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Pipeline politics: Russian energy sanctions and the 2010 Ukrainian elections

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ABSTRACT

In early 2010, the 'Orange Revolution' in the Ukraine came to an end. The pro-Western President, Viktor Yushchenko, was replaced by the pro-Russian Viktor Yanukovich. This paper argues that Russian energy sanctions helped pave the way for Yanukovich's election. The Kremlin undermined the Ukrainian economy by exploiting the country's dependence on Russian oil and gas, imposing harsh price increases and financial terms and even cutting off supplies in 2006 and 2009. In the end, I argue, these measures fit the 'classic model' of economic sanctions: impose pain until the population turns against its government and removes it. Uniquely, however, this paper links sanctions to the long-standing literature on elections in the U.S. and other democracies which shows how economic decline influences voting behavior. A certain level of sanctions may cause a *predictable* change in election outcomes in the targeted state. This opens, I believe, an important new potential avenue in research on sanctions.

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1. Introduction and theory

A large literature in International Relations has focused on economic sanctions. The 'classic model' of sanctions

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¹ See for example Baldwin (1985) and Hufbauer et al. (2007). This is of course not the only possible mechanism for sanctions success; recently, for example, many authors have focused on 'smart sanctions,' which target a country's ruling elite more narrowly, aiming to spare the general population from unnecessary suffering. See for example O'Sullivan (2003).

² For an overview of this extensive literature see the bibliography on electoral forecasting at http://forprin_old.dev.zoe.co.nz/Political/bibliography.html.

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asserts that they usually work by causing economic pain to the target state's population.¹ The population then reacts by pressuring the country's leaders or overthrowing them outright, thus changing the target state's international behavior.

Surprisingly, the extensive literature on economic sanctions and their effectiveness has not made use of another key literature in Political Science: the numerous studies in the fields of American and Comparative Politics linking economic performance and electoral outcomes. Many detailed quantitative studies have shown that economic performance is one of the best predictors for electoral results in the United States and other democracies.² For example, in one classic article Gregory Markus estimates that each 1% rise in per capita disposable income in the year before an election raises the vote for a US Presidential incumbent by 1.9% (Markus, 1988:146). Similarly, Robert Erickson asserts that a 1% income increase results in an increase of 2.77% in an incumbent's vote (Erickson, 1989:568). The relationship is

remarkably similar in many other countries. In Germany, for example, a recent study of post-WWII election results shows that a 1% change in income produces a 2% change in party vote in national elections (Bartool & Sleg, 2009). A 2006 article on Turkish elections between 1950 and 2004 shows similar results (Akarca & Tamsel, 2006). Innumerable other studies could be cited, analyzing elections from Britain to Japan.

Yet the sanctions literature, which as noted also relies on the idea that “economic pain will lead to leadership change,” has generally ignored such studies, which could offer important insights on the crucial question of how much pain is needed to effect change. It may be that this failure to link to well-established models is due to the fact that IR scholars do not read literature from other subfields of Political Science. Yet there is a more legitimate reason: most past economic sanctions have been imposed against non-democratic regimes. The USSR, North Korea, Cuba, Libya, Iraq under Saddam Hussein—none of these regimes permitted free elections, so influencing elections was not a realistic mechanism for sanctions success. The aim of sanctions was instead to weaken the target state, and if possible provoke a revolution. However, with democracy now far more common in the world than in previous decades, it is well worth considering how fully (or even partially) free elections can be influenced by the economic pain inflicted by sanctions. This is potentially a rich area for future research, especially for researchers with a quantitative bent, since this literature suggests that economic decline will damage an incumbent leader's re-election chances in specific, predictable ways.

This paper will attempt to apply these insights to a recent case of economic sanctions: Russia's efforts to influence the Ukraine by using energy sanctions. First, it will briefly review the situation in the country when the pro-Western leader of the Orange Revolution, Viktor Yushchenko first took power. As we shall see, his rule seemed precarious from the start. The country was highly vulnerable to Russian sanctions, and Yushchenko's victory had been so narrow—and his own coalition was so fragile—that even a modest economic downturn would seem likely to put his re-election in doubt. As we shall see, he instead faced an economic tidal wave. Predictably, his poll numbers—and re-election chances—plunged. Finally, the paper will briefly examine the resulting 2010 electoral victory of Russia's champion, Viktor Yanukovich. As we shall see, the country's economic decline was related to the election results almost exactly as elections theorists such as Markus and Erickson would predict. The link between sanctions and the election results was further confirmed after the election, when Yanukovich promptly rewarded the Kremlin for its support by changing many of Yushchenko's key policies. In return, Russian energy sanctions were greatly eased.

2. Ukraine and Russia: a legacy of dependence

Russia's ability to use energy to sanction Ukraine is rooted in the Soviet period, as was noted by analysts well before the Orange Revolution.³ The USSR was designed to bring together its various component parts, the nationalities represented in the Union Republics. The Soviet leadership was well aware that Ukraine had declared its independence during the 1917–21 Civil War which followed the Russian revolution. It was also well aware that many Ukrainians had initially welcomed the German invaders in WWII as liberators. Accordingly, many measures were taken to bind the Ukraine to the Soviet state. As part of the effort to build a unified national economy, all of the Union Republics were linked to Russian oil and gas pipelines. Since most, such as Ukraine, lacked their own resources, this effectively made them totally dependent on the Kremlin.⁴ This dependence was deepened since each Republic came to specialize in the production of certain goods for sale to the all-Union market. Such products were often uncompetitive on the world market, meaning that if Russia failed to buy them, no one else would. And with the availability of cheap oil and gas, these producers were encouraged to specialize in energy-intensive products—such as petrochemicals and heavy industrial products.

After the fall of the USSR, such industries would obviously be highly vulnerable to Russian energy price increases: even a modest increase could make them uncompetitive. This could easily throw many thousands of Ukrainians out of work. Furthermore, consumers in Ukraine also became accustomed to cheap Russian energy. For example, like most apartment buildings in the former ‘socialist’ bloc, those in Ukraine were often built with no individual gas meters or thermostats. This has led to huge waste, as individual users have no ability—and no financial incentive—to control their energy use. Yet despite this inefficiency, the energy flow must continue, especially considering the brutal cold of a Ukrainian winter. Again, this deepens Ukraine's dependence on Russian oil and gas.

The Ukraine's reliance on Russian natural gas was a particularly strong form of dependence. With very limited domestic supplies, Kiev typically receives about three-quarters of its natural gas from Russian pipelines.⁵ Worse yet, there are no good substitutes for this gas. Oil is a much more fungible product, with a clear world market price. It can be imported in tankers relatively cheaply from anywhere in the world. This limits Russia's ability to use oil as an energy weapon. Gas, in contrast, is difficult to ship except through pipelines. It is possible to produce liquefied natural gas (LNG) for transport, but this demands specialized LNG production facilities and port facilities and is

³ For decades, the USSR used a similar strategy to bind Eastern Europe to the Warsaw Pact, offering cheap oil and gas in return for political loyalty. See for example Marrese & Vanous (1983).

⁵ In typical years between 2000 and 2011, Ukraine produced about 18 Billion Cubic Meters (BCM) of natural gas, while importing about 60 BCM. Thus its import percentage was usually about 77%. Statistics from U.S. Energy Information Agency (www.eia.gov) and author's calculations.

³ See for example Bamaceda (1998) and D'Anieri (1999). For a more general overview of Moscow's ‘energy power,’ see for example Stulberg (2007), Goldman (2008), and Newnham (2011).

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