THE RUSSIAN-Ukrainian Crisis and Behind, Energy Policy in the Mirror of Eurasian Geopolitics

AZ OROSZ-UKrán Válság És Ami Mögötte Van, Energiapolitika Az Eurázsiai Geopolitika Tükrében

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THE RUSSIAN-UKRAINIAN CRISIS AND BEHIND, ENERGY POLICY IN THE MIRROR OF EURASIAN GAME OF GEOPOLITICS

AZ OROSZ-UKRÁN VÁLSÁG ÉS AMI MÖGÖTTE VAN, ENERGIAPOLITIKA AZ EURÁZSIAI GEOPOLITIKAI JÁTSZMÁK TÜKRÉBEN

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Abstract

The Russian-Ukrainian crisis is one of the most important issues of the beginning of the 21st century, from regional and global aspects as well. This paper analyses the crisis from geopolitical aspects, and tries to concentrate on the reasons behind the events and the global perspectives. The study reveals why the Ukrainian question is in the focus of Russian interest, and what led to the crisis. Concerning geopolitics, starting from the point of view of Sir Halford John Mackinder, placing the theory of the Heartland to the 21st century, the study gives a complete picture about the situation of the Eurasian chessboard in terms of Ukraine and Russia. The authors attempt to provide comprehensive analysis of the crisis, keeping in mind the spheres of interests of Russia, Ukraine, the U.S. and the European Union.

INTRODUCTION

The Central-European region has belonged to Russia’s sphere of interest from the 18th century. The power vacuum which came into being after the collapse of the Soviet Union was quickly filled in by the NATO, the Russian leadership could not intervene due to the serious inner problems. A new strategic approach was in need to regain the influence, which important element was the energy sector, crude oil and natural gas. Moscow has no interest in a unified union or community having common foreign, security and energy policy, so the strategy is the closest to the divide et impera principle. The study does not
mention the effects of the shale-gas revolution in the U.S. on the European energy market in the future, it will be the basis of a later analysis. In the light of the events in Ukraine, it seems like Russian imperialism and the Kremlin’s confidence is back. The question is raised, whether Western sanctions are enough to guarantee the security of Central-Europe.

The concept of the heartland is the central idea of the geopolitical approach. According to Mackinder, an outstanding representative of geopolitical theory, the Russian heartland, which is recently in the focus of attention, is situated west of the Lena-land. Its North-Southern and West-Eastern extension is 2500 miles. Its population is 170 million. The Lena-land, supplemented by its natural reserves provides a strategically beneficial position for Russia.¹

Mackinder divides Europe into two parts. The dividing line starts from the coast of North Germany of the Baltic Sea, then continues to the direction of Berlin and Vienna along the Eastern border of Germany, then passes through Austria to Fiume and turns to the Southern coast of the Adriatic Sea. Goes along the Southern coast, and ends on the southernmost part of the Balkan Peninsula belonging to Greece.²

Mackinder is thinking according to the power relations of the 20th century, when he mentions the balance of power between Germany and the Slavs on the heartland. From this theory the world-conquering plans of Napoleon and Hitler are looming. Mackinder drafted the corner points of his geopolitical theory as a result of modern global world view: who rules the heartland, commands the World-Island, who rules the world-island controls the world.³ The concept of world-island refers to Eurasia.

Geopolitical thinking is the creation of historical and theoretical synthesis: “geopolitics deals with the connection network and interactive struggles in geographical space of players of different type and organization playing roles in the system of international relations transforming and influencing it.”⁴ “Geopolitics, as a multi-disciplinary social science dealing with spatial and partly geographical aspects of the theory of international relations, regarding its subject and direction of activity, is condemned to find and explore new horizons and perspectives, to raise questions which were thought to be solved in previous historical eras.”⁵ Thinking in five dimensions shows the global nature of this multi-disciplinary science: “the traditional approach was complemented with space or

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² ib. 41.p.
³ ib. 45.p.
⁴ ib. 122. p.
⁵ ib. 125. p.
aerospace and the phenomenon of cyberspace, belonging to the information sphere in broader sense, infosphere. Our usual spatial view was extended with another dimension: who controls the low height orbital trajectory, controls the near-Earth space. Who controls near-Earth space, controls the world.

