ergneti was closed down, and both military and rhetorical pressure was increased,[100] culminating with the attempt to overrun the South Ossetian de facto regime in a military strike

96 Russia also serves as the patron state of the fourth and final of the still existing de facto states in the post-Soviet area, Transnistria. The importance of being backed by a sufficiently strong regional power is illustrated by the fate of Chechnya, which for much of the 1990s could be described as a de facto state. Although the Chechen project did garner an amount of international sympathy, it lacked a powerful patron, and when Russia launched the second war in 1999, the separatist regime was crushed (at this stage it had also been seriously weakened by the continued infighting among various warlords).

97 Authors' interviews, Tskhinvali, September 2006. A 'Memorandum on measures for providing security and joint confidence' was signed in 1996 in which the two sides renounced the future use of force. President Eduard Shevardnadze met with de facto president Lyudvig Chibirov on several occasions, and there were also meetings between government officials.

98 From a state-building point of view, however, the 1990s have been described as a lost decade. When interviewed in Tskhinvali in September 2006, several of our sources claimed that the amicable relations had lulled Tskhinvali into de-prioritizing the development of South Ossetian statehood.

99 Adjara had not officially declared secessionist ambitions, but had been outside Tbilisi's reach, being ruled by local strongman Aslan Abashidze from 1991 to 2004.

100 Like the infamous statement by then Georgian Minister of Defence Irakli Okruashvili about celebrating New Year 2007 in Tskhinvali. Okruashvili promised to step down if he failed to bring South Ossetia under Georgian control by the end of 2006. (Kolstø & Blakkisrud 2008)

in August 2008. Ultimately, this policy proved highly counterproductive, driving South Ossetia further into the arms of its patron state, Russia. Since the August war, Tbilisi has had limited leverage on Tskhinvali, with the de facto authorities looking to Russia for security guarantees, financial assistance and support for reconstruction of the republic. The border crossings at the de facto border remain closed,[101] and Tskhinvali maintains that the only legal way to cross into South Ossetia is through Russia.

Nagorno-Karabakh represents the other end of the spectrum as regards relations with the parent state, with no civilian contact whatsoever across the de facto border. Since 1994, all communication and trade between Nagorno-Karabakh and the outside world have been redirected across the Lachin Corridor. The heavily militarized de facto border has been the scene of frequent violations of the ceasefire: since the conclusion of the 1994 ceasefire there have been an estimated 3,000 fatalities (ICG 2009: 1). Attempts to prepare the ground for talks by engaging in public diplomacy have been met with suspicion in both Nagorno-Karabakh and Azerbaijan proper,[102] and at the governmental level Baku has refused to treat the de facto authorities as part to the conflict, insisting on negotiating directly with Yerevan.

Abkhazia falls into an intermediate position: there has been considerable traffic across the de facto border at Inguri, but primarily connected with the above-mentioned daily or seasonal commuting of Georgian/ Mingrelian IDPs. With the incursion of pro-Georgian paramilitaries in 1998, the Gali region saw renewed hostilities and a new round of forced evictions, but since then the number of returnees and cross-border traffic has picked up again. The regime change in Georgia in 2003 had a negative impact on Sukhumi's relations with Tbilisi: Georgian reintegration of Upper Kodori and the subsequent establishment of rivalling, pro-Georgian Abkhazian authorities in this region led to fears in Sukhumi that Georgia might be contemplating restoring central control by military means.[103] These fears seemed to be justified when Saakashvili ordered Georgian troops to re-take Tskhinvali in August 2008. Since the war, Sukhumi has tightened the border regime: free movement across the border crossing at Inguri is limited to holders of Russian and Abkhazian passports, whereas Georgian citizens must obtain a special permit, a procedure that is said to be time-consuming (ICG 2010a: 10–11).

