



Interdependence, issue importance, and the 2009 Russia-Ukraine gas conflict

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ABSTRACT

The primary aim of this paper is to explain the 2009 Russia-Ukraine gas conflict. In particular, it attempts to identify the causal mechanisms between their interdependence in the gas sphere and the gas conflict. The paper first shows that existing theories in the study of international relations have limitations in accounting for that conflict. Therefore, a theoretical framework drawing insights from Armstrong's model on dependence-political compliance and Crescenzi's exit model is proposed to explain it. Relying on this framework, this paper demonstrates that the 2009 Russia-Ukraine gas conflict took place through two critical causal mechanisms. In the contexts of the 2008 global financial crisis and Ukraine's anti-Russian policy, Russia and Ukraine both considered issues involved in the gas trade such as debts, prices, transit tariffs, and Ukraine's pipeline system to be very important. Therefore, when Russia issued demands with economic threats, Ukraine refused to comply.

1. Introduction

Many theorists in the field of international relations have provided three different hypotheses regarding the causal link between interdependence and conflict. Liberals argue that interdependence inhibits conflict because it increases the opportunity costs of severing the interdependent relationship (Angell, 1911; Doyle, 1986; Rosecrance, 1986). In contrast, some realists counter this argument by asserting that interdependence stimulates conflict because states in an anarchic international system seek to reduce their vulnerability by using force (Waltz, 1979; Mearsheimer, 1990), whereas other realists maintain that interdependence has little effect on conflict, which is instead caused by politico-strategic considerations (Buzan, 1984; Gilpin, 1987). In this debate, no clear winner has yet emerged. To be sure, the majority of empirical studies supports the argument of liberalism (Polachek, 1980; Mansfield, 1994; Oneal and Russett, 1999; Gartzke et al., 2001; Dorussen, 2006; Maoz, 2009). Nevertheless, a minority of empirical studies demonstrates that interdependence breeds conflict or has no deterrent impact on it (Barbieri, 1996; Ripsman and Blanchard, 1996/97; Keshk et al., 2004). The absence of any consensus regarding the causal link probably explains why Levy (2003, p. 129) points out that it is still “an empirical question.”

In this respect, the 2009 Russia-Ukraine gas conflict is an excellent empirical case to test these three hypotheses, especially because their relations in the gas sphere were interdependent. At that time, Russia supplied approximately 70% of Ukraine's gas consumption. This

implied that Ukraine depended heavily on Russia. This dependence, however, was not limited to Ukraine. Russia's state company Gazprom had to rely on Ukraine's pipeline system to export roughly 80% of its gas to the most lucrative European market (Pirani, 2009a, p. 2; Rodova and Bor, 2008).¹

Before testing the three hypotheses, this paper first clarifies the nature of the 2009 Russia-Ukraine gas conflict. This digression is necessary because one may question the validity of testing these hypotheses by pointing out that they are primarily aimed at identifying the impact of interdependence on high-level conflicts such as the use of armed forces and full-blown war rather than on low-level conflicts such as trade disputes and economic sanctions. This question can be easily defended in the case of liberalism because if the logic of the opportunity costs applies to a high-level conflict, it should also apply to a low-level conflict (Stein, 2003, pp. 114–115). In other words, states in the world of liberalism should be constrained in initiating any type of conflict because it increases the opportunity costs.

In the case of realism, however, we need another justification. This study applies this theory to the Russia-Ukraine gas conflict because even though no military force was involved in this conflict, it contained important features of high-level conflict. In the first place, the prominent realist Morgenthau (2006, pp. 128–129) suggested after the first oil shock of 1973 that utilization of indispensable raw materials as weapons should be considered as a crucial feature of modern warfare. As I will demonstrate later, Russia used its gas as a weapon in the conflict. Moreover, the 2009 Russia-Ukraine gas conflict

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¹ Gazprom earned roughly two thirds of its revenue from its gas sales in Europe (Chow and Elkind, 2009, p. 78).

brought about more significant consequences such as severe economic damage and humanitarian crisis than most militarized interstate disputes (MIDs), which many existing empirical studies regard as an indication of high-level conflict. In fact, most MIDs are inconsequential: a third end in less than a week, over two-thirds incur no battle-related deaths, and only four percent develop into war (Levy, 2003, p. 130).

All three hypotheses have limitations in explaining the 2009 Russia-Ukraine gas conflict. Liberalism obviously cannot explain the gas conflict because their interdependent gas relationship did not prevent it. Realism has its own problems in explaining the 2009 Russia-Ukraine gas conflict. One variant of realism is certainly right in that interdependence in the gas sphere did not prevent the conflict. However, the condition under which it took place does not support the causal mechanism of this realism. If its hypothesis that states initiate conflict to lessen their vulnerability is true, then the most serious Russia-Ukraine gas conflict should have taken place in the 1990s when the dependence of the former on the latter's pipeline system was higher (Fredholm, 2008, p. 7).² Another variant of realism may shed important light on the conflict. In fact, several observers maintain that politico-strategic factors such as Ukraine's efforts to join NATO and its support for Georgia in the war against Russia explain the conflict (Berry, 2009b; RFE/RL, 2009a; Newnham, 2011, pp. 134 and 140; Andres and Kofman, 2011, p. 7). However, this explanation alone has deficiencies. In particular, it has difficulty in accounting for Russia's initial concession in its gas negotiations with Ukraine in early October 2008, approximately two months after the Russia-Georgia war. At that time, Russia's Prime Minister V. Putin and Ukraine's Prime Minister Y. Tymoshenko signed a framework agreement, in accordance with which Russia would gradually raise its gas prices to the European level within three years with the proviso that Ukraine paid back its outstanding gas debts (Interfax, 2008e).³ Yafimava (2011, p. 177) interpreted this agreement as “a Tymoshenko victory,” particularly given the fact that Russia agreed to pay European prices for Central Asian gas starting in 2009.