Geopolitics is the field of strict reality. New Russian policy tries to create a relationship with the U.S. based on equal partnership. However, the U.S. in this relationship did not take the partner relation. The confidence of Russia weakened towards the West. The Eurasian geopolitical situation of Russia remained a key question of world politics due to keeping the dominance over an important part of the heartland. Moscow cannot be ignored from the point of view of the security of South-East and Central-Eastern Europe and the Middle East and due to the fact that international terrorism has risen to world political rank. In 1996 Russia became member of the Council of Europe, and in the middle of 1997 the NATO and Russia signed the Founding Act on Mutual Relations, Cooperation and Security. In terms of power position the central question for Russia became Ukraine. The situation of Ukraine is ambivalent. It belongs to the medium powers, but is a very poor state. Zbigniew Brzezinski briefly describes the geopolitical position of Ukraine in 1995: “the undisturbed independence of Ukraine is clearly the most decisive and most significant manifestation of post-soviet pluralism.” The Kremlin considers strategic goal its prior right of any form of re-winning Ukraine against the Atlantic alliance or the EU. Ukraine started to establish plural democracy. In 1996 the parliament accepted the new constitution. This new path goes with a lot of difficulties. The establishment of plural democracy, the economic and political reforms are slowed down by the question of division of power. The new constitution reflects the compromise between the president and the parliament. However, President Yanukovych strongly restricted the rights of the parliament and made the presidential power dictatorial according to the example of Putin. Ukraine was in command of huge heavy and military industrial capacities, the transformation of this required considerable financial strength. To boost the standard of living a new economic structure was needed. There was not enough support available for the transformation of economy, the country did not receive any loans. The GDP and real wages decreased every year from 1991 as well as the industrial and agricultural production. The privatization, accelerating from 1994 is characterized by half-solutions. Ukraine’s economy is in many

\[\text{ib. 125. p.}\]
ways linked to Russia. 90% of crude oil, 60% of natural gas, the strategic hydrocarbons should be imported from Russia.

Crimea is strategic impact point. The reason for this is the division of the Black Sea Fleet, the loyalty of the 10 million Russian minorities. 60% of the inhabitants of the peninsula are Russians, 32% Ukrainians, 6.8% Tartars. From military aspects the peninsula provides control over the Black Sea. From geopolitical aspects its military infrastructure and ports are of great importance. In 1992 the region was given autonomy. A conflict emerged between the Russian and Ukrainian parties due to the division of the fleet. Until 1995 they temporarily commanded the fleet together. When Ukraine became independent, Russia lost its bases of Odessa and Sevastopol in Crimea. In 1993 the two presidents agreed on halving the fleet. The Russian fleet could use the base of Sevastopol for a rental fee. In 1995 the remaining heavy units were divided. Ukraine became the second biggest naval power.\footnote{Norbert Pap, József Tóth: Európa politikai földrajza. Pécs: Alexandra Könyvkiadó, 2002 247-248.p.}

An interesting moment in the history of Crimea, that in 1954, Khrushchev, who is of Ukrainian origin himself, secretary general of the CPSU, and the leader of the Soviet Union gave Crimea, which was under Russian control for a long time, to Ukraine. He acknowledged the peninsula belonging to Ukraine for the nuclear disarmament of Ukraine.

In Eastern Ukraine the number of Russian inhabitants living in one block is 8.5 million. This makes the situation of Eastern Ukraine similar to the situation of Crimea. The majority of Russians settled to satisfy the needs of the new factories in the industrial region of the Donetsk Basin.\footnote{ib. 248 p.}