In January 2010, Georgian authorities adopted a 'State Strategy on Occupied Territories: Engagement through Cooperation', followed up six

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101 The sole exception is made for former residents of the Akhalgori region, who are allowed to travel back and forth to check on their property and to farm their plots (ICG 2010b: 3).
102 Authors' interview with NGO representatives in Stepanakert, September 2010. See also Shirinyan 2010.
103 Authors' interview with Head of Abkhazian Security Council Stanislav Lakoba, Sukhumi, September 2006.

months later by an action plan. Although the language of the strategy was less confrontational than what Georgian rhetoric had generally been over the last years – for instance, the Abkhazian de facto authorities were referred to not as 'the puppet regime' but as 'the populations and/or authorities in control of Abkhazia' (quoted in ICG 2010a: 15) – and it repudiated isolation as a way to pressure the breakaway regions, Sukhumi interpreted the initiative as merely another variation over the theme of engagement along terms dictated by Tbilisi. Tskhinvali currently seems even less interested in engaging with Tbilisi. In any case, the signals emanating from Tbilisi stand in stark contrast to the bellicose rhetoric of Baku in relation to Nagorno-Karabakh.[104]

Overall, Georgia's attempt to solve the conflict with military means has proven highly counterproductive, seriously undermining any level of trust that once existed between the de facto authorities and Tbilisi. This may have served as a warning to Baku, dampening the latter's belief in a military option. As to Georgia, in November 2010 Saakashvili unilaterally renounced the future use of force. Although both Abkhazia and South Ossetia expressed doubts about Saakashvili's sincerity, they responded with similar declarations in early December 2010 (*Crisis Watch* 3 January 2011). After two years of mostly fruitless negotiations (see below), this represented a small breakthrough in relations between the de facto states and their 'parent'.

## The Patron States

Whereas the secessionist regimes exploited the historic window of opportunity provided by the dissolution of the Soviet Union to break loose from their parent states, their continued survival as de facto independent states is intimately linked to the existence of patron states. Indeed, none of the de facto states in our sample would have been able to endure without the active support of their patrons.

Most fundamentally, the patron states provide security guarantees. The secessionists won the initial war, but all three de facto states discussed here are micro-states, and today their armed forces would be no match for the Georgian, respectively Azerbaijani, military on their own. To 'freeze' the status quo, they need the backing of external powers. Hence, despite their efforts to develop independent military capacities, the de facto states are net importers of security.

For Sukhumi and Tskhinvali, one of the most important results of the 2008 war was the change in perceptions of the security situation. Until then, Russia had formally recognized Georgia's territorial integrity, and its military presence in both conflict zones had been presented as part of peacekeeping operations – in South Ossetia, within the Joint Peacekeep-

[104] For a discussion of the latter, see Kolstø & Blakkisrud 2010.

ing Forces consisting of Russian, Georgian and Ossetian personnel; in Abkhazia, under the umbrella of the CIS peacekeepers. In the August war, Russia demonstrated that it was both willing and able to protect the de facto states with military means. Even more importantly, Russia shed its pro forma neutrality and showed unequivocal support for the separatist regimes: through its recognition of Abkhazian and South Ossetian statehood in late August 2008, Moscow extended tangible security guarantees, later bolstered through the conclusion of agreements on military cooperation. In February 2010, the Abkhazians agreed to lease the military base in Gudauta (including the Bombora airfield)[105] to Russia for 49 years (*RFE/RL Newsline* 17 February 2010). Russia is also involved in developing naval facilities in Ochamchira. The current Russian military presence in the republic is estimated to be in the range of 4,000 to 5,000 troops (this figure includes regular troops, border guards[106] and security personnel) (ICG 2010a: 3; Felgenhauer 2010).[107] In April, a similar agreement was concluded between Russia and South Ossetia. Here Western analysts estimate the number of Russian troops to be 3,000–4,500 (not including FSB border guards) (ICG 2010b: 8).

