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Alfried Krupp Senior Fellow
Oktober 2011 bis September 2012

Kurzvita Margarita M. Balmaceda (born in 1965 in Buenos Aires, Argentina; Ph.D. in Politics, Princeton University) is Professor of Diplomacy and International Relations at Seton Hall University and Research Associate at the Harvard Ukrainian Research Institute. A specialist on post-Soviet political economy, she has conducted multiple long research stays in the area, including in Ukraine, Belarus, Russia, Lithuania, Hungary and Moldova. Such work

has led to active international collaborations, most recently under a European Union Marie Curie Fellowship at the Aleksanteri Institute in Helsinki. She is also an alumna of the Alexander von Humboldt Foundation and a member of the "Network of Research Alumni".

Energy rents, energy dependency and politics in the former USSR

This project "follows the pipeline" – the complex web of interconnections that accompany the energy relationship between Russian oil and gas producers, post-Soviet energy-poor transit states, and European consumers. While Russian energy issues have received significant attention, this project sought to break new ground in research on energy's role in post-Soviet political and economic processes. The issue is still dominantly studied from the perspective of Russia as an energy supplier or "energy superpower;" and *from above*, i.e. from the perspective of Moscow or the Kremlin dictating certain policies on their energy-poor neighbors. Shifting the paradigm, this project focused on looking at post-Soviet energy issues *from the inside out*, i.e. from below and from the perspective of domestic processes in those post-Soviet states dependent on Russian energy, analyzing how their domestic political conditions, as well as the ability of domestic economic and political actors to accrue "rents of energy dependency" from the relationship from Russia, have affected their responses to the challen-

ge of their overwhelming energy dependency on Russia. The most important results of the project are two forthcoming books (*The Politics of Energy Dependency: Ukraine, Belarus and Lithuania Between Domestic Oligarchs and Russian Pressure* and *Living the High Life in Minsk: Russian Energy Rents, Domestic Populism and Belarus' Impending Crisis*). In addition, project results included exploratory work for two large international projects for which I as Principal Investigator will be applying for grants: one on the role of energy and natural resources governance in conflict and conflict-resolution around unrecognized states (South Ossetia, Abkhazia, Nagorno-Karabakh and Transnistria), and one reassessing the first quarter-century of post-Soviet political development from the perspective of energy and natural-resources rent-seeking (application to the European Research Council planned for 2014).

Kurzbericht

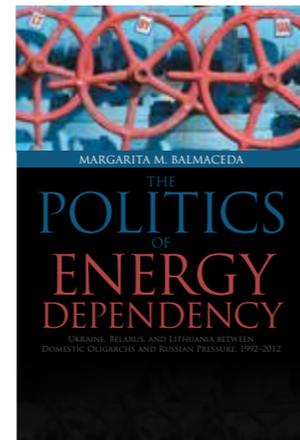
Projektbericht

My year at the Alfred Krupp Wissenschaftskolleg was spent working on "Natural Resource Rents, Foreign Policy and Political Transformation in the Former USSR and Eastern Europe." Within this general theme, I completed four sub-projects. Two of these were book projects, and two were shorter exploratory projects setting the foundation for more ambitious full-fledged projects I hope to pursue in the next years.

The next pages describe each of these sub-projects in some detail. They are all connected to the theme of "Natural Resource Rents, Foreign Policy and Political Transformation in the Former USSR and Eastern Europe." The significance of this area of research is related to the importance of energy as key element in Soviet and post-Soviet political and economic processes. Inexpensive and easily-available energy resources were an important "glue" that helped keep the Soviet federation together; conflicts about energy supply and transit have also been crucial in post-Soviet centrifugal processes, but also as part of energy-rich Russia's attempts to re-establish some degree of political and economic control over the area.

Sub-project 1: completion of book on *The Politics of Energy Dependency: Ukraine, Belarus and Lithuania Between Domestic Oligarchs and Russian Power*

I spent the first third of my fellowship period (October 2011–January 2012) completing a book project I had been working on for the past seven years: *The Politics of Energy Dependency: Ukraine, Belarus and Lithuania Between Domestic Oligarchs and Russian*



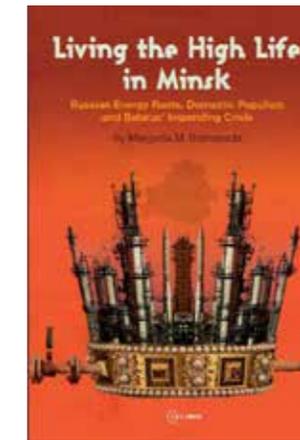
Power (Toronto: University of Toronto Press, forthcoming). This book constitutes a basic reassessment of energy politics in the post-Soviet area. It challenges the conventional view, which has focused mainly on the supply side of the question: Russia's role as single gas supplier to the energy-dependent states, Russia's ability to exert pressure on them, and Russia's energy imperialism. Such external aspects