The situation of Russia after the disintegration of the Soviet Union was guaranteed by international conventions, indicating, that Russian power plays an important role in preserving the political balance of the heartland. Therefore it is necessary to raise the question, how and why the relation between Russia and Ukraine became an important question of the stability of Europe and the world. From geopolitical point of view, the great powers recognized already at the time of the disintegration of the Soviet Union, that along the political fault line between West and East can be an earthquake. That is why they encircled the security of Russia with international conventions. These also contributed to the stability of Ukraine. However, the global changes, which together with local factors led to political earthquake, made these manifold guarantees uncertain. The economic and financial world crisis which broke out in the beginning of the century turned the civil
inhabitants against the dictatorial presidential power in Ukraine. Joining the EU provided a way out of the crisis. President Yanukovych, who wanted to sign an association agreement with the European Union, found himself in a difficult situation. Interrupting the negotiations he left for Moscow. Putin, recognizing the favourable opportunity, wanted to strengthen the position of Russia among the ambiguous circumstances. He used all means to tilt the balance in his favour in the precarious situation. It seems that the situation considering the fate of Crimea is favourable for Russia. The geopolitical situation of Russia is clear due to military dominance and the large number of Russian inhabitants. To halt the Russian advance, in addition to the negotiating, compromising alternative the retaliatory economic measures can be successful, but it is also questionable. Illustrative data prove the alternatives of the economic situation of Russia. “Russia and the U.S. dealt businesses with each other of 10 billion dollars in 2001. Russia and the EU 75 billion, 7.5 times more. Russia can do without the U.S. but not without Europe. Russia offers counterbalancing the U.S. to Europe, both in military way and the support of energy resources. The deal is enticing.” Trade relations of Ukraine show, that the country is mainly dependent on Russia, Europe, and other territories out of the supremacy of the U.S. In 2000 Ukraine imported 8040 million dollars from the former Community of Independent States, 5916 million dollars from the other parts of the world, mainly from Europe. Meanwhile imports of goods and services from the U.S. are only 1.4% of the total import.” From the point of view of Russia, the most important is that the NATO should not take Ukraine to its sphere of interest. To solve the complex political situation the negotiations in the background offer alternative solutions.

Central-European energy security and the energy weapon model

Opinions vary if Russia has an energy weapon influencing the decision-making of Central-European countries, endangering their sovereignty, which can be used for the enforcement of Russia’s interests. The question can be judged from many aspects, but is not a yes or no question at all. It is worth it to examine the idea in Eurasian and global dimensions as well, because in the 21st century the issue of Central-European energy security is not confined to the Eurasian continent, it is linked to the activities of not only Eurasian, but transatlantic players. The seemingly continental problems of energy security are raised to global level.

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10 ib. 193.p.
by the global networks of transnational and multinational corporations and the effects of globalization.

It is important to state which countries belong to the term “Central-Europe”. This includes the three Baltic states, Estonia, Latvia and Lithuania, the V4, Poland, Slovakia, the Czech Republic and Hungary. First, the relations between these countries and Russia from the point of view of energy policy and energy security will be examined, not ignoring the role of the European Union and its leading countries. The Balkans will also be mentioned, which countries are of great importance concerning gas and oil industry, from the point of view of Russia, the EU and Central-Europe.

**The energy weapon model**

*Figure 1* The energy weapon model

What conditions should be met for a country to be able to use its resources for political aims? The model basically sets four requirements for the energy weapon, but, as all the models, this also functions with the simplification of reality, but illustrates well the necessary requirements.

“We first, the state must consolidate the country’s energy resources. Second, the state must acquire control of transit routes. Third, the state must use the energy resources in an attempt to further its own political objectives by—either implicitly or explicitly—
threatening, punishing, or rewarding a targeted client state. The energy weapon model should contain a fourth stage: the reaction of the dependent government to the threats, price hikes or cut-offs."\textsuperscript{11}

The state consolidation of resources means that most of the oil and gas deposits are directly or indirectly in the hands of the state. This requirement has been met recently, when Vladimir Putin gained control over the oligarchs (think of the oligarch-trials), today the leaders of Gazprom belong to the elite loyal to Putin. The Russian state has 50,002% share in the company Gazprom. The 75% state-owned Rosneft is the second biggest oil company in Russia.\textsuperscript{12}

Gaining control over the existing transit routes outside the country is the task of Gazprom, which over the years in more cases has successfully acquired majority ownership in given companies based on the debt of the countries. Currently the main goal is the building of Nord Stream and South Stream. While building the Nord Stream did not encounter serious difficulties, for the establishment of South Stream the consent of many countries is needed, and both the U.S. and the EU opposed it, the EU favoured its own project, the Nabucco, which would transport gas from deposits independent from Russian sources. The construction of South Stream was slowed down by the crisis as well, but the condition is met with the Nord Stream.