In the case of Nagorno-Karabakh, the patron state – Armenia – has been a much more direct part to the conflict from the very beginning. Armenian troops fought alongside the Karabakhian irregulars during the war of secession, and although Stepanakert has built up a relatively large standing army,[108] the continued presence of Armenian troops in Nagorno-Karabakh plays a vital role in reassuring the Karabakhian population. The Armenian and Karabakhian armed forces are highly integrated, and any Azerbaijani attack on Nagorno-Karabakh would automatically be interpreted as an attack on Armenia. In addition, Stepanakert sees the recent extension of Russia's right to use the military base in Gyumri in Northern Armenia as also providing a Russian security overlay.[109]

But the role of the patron state is not limited to providing security: the de facto states rely on their patrons for financial assistance, trade and infrastructure. Despite the state-building efforts, the continued non-recognition – or, in the case of Abkhazia and South Ossetia, only partial recognition – bars the de facto authorities from realizing their full scale of obligations towards the population. To give but one example, the de facto authorities can issue 'national' passports, but these are valid only within the territory of the de facto states. For international travel, citi-

105 Bombora is the largest military airfield in the South Caucasus, boasting a 4-km long runway.
106 Russian FSB border guards are currently responsible for patrolling the de facto borders of both Abkhazia and South Ossetia.
107 In comparison, Abkhazia's own standing army is believed to consist of 1,000 to 5,000 men (for various estimates, see ICG 2010a: 5).
108 That is, as share of the total population. The standing forces are estimated to be in the range of 18,500 to 25,000, or 13–18% of the total population.
109 Authors' interviews in Stepanakert, September 2010. The lease on the base in Gyumri was initially to expire in 2020, but in August 2010 it was extended to 2044 (Grigoryan 2010b)

zens of the de facto state have to obtain citizenship of another state – and, in most cases, people will turn to the patron.[110]

The de facto authorities rely on the parent state to solve a range of practical issues, as well as for financial support and trade. According to ICG estimates, Russia contributed half of Abkhazia's state budget in 2010 (ICG 2010a: 5). South Ossetia is even more dependent on Russia: Whereas Abkhazia has a rapidly recovering tourist industry,[111] South Ossetia has few resources of its own. Its strategic location along a main transit corridor across the Caucasus Mountains (the Roki Tunnel) is of limited use as long as relations with Tbilisi remain antagonistic – this once-important transport artery is now a cul-de-sac. The few industrial enterprises that exist operate at a fraction of capacity. As a result, 98.7% of the 2010 budget was covered by Russian aid, according to the ICG (2010b: 4).[112] As regards Nagorno-Karabakh, economic support is given in the form of annual state loans over the Armenian budget. In addition, the Armenian diaspora extends valuable contributions to various infrastructure programmes – the high growth rates of the Karabakhian economy over the last years have primarily been diaspora-driven.

The state- and nation-building efforts of the de facto states cannot be properly understood except within the dynamic context of their relationship with their patron states. To write off the de facto states as mere pawns in the attempts of their patron states to win strategic positions and influence – as is frequently done – is nevertheless too simplistic. At least among the ethnic Abkhaz there seems to be a genuine will to pursue independent statehood: they try to keep the Russian patron at arm's length even if it means missing out on economic development.[113] Still, it is beyond doubt that the patron states hold a key to the settlement of the conflicts.

## External Actors and Attempts at Conflict Resolution

Of the three South Caucasian secessionist conflicts, Nagorno-Karabakh has seen the least international presence. The OSCE has since 1995 run a small but important field operation out of Tbilisi (the location was cho-

110 Likewise there are restrictions on communications: postage stamps are not recognized; air companies are prevented from flying to the de facto states; and the de facto states cannot obtain their own country codes for telecommunication. As for trade and economic cooperation, no international treaties apply on the territory of the de facto states; and if they introduce their own currency, this is not recognized as legal tender outside of the borders of the de facto states.

111 Abkhazia is a popular destination for Russian tourists, especially for the lower middle class, as it is quite affordable. As the security situation improved after the 2008 war, the number of tourists soon picked up again, reaching 1 million in 2009 (ICG 2010a: 6).

112 Russian financial support after recognition has been massive. According to ICG, it amounts to approximately USD 28,000 per capita (ICG 2010b: 6)

113 In interviews in Sukhumi in September 2010, several of our informants claimed that the Abkhazian side was willing to forfeit some of the opportunities to cash in on the Sochi Olympics if that could prevent the Russians from making too big inroads in the Abkhazian economy.

sen to ensure neutrality): the entire team consists of no more than six international staff, three of which rotate through field offices in Baku, Yerevan and Stepanakert.[114] The field staff regularly monitor the approximately 220-km de facto border, and have for the last 15 years represented the only confidence- and security-building measure carried out in the military sphere (Colloudon 2010).