Then how can the 2009 Russia-Ukraine gas conflict be explained? This study attempts to explain it by relying on a theoretical framework that draws its insights from Armstrong's (1981) model on dependence-political compliance and Crescenzi's (2003) exit model. The remainder of this paper is organized as follows. The second section elaborates on the theoretical framework and discusses the data sources. The third section applies this framework for analyzing the gas conflict. The final section summarizes the main findings and discusses the policy implications.

2. Methods

2.1. Theoretical framework

Despite enriching our understanding of the relationship between interdependence and conflict, existing studies have limitations. In particular, they offer few hypotheses regarding when interdependence causes conflict/cooperation (McMillan, 1997, pp. 53–54; Mansfield and Pollins, 2001, p. 844; Crescenzi, 2003, p. 810). In this regard, Armstrong's model on dependence-political compliance offers useful insights. It must be stressed at this point, though, that Armstrong's main purpose is not to identify the link between interdependence and conflict. Rather, she focuses on demonstrating how dependence affects political compliance. Armstrong defines dependence as “a condition of asymmetrical interdependence.” In her words, “If we view interdepen-

Table 1

Armstrong's model on dependence-political compliance.

Source: Armstrong (1981, p. 406).

	Issue importance	State B (Dependent state)	
		Low	High
State A	Low	implicit use of power by state A (1)	economic power not used by state A (2)
(Dominant state)	High	implicit, possibly explicit use of power by state A (3)	explicit use of power by state A (4)

dence as a condition where A and B rely on each other equally, then dependence can be seen as a condition of asymmetrical interdependence” (p. 402).

Armstrong assumes four possible situations that dominant state A and dependent state B may face depending on the issue importance. She then shows that A employs varying strategies in four different situations (see Table 1). For example, in cell two where A considers the issue importance low and B regards it high, she points out that the former is not likely to employ economic power against the latter. But in cell four where both A and B consider the issue importance high, the former is inclined to use economic power against the latter. Among these four cells, Armstrong hypothesizes that the degree of compliance would be arranged from lowest to highest in the order of cell two, cell four, cell one, and cell three. In this way, Armstrong identifies how asymmetrical interdependence determines political compliance depending on the issue importance.

My theoretical framework builds on this insight and goes further by positing the likelihood of conflict in the four different cells. Here Crescenzi's exit model sheds important light. The model analyzes a causal link between economic interdependence and conflict relying on two basic premises. The first premise is that conflict in a dyadic relationship takes place when state A makes a demand with an economic threat or a military threat and state B refuses to comply. The second premise is that an intermediate stage of low-level conflict exists between status quo and high-level conflict. In other words, Crescenzi presupposes three possible scenarios in a dyadic relationship: status quo, low-level conflict, and high-level conflict. Status quo arises when A does not make any demand from B. Low-level conflict takes place when A makes a demand with an economic threat and B refuses to comply. High-level conflict arises when A, while implementing its economic threat, issues a demand with a military threat and B refuses to comply.

My theoretical framework combines Armstrong's insight with these premises and posits the likelihood of conflict in the four different cells (see Table 2). The likelihood of conflict is lowest in cell three because the degree of compliance by B is highest. The likelihood of conflict in cells one and two is expected to be low for different reasons. In cell one, it is low because the probability of compliance by B is relatively high. In cell two, however, it is low because, despite the lowest probability of compliance by B, A is not likely to use its economic power. On the other hand, the likelihood of conflict is high in cell four because A is inclined to employ economic power and the degree of compliance by B is relatively low. It must be stressed that the most important element of my theoretical framework is to identify the actors' perceptions of the issue importance because they determine A's action and B's response. These perceptions, however, do not take place in a vacuum. Rather, actors perceive the issue importance in certain contexts. Therefore, my theoretical framework incorporates the contexts under which gas negotiations led up to the conflict.

Relying on the framework, this study demonstrates that the 2009 Russia-Ukraine gas conflict occurred through two critical causal mechanisms. In the contexts of the 2008 global financial crisis and Ukraine's anti-Russian policy, Russia and Ukraine both perceived the

² Russia was approximately 93% dependent on the Ukrainian pipeline system between 1991 and 2000 (Chyong, 2014b, p. 2). The construction of pipelines bypassing Ukraine such as Blue Stream and Yamal-Europe was completed in 2002 and 2006, respectively (Mitrova et al., 2009, pp. 420–425).

³ For details on the framework agreement, see Yafimava (2011), pp. 177–180.

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