The best example for that the third condition is met is the above discussed Ukraine. The cut-off to Ukraine has been attributed to economic reasons, but at the same time was a well-timed message for the Baltic states, who expressed their environmental concerns in connection with Nord Stream. At the same time resources can be used not only in a negative but in a positive way as well. Countries having friendly relations to Moscow have to pay less for the gas than those who are getting closer to the EU or the U.S.\textsuperscript{13}

The first three conditions were met, the problems appear with the fourth one. The countries concerned, mainly the Baltic states, did not obey to the will of Moscow in connection with the Russian military presence in 1990. The situation is different in terms of Ukraine. In 2006 after the supply was cut off following disputes over prices, the pro-Russian politicians and parties did well in the elections in March. In 2010 Yanukovych has won the elections and the Russian-Ukrainian relation has improved significantly.\textsuperscript{14}

\textsuperscript{12} ib. 6507.p.
\textsuperscript{13} ib. 6509.p.
\textsuperscript{14} ib. 6510.p.
From the model’s system of conditions three have been met. The possibility to use the energy weapon is totally different in every country, not only due to different dependency relationships but also the way of thinking of the political elite and their relations to the West. After the Soviet times the Baltic states understandably showed resistance towards the Russian efforts. Later we will see the reactions of other Central-European states as well.

Completing the energy weapon model, the asymmetric interdependency
The first step is to recognize the asymmetric interdependence. According to Keohane and Nye, “the importance of the relative bargaining strength relates to the term asymmetric interdependence.”\(^{15}\) It is interdependency, as the European Union needs Russian oil and gas, and Russia needs the incomes from the export of oil and gas. It is asymmetric, as the European Union is more dependent on Russia than vice versa. However, this does not mean that the relationship is one-sided.

According to Armstrong, asymmetric interdependence can only serve as political tool if three conditions are met: “First, a large part of a state's investment should be controlled by another state. Gazprom investments in the European gas market serve as a good example. Gazprom has been able to purchase EU based companies, while Russian law prohibits European companies in doing the same in Russia. Second, the resource dependent state should be unable to find other sources of supply. A desired political effect may occur without any threats or break in economic relations.”\(^{16}\) In the relations of Russia and the European Union all three conditions are met.

The energy weapon model should be completed with these three conditions. For the countries of Central-Europe all parts of the model are particularly true. Their diversification ability is minimal, their willingness to cooperation too (but an effort to do so can be seen in their rhetoric). The historical grievances, the often exaggerated nationalist aspirations and the economic crisis deepen the gap lying among them.

The energy weapon model extended with the conditions of the theory of asymmetric interdependence provides a more completed picture about what Central Europe and the European Union is facing.


Among the Visegrad Four, Poland, one of the border states of the European Union, plays an important role as transit country. It is the most powerful among the V4 from many aspects, the largest concerning its territory. Both Germany and Russia courted its favour, proving its geopolitical significance. “The “reconciliation” process with Poland started in 2007 with the formation of the Group on Difficult Issues of the History of Russian–Polish Relations, such as the Soviet-Polish war of 1920, the Katyn massacre, and the Molotov-Ribbentrop Pact.”17 The strategic interests of Russia were in the background of course, weakening the V4, gaining the loyalty of Poland in the name of divide et impera. Poland is of great importance for Washington, the NATO and the CIA also showed keen interest on it, which also played a role in this. The Polish leadership resisted the Russian energy weapon but Poland is 82% dependent on Russian gas according to data of 2012.

The next country to mention is the Czech Republic, which cannot be considered as a geopolitically significant country due to its size and the amount of resources it has, its energy security exposure is quite significant, its latitude is a lot smaller compared to Poland. “The Czech Republic is a Central-European state which wants to take advantage of multilateral forums, for which the most significant dangers are the economic and energy security threats.”

The country is 66% dependent on Russian gas, energy security plays an important role in its security policy.

The third country is Slovakia, which is a border state of the European Union just like Poland, but due to its characteristic features similar to the Czech Republic, it does not play an important role in the energy policy of Russia or the EU. It is 93% dependant on Russian gas, more permissive towards Russia, than the other V4 countries, does not recognize Kosovo.

It pursues double-edge policy just like Hungary.

The fourth country is Hungary, which despite of its size and economic performance plays an important role in oil industry in Central-Europe. In 2007 the Austrian OMV tried to acquire and play MOL into Russia’s hands, which would have resulted in a regional monopoly, controlling oil refining in Central-Europe. Concerning gas pipelines, Ferenc Gyurcsány supported the Nabucco project, but also gave the green light to South Stream pipeline. The energy exposure of Hungary is quite high, Hungary does not belong to the transit countries, 81% dependent on Russian gas. Hungary’s position could change if the South Stream pipeline was constructed, but currently it encounters difficulties. Energy security is a priority for Hungary as well, what became clear when Russia cut off the pipeline going through Ukraine to Hungary. The current situation in Ukraine can cause anxiety for the decision-makers not only in Hungary, and not only from the aspect of energy security.