In the two other conflicts, the parties have been more open to international involvement. Not only did they agree to allow peacekeeping operations, also the UN and the OSCE were present in the conflict zone. Up to the 2008 war, the UN through UNOMIG (the UN Observer Mission in Georgia) seconded close to 250 international staff, including 145 uniformed personnel, to monitor observance of the ceasefire in the security zone and the Kodori Valley. In South Ossetia, the OSCE Mission was engaged in promoting practical cooperation between the parties as well as monitoring the conflict zone. In the aftermath of the war, however, Russia's recognition of the two secessionist regimes meant that Moscow and the UN/OSCE no longer had a shared understanding of the situation on the ground. In the summer of 2009, referring to 'the new realities', Moscow vetoed the extension of the mandates of both UNOMIG and the OSCE Mission.

In 2008, the EU established its own monitoring mission, at the time complementing the UN and the OSCE. The EUMM, almost 300-strong, has established field offices in Gori, Zugdidi and Mtskheta. So far, however, the de facto authorities in Sukhumi and Tskhinvali have not granted the EUMM access to territories under their control. Consequently, the 2008 war has resulted in a much weaker international presence and very limited possibilities for third parties to monitor developments within the de facto states.

Concerning conflict resolution, the negotiation format for the Abkhazian and South Ossetian conflicts has since the 2008 war been the 'Geneva Talks'. The commencement of these talks was part of the package agreed to by presidents Nicolas Sarkozy and Dmitrii Medvedev in September 2008 to follow up the 12 August ceasefire agreement – internationally mediated talks on security guarantees for the two republics (Fuller 2008). The talks involve Georgia, Russia, South Ossetia and Abkhazia, and are supported by the UN, EU and OSCE. Georgia initially wanted to negotiate with Russia as the sole counterpart, but Moscow insisted on the inclusion of the de facto states within the official format. This was seen as a logical consequence of Russia having recognized Abkhazia and South

114 The operation is led by the 'Personal Representative of the OSCE Chairman-in-Office on the Conflict dealt with by the OSCE Minsk Conference'. The awkward name serves to illustrate the difficulties in establishing common terms of reference between the conflicting parties.

Ossetia as independent states.[115] Lumping together Abkhazia and South Ossetia in one process may in the longer run complicate the negotiations, as progress with solving one conflict may be thwarted by resistance from the other de facto state. Up to now, the talks have produced very few tangible results. Besides the very fact that parties, on a regular basis, sit together around the negotiating table, the most concrete result so far is the October 2010 Russian withdrawal from Perevi, a village in Georgia proper that was never claimed by the de facto authorities.[116]

In order to introduce some momentum, the EU in December 2009 adopted a non-paper on the parameters for engagement and non-recognition. The aim was to draw up guidelines for how the EU could interact with Abkhazia and South Ossetia without compromising its official stand on non-recognition. This new approach is based on an understanding that the EU has to engage with the de facto states in order to increase its leverage – as long as the EU involvement is limited to the EUMM operation in Georgia proper, Brussels has few carrots and sticks that can be applied in Sukhumi or Tskhinvali to move confidence-building, let alone conflict resolution, forward. That there is a fine and difficult line between engagement and recognition is illustrated by a statement made by a leading Abkhazian government official, who claimed that the 'only reason we are participating in the Geneva discussions is because every time we sit down at the table, it is another act of recognition of our independence' (quoted in ICG 2010a: 14).

With regard to Nagorno-Karabakh, the main platform for negotiations has been the OSCE Minsk Group, established already in 1992, at the height of the war of secession. The Minsk Group is chaired by a troika consisting of France, Russia and the United States, and has sponsored numerous initiatives over the years. During the 2001 Key West talks, the parties were reportedly close to a breakthrough, but negotiations stalled after President Heydar Aliev transferred power to his son Ilham (de Waal 2009).

