

Book Review

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POLITICS OF ENERGY DEPENDENCY: UKRAINE, BELARUS, AND LITHUANIA BETWEEN DOMESTIC OLIGARCHS AND RUSSIAN PRESSURE

Author: Margarita Balmaceda

Drawing extensively on her previous work (Balmaceda 2008a; Balmaceda 2008b; Balmaceda 2006) covering corruption in the oil and natural gas sectors in Ukraine, Belarus and Lithuania, here Margarita M. Balmaceda sets out ambitious goals. The book examines examines sectors in Ukraine, Belarus and Lithuania, here Margarita M. Balmaceda sets oue, Belarus and Lithuania. Subsequently, building upon that, it analyses how their energy security has been influenced by domestic factors in the management and rents of 'energy dependency', as well as by the role of 'energy groups in these countries' own post-independence political development' (p.4).

The book consists of three parts, the first of which provides a shared background for the three case studies, the setting of the proposed explanation of variations among the countries. The second part offers three detailed empirical case studies covering Ukraine, Belarus, and Lithuania, and the third part offers conclusions drawn from the three cases.

The study investigates two problems: first, the fact that despite achieving their independence from the USSR more than fifteen years previously, it was not until 2007-8 that these countries first took measures to diversify their energy supply in order to reduce their reliance on Russia. The author calls this an 'inability to take actions against their overwhelming dependency on Russia' (p.4). The second problem informing this book is the three states' varying approach to diversification and stability of energy transit policies. In this regard, two hypotheses are discussed; the first positing that 'domestic institutions matter in the management of energy dependency' and the second that 'who the beneficiaries from patterns of energy trade are has long-term political effects'.

The author draws an intricate causal path from the nature of a political system to the style of management of energy dependency through five intermediary aspects: a) the transparency of markets; b) the existence of a transparent and democratically controlled energy policy; c) a leader's negotiating space vis-à-vis foreign partners; d) a system of interest articulation; e) and access to and use of energy rents (p. 16ff). These five elements, according to the author, influence connections between domestic politics and the management of energy dependence. These connections in turn influence the style of the management of energy dependence.

The proposed causal model spirals from relations between the independent variable of the nature of the political system to the influence of energy policy, which in turn feeds back and influences the political system. This explanatory apparatus not only lacks parsimony but at times looks tautological, when the political system in the individual countries is both the phenomenon to be explained and the explanation offered. The relationship between the system of interest representation, party system fragmentation and how these influence management of energy dependence is of real interest. Nonetheless, the reviewed book does not get beyond interesting but at times tedious empirical minutiae to provide clear disentanglement of their mutual causal relations.

While we are told that choices early on in the political transition influenced the nature of the reforms, level of state control of the economy, and the nature of political control, governance, and interest representation,' (p.60 and p.274 with small variation) the author does not provide an explanation of how these choices were made and what specifically influenced them and why. Readers are thus left to interpret the wealth of empirical material, and wonder where the causal spiral starts and what influenced how it revolved.

The subject covered by this book is pertinent and highly relevant, but there are two major problems in the way it is handled: first, the positioning of the subject matter (or rather lack thereof) within pertinent academic debates and literature; and second, the research design including the case selection. The literature covering policy processes during transitions in post-communist countries¹ accepts and builds on the notion that domestic politics matters, furthermore it has moved on to discussing *how* it matters. Balmaceda does not engage with this literature, instead focusing on the very same question, asking how the existence and structure of trans-border rent-seeking arrangements have influenced political systems, specifically through effects on elections, policymaking, and patterns in policymaking (p. 265). This could be a legitimate choice if we were told why the question needs to be asked again and how the existing literature underperforms in respect of providing a satisfactory explanation. Unfortunately, the author does not explain this and decides to draw on the rent-seeking literature that is more pertinent to energy-rich countries (see notes 28-30 on p. 289). She does not engage with the relatively developed state-capture literature that also draws on research from post-communist transitions, which would provide a more parsimonious explanatory model of post-soviet cross-border rent-seeking in the energy sector (see CEIP 2014, Grzymala-Busse 2008). The fact the author does not engage with relevant literature on post-socialist policy making, the political economy of transition, state-capture or energy-security is problematic in respect of the problems under analysis, the hypotheses and the research model itself.