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19 Ib. 15-18.p.
The Nord Stream

Figure 3 The Nord Stream

If we have a look at the pipelines remaining from the Soviet times, and the systems which have been built since then, it is conspicuous, that gas to be transported to Western countries get there through transit countries. Through the construction of the Nord Stream, Poland and Ukraine lose their significance as transit countries, their exposures increase, the Western European markets are directly available for Russia, for whom the stable, reliable, solvent partners, like Germany mean inevitable income sources. Germany, as the leading country of the European Union is a significant target of Russian export not only in the field of energy. The relation between the two powers has rewritten the rules many times in history, creating a new geopolitical system. The Nord Stream meant the increase of uncertainty for the countries of Central-Europe, they are no longer integral parts of the system. The events taking place in Ukraine nowadays further exacerbate the situation, raising questions about not only energy security, but also national security in the region.

The aim of the Nord Stream was nothing else but to avoid those risk factors, which can endanger the incomes of Gazprom and Russia. Not a purely economic decision was made, as the countries which lost their importance will have to face increased dependency on Russia, Russia increased its influence in Central-Europe, and at the same time ensured the
gas supply to one of its most significant export partners, and the sure revenue from this for itself.

The South Stream

Figure 4 The South Stream

![South Stream Map](http://www.gazprom.com/f/posts/85/290063/map_u_potok_eng_fin.jpg)

From the point of view of Russia, Central-Europe, and the European Union it is very important to say some words about the preparations for the construction of the South Stream.

The South Stream pipeline would transport gas from Russia under the Black Sea, through Bulgaria, Serbia and Hungary to Italy. The Memorandum of Understanding about the project was signed by Gazprom and the Italian energy giant ENI in 2007. Although the construction was slowed down by the crisis the number of participating countries increased. 29 April, 2014, Gazprom’s Chairman of the Company’s Management Committee and Gerhard Roiss, Chief Executive Officer of OMV signed a Memorandum of Understanding to implement the South Stream project in Austria.21

The South Stream would not have come into being not even in theory without the “landscaping” of Gazprom in the Balkans. Landscaping in short means that Russia with the help of Gazprom and other companies acquired majority ownership in many Balkan energy companies and banks. Part of the active involvement in the Balkans was that in 2013 Dominique Strauss Kahn became the economic adviser of Serbia.

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On the webpage of Gazprom goes the following: South Stream contributes to the increase of European energy security. This is partly true, as this energy security will have its price. For now, it remains to be seen, but will certainly play a major role in the EU enlargement in the Balkans, mainly in case of Serbia.

The aim of both the Nord Stream and the Southern Stream is to circumvent the transit states. Although the South Stream goes through new transit states, the landscaping of Gazprom gave the green light for the project. The Russian interests are formulated in the name of divide et impera principle, the countries loyal to Russia are given greater roles, while those countries which orientate towards the Euro-Atlantic integration lose their positions and their energy security decreases.

Energy, crude oil but mainly natural gas will play a major role in the enforcement of the interests of Russia in the next decades. It is important to mention that Russia answers the challenges. Gazprom is engaged in diverse activities on global scale. Russia, if need be, takes active role in the field of nuclear energy, this is particularly true for the expansion of the Hungarian power plant in Paks.

The energy weapon functions as a double-edged sword in case of some countries, but in my opinion it plays and will play a decisive role in Central-Europe. There is no way to resolve asymmetric interdependence in the near future. While in the West the amount of capital required for green investments, production of LNG, exploitation of shale-gas may be available, in Central-Europe the possibilities are very limited. Enough to mention the situation of Hungary, which is recovering from the crisis, its energy security is not threatened by direct danger, but the escalation of the crisis in Ukraine can become a question of national security. Poland, while managed to do a more successful crisis management, lost, will lose its role as transit country. The energy weapon functions with different efficiency in each country. In fact, using strategic resources for political purposes can be considered as rational way of thinking.
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