The repercussions of the 2008 war also reached Nagorno-Karabakh. In November 2008, Armenia and Azerbaijan agreed to intensify their efforts to reach a solution, and significant progress was made over the next year, following an unprecedented number of meetings between the two presidents (ICG 2009).[117] As it became increasingly clear that the recognition of Kosovo, Abkhazia and South Ossetia had not established a precedent that would apply to Nagorno-Karabakh – and, in a parallel process, attempts at Armenian–Turkish rapprochement failed – this window of opportunity again closed. Questions of timing and coupling

115 Georgia has, on the other hand, included the pro-Georgian Abkhaz government in exile and the provisional South Ossetian administration in their delegation.
116 The unilateral declarations on abstention from the use of power were made outside the Geneva Talks format.
117 The Armenian president also negotiates on behalf of Nagorno-Karabakh.

of the various elements of a peace plan remain highly contested, not least in Nagorno-Karabakh.[118]

When the South Caucasian secessionist conflicts are described as 'frozen' (see e.g. Blank 2008), this refers primarily to the lack of progress towards conflict resolution. Although the 2008 war seemed to 'unfreeze' the conflicts for a while, today mutually accepted negotiated solutions seem to be even further away than before.

## Conclusion: The Emergence of a New Permanent State-like Category?

In the case of Kosovo, the declaration of independence was followed by extensive, albeit far from universal, recognition.[119] In South Caucasus the de facto states have had less success in breaking the international resistance to their claims for statehood: as yet, Abkhazia and South Ossetia have been recognized by only four states – the Russian Federation, Nicaragua, Venezuela and Nauru – and Nagorno-Karabakh by none.

The three states that have followed Russia's lead and recognized Abkhazia and South Ossetia have no particular interests of their own in the region, and their acts of recognition are claimed to be motivated by Russian involvement.[120] It came as somewhat of a negative surprise that Moscow was not able to convince other CIS states of the need to recognize the two breakaway entities. Even Belarus, which at one point was rumoured to be contemplating following in Russia's footsteps, has stubbornly refused. Although the Abkhazian de facto Minister of Foreign Affairs has expressed some optimism about the prospects of winning wider recognition,[121] most local observers are rather pessimistic. As South Ossetian ambitions have been more oriented towards joining their ethnic brethren in North Ossetia (and such a reunification would obviously have to take place within the framework of the Russian Federation), Tskhinvali has been less active in attempting to penetrate the recognition embargo. Overall, however, recognition has so far proved somewhat a mixed blessing for Abkhazia and South Ossetia: Even though it represented a major breakthrough in consolidating independ-

118 In interviews in Stepanakert and Yerevan, September 2010, we were told that if Yerevan were perceived as giving up too much in the negotiations, there would be a danger that some elements within the Karabakhian elite might revolt and derail the process by provoking war.

119 By the end of 2010, 72 states had recognized Kosovo as an independent state. In addition to most NATO and EU members, this group includes Australia, New Zealand and several Pacific micro-states. Among the states that have so far refused to recognize the new regime in Prishtina are two of the permanent members of the UN Security Council, Russia and China. Support is also weak throughout most of Asia, Africa and Latin America.

120 According to the ICG, the acts of recognition have been followed by Russian credits (in the case of Venezuela and Nauru) and arms and energy deals (Venezuela and Nicaragua) (ICG 2010b: 9).

121 Authors' interview with Maksim Gunja, Abkhazian de facto Minister of Foreign Affairs, Sukhumi, September 2010.

ent statehood, it has made the two much more dependent on Russia than prior to the official recognition.[122]

In Nagorno-Karabakh, the de facto authorities for years pursued a policy informed by 'standards before status', that is, that the adoption of international standards would eventually qualify them for international recognition (Caspersen 2008a). The failure of the international community to abide by this principle in the case of Kosovo forced Stepanakert to reconsider its approach. As it became clear that, for the foreseeable future, recognition would *not* be on the international agenda, the de facto authorities had to reorient themselves – and the expectations of the population – from a focus on recognition, to consolidating the status quo. In order to justify this policy shift, Karabakhian authorities frequently refer to the example of Abkhazia and South Ossetia, and question whether anything good came out of this recognition.[123] There also appears to be widespread agreement in Stepanakert that recognition by their own patron, Armenia, is meaningless as long as there are no guarantees that others will follow suit.