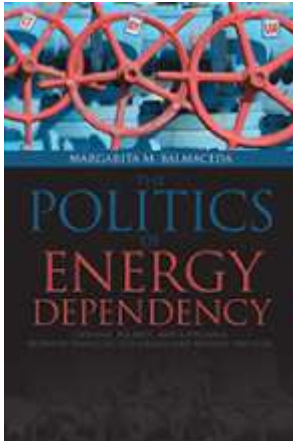
Balmaceda is to be credited for the wealth of empirical detail provided for the three case studies. Nonetheless, the cases themselves do not make for the most useful of comparisons. Variation among the cases is noticeable both in terms of independent variables and dependent variables. As the author rightly says, Ukraine, Belarus and Lithuania share a legacy of being part of the Soviet Union but operate different domestic political systems and experience quite different policy outcomes. This might make for fruitful, wider conclusions except for the fact that the three countries are too different in their independent and dependent variables to serve as a basis for conclusions applicable beyond the three separate cases. The respective dependencies that the countries faced vis-à-vis Russia, not only in terms of energy, were very different throughout the duration of the period covered by the book. Ukraine with a gas transit of 82.5 bcm per year,² and Belarus with 42.2 bcm, are the two most important transit countries for Russia in reaching its West European customers. Lithuania on the other hand transits only 2 bcm of gas, and all of it to its Baltic neighbours (and Kaliningrad) none to energy consumers in Western Europe.³ In terms of the structure of their energy dependency, there are two aspects which are very different in each of these countries and influence energy security: the structure of domestic consumption (most importantly the share of non-interruptible gas consumers) and the structure of the domestic energy mix (Noël 2008). The author also claims that these three countries are energy poor, providing her own definition of what energy poverty and energy dependency is (only in a footnote, p. 294) again, not drawing on a rich conceptual work on understanding energy security.⁴ Nonetheless, Ukraine, Belarus and Lithuania are not equally energy poor; if analysis of their energy endowments is not limited to gas (and only partly oil, as the author does), their energy poverty is seen in a different light. In the case of Ukraine at least a new question would emerge of why a country with natural energy endowments ends up looking like an energy-poor one. Consequently, what we are presented with in this book are three different cases with three different starting points (despite all having being part of the Soviet Union) arriving at three different finish-lines, only occasionally stepping into each other's paths along the way.

The authorss, Ukraine, Belarus and Lithuania are not equally energy poor; if analysis of their energy endowments is not limited to gas (and only partly oil, as the author does), theprioritise this kind of energy security. Her explanatory model falls short of explaining why maintaining their positions on Russia's energy value chain in the short-term, in combination with energy prices were more important than diversification for all three of her cases (p. 271). Balmaceda is also rather dismissive of decreasing energy vulnerability through economic restructuring, as done by Lithuania. This is a legitimate means of improving a countryombination with energy prices were more important theconomy, as can be illustrated by a higher GDP per capita for Lithuania over either Belarus or Ukraine throughout the period studied.

The book will be of appeal to those without expertise in the languages of the countries under discussion. Students of modern history, business people and journalists particularly will find the book inspiring for interpreting developments in one of the six post-soviet energy importing countries (Georgia, Latvia and Moldova in addition to the cases covered here) (p. 24). However, readers who are already familiar with Balmacedawi work may be disappointed to recognise similarities to texts they have read before, ranging from similar structures of sections in empirical case-studies, to verbatim similarities to sections in previous works (see p.97ff in the book reviewed and p.37ff in Balmaceda 2008b for example).

The book makes an important contribution to opening an important, yet little studied aspect of cross-border rent-seeking and state capture, and in this regard it illuminates how countries struggled to maintain their position on the Russian energy export value chain at a cost to their citizens and national interest. Specifically, it clarifies how the 'division [...] of energy rents between local and Russia-based elites' (p. 276) happened. Beyond that, it provides insightful explanations of how different sets of interests, state, corporate and personal, within corporations played against each other, and more specifically how these were amalgamated within Gazprom throughout the period discussed.

While the conceptual and theoretical contribution of this book to the wider literature is limited, it does provide empirical evidence for understanding the effects of cross-border rent-seeking, the pace and timing of reforms, the nature of political transition, and national-interest formation in the context of political transition in three different post-Soviet counties. Notwithstanding the limitations, it will remain a useful empirical resource for those studying the role of energy businesses in rent-seeking, corruption, and state capture in transition economies, and those wanting to understand the roots of state capture in Ukraine which fueled the 2013/2014 crisis. These questions will, unfortunately, remain relevant for the time to come and not only in the post-soviet space.



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¹ Such as Katzenstein 2003 and 1985, Putnam 1988, Waltz 1979 and Gourevitch 1978 in the study of International Relations; and Bohle & Greskovits 2012, Fidrmuc 2003, Kitschelt 1999, Blanchard 1997, Kornai 1995, and many others in the study of International Political Economy, which provide pertinent answers even for the study of energy dependence.

² This has been even higher during the period of study *r* and before alternative transit pipelines were built bypassing Ukraine.

³ All transit data from 2010 according to McClay and Ortman 2011.

⁴ See Sovacool 2011 for a summary of conceptual literature and definitions of energy security.

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