Almost two decades have now passed since the wars of secession. In the meantime, the secessionists have turned into state-builders and nation-builders. Both ambitions and the level of success have varied among the three de facto states. Nagorno-Karabakh is functioning relatively well, while the South Ossetian state project has experienced a sharp downward turn since 2004. Although the prospects for widespread international recognition might seem even bleaker today than at the time of secession, in the de facto states, time is nevertheless seen as working to their advantage: for each year they manage to hold onto their de facto status, the higher the practical barriers to reintegration will grow.

The de facto states are thus oriented to the status quo: even if international recognition may be their ultimate goal, most other alternatives would appear worse than what they currently have. While the international community insists on finding solutions to the conflicts that can respect the territorial integrity of the parent state, the worst-thinkable scenario for the de facto states would be re-absorption by these states – at least, if not accompanied with far-reaching autonomy, veto powers in the national parliament and credible security guarantees.[124] For the time being, it seems that the de facto states have come to stay, and that the international community will have to learn to live with a situation in which sovereignty is not a matter of either–or, but of degrees, with states/statelike entities dispersed along a continuum ranging from no recognition, through partial, and to full recognition.

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122 In our meetings, Abkhazians would frequently appeal to the Western world for recognition, arguing that continued non-recognition would only drive Abkhazia deeper into Russia's powerful embrace.

123 Authors' interviews in Stepanakert, September 2010.

124 The experience of other restive regions, such as Adjara, serves to underline this point. After that region was reintegrated into Georgia, all meaningful autonomy was eliminated (Graham 2009).

# Findings and Recommendations

## The Region

- The Black Sea is an arena of cross-cutting and intersecting initiatives of regional cooperation, but the potential for cooperative arrangements seems overshadowed by interest-driven policies and bilateral ad-hoc alliances.
- New initiatives appear to defy some of the old conventions and established patterns of cooperation, and energy relations and bilateral relations are in flux.

## Turkey

- Turkish policy makers take for granted that Turkey will become a major player in the energy market.
- Turkey's current approach to regional cooperation is based on the principle of 'more is better' and 'the more, the merrier'.
- Policy decisions regarding energy are made within the executive branch, with the Ministry of Energy and Natural Resources and the Ministry of Foreign Affairs being the main decision makers.
- What statements come out of the executive branch are prepackaged and give little room for discussion of energy policy, whether in the Parliament or in the media.

## Ukraine

- Ukraine will increasingly face a transit conundrum: energy shortages and budget deficits will bring it closer to Russia, while the EU will be more reluctant to invest in transit infrastructure.
- Russia has gained leverage on Ukraine since the 2010 elections and is becoming a more influential regional player in the Black Sea region.

## South Caucasus: Abkhazia, South Ossetia and Nagorno-Karabakh

- To prevent the outbreak of a new war, the parties to the Nagorno-Karabakh conflict should be encouraged to follow the example of Tbilisi, Sukhumi and Tskhinvali and renounce the use of force as a means of conflict resolution.

- Since the 2008 war, there has been a very low level of international presence/engagement in all three de facto states, and Abkhazia and South Ossetia are rapidly reorienting themselves towards Russia. To counterbalance this trend, the international community should encourage Georgia to become involved in constructive engagement across the de facto borders.
- To ensure that the Karabakhians will respect the outcome of a possible future settlement between Baku and Yerevan, representatives of Stepanakert should be included in the negotiation format (to balance the format, representatives of the Azerbaijani IDPs could also be included).
- All de facto states should be strongly encouraged to allow the return of IDPs, and also to facilitate cross-border movement. There are varying dynamics at play in the individual conflicts; as a first step, the international community should probably give priority to the less controversial returns (Georgians to Gali and Akhalgori), while making it clear that the de facto states are obliged to accept the return of the entire IDP population.

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