have been, undoubtedly, of great importance. However, this approach does not tell us much about the conditionants in the energy-dependent countries themselves and, in fact, is based in the assumption of these countries as passive recipients of Russian designs. This book is a response to these deficiencies. Rather than focusing only on the external elements of energy dependency, it analyzes the "black box" of how domestic factors affect these states' energy interactions. The book compares Ukraine, Belarus and Lithuania's responses to the crucial external shock of their sudden transformation, virtually overnight, from being part of a single energy-rich state to becoming separate energy-poor entities heavily dependent on Russia. It analyzes how each of these states' distinctive political regimes affected their responses to energy dependency, and, in turn, Russia's ability to use energy as a foreign policy tool. This book – based on extensive field research including previously untapped local sources in Russian, Ukrainian, Belarusian and Lithuanian¹ – also makes an important methodological contribution, as it reveals the insights gained by looking at post-Soviet development issues not only from a Moscow-centered perspective, but from that

of individual actors in other states.

Sub-project 2: completion of book on *Living the High Life in Minsk: Russian Energy Rents, Domestic Populism and Belarus' Impending Crisis*

I devoted the second third of my fellowship period (January–April 2012) to finishing a second book I had also been working on for several years: *Living the High Life in Minsk:*



Russian Energy Rents, Domestic Populism and Belarus' Impending Crisis (Budapest: Central European University Press, forthcoming). This book is based on extensive field research

¹ Work with Lithuanian materials was based on translations provided by my research assistant, Mr. Thomas Klepsys. Work with other materials was completed without outside assistance.

in Belarus, a country I have been actively involved in since the time I held a Fulbright Lectureship there in 1997 and 1999. At the Wissenschaftskolleg, I revised the whole manuscript, and worked on making it more accessible to a broad readership by adding a new chapter on Belarus' history previous to its independence in 1991 from the unique perspective of the country being "Between Russia and the West, and at the very core of the Soviet System" (title of chapter 2).

This second book project continued the theme of my overall project on the connections between natural resource rents, foreign policy and political transformation in the Former USSR by looking at one case where these energy rents were most directly related to political non-transformation: Belarus. It analyzes the sources of stability and instability in post-Soviet authoritarian states through a case study of President Aleksandr Lukashenka's firm hold on power in Belarus. In particular, it analyzes the role of *energy relations, policies, and discourses* in the management of Lukashenka's relationship with three constituencies crucial to his hold on power: Russian actors, the Belarusian nomenklatura, and the

Belarusian electorate. Russian energy supplies and special energy trade conditions – conditions which, at their height in the 2000s, gave Belarus a nearly 10% GDP boost per year – provided important material resources for the maintenance of this regime. Their effects, however, were mediated by domestic conditions and Lukashenko's own policy choices.

In terms of foreign relations, the book focuses on the factors explaining Lukashenka's ability to project Belarus' power in its relationship with Russia in such a way as to compensate for its objective high level of dependency, assuring high levels of energy subsidies and rents continuing well beyond the initial worsening of the relationship around 2004. In terms of domestic relations, the book focuses on Lukashenka's specific use of those energy rents in such a way as to assure the continuing support of both the Belarusian nomenklatura and the Belarusian electorate.

Above and beyond its contribution to understanding the longevity of the Lukashenko regime, this book also makes a number of important contributions to policy-making and political science. In the *policy* area, it helps

shed light on one of the most difficult policy challenges facing the European Union since the dissolution of the USSR: how to deal with the establishment of a hard authoritarian regime in the very heart of Europe, e.g., in Belarus. Since 1994, neither sticks nor carrots from the West have seemed to produce any lasting improvements concerning the movement to democracy. A nuanced understanding of the energy rents and profits derived from a special relationship with Russia can help us gain a more nuanced understanding of why Belarus was largely resistant to both positive and negative pressure from the EU. The book also makes three broader contributions to political science. First, it contributes to a better understanding of the sources of stability and instability in post-Soviet authoritarian states and authoritarian states as a whole, in particular concerning the issue of how such regimes are able to remain in power using, not only sheer repression, but also the manipulation of material rewards to specific segments of its population. Second, its nuanced analysis of Belarus' relations with Russia – where Minsk seemed to be able to gain much more concessions from Russia than would be warranted by its relative status as weaker

partner – can help shed light on how weak states can bargain with more powerful ones. More specifically, how are states that depend largely on aid or preferential treatment from more powerful partners able to navigate and manipulate these relationships to their own benefit?

Perhaps most important in term of its contribution to new generations of scholars working on Belarus and other non-transparent post-Soviet societies, the book breaks new ground through its extensive use of primary Belarusian sources, and demonstrates how it is indeed possible to conduct serious research in less-than-transparent states such as Belarus using, among others, official sources, while keeping a critical perspective on them².

Work on the two books described above benefitted greatly from the initiatives develo-

² The advice of Belarusian economists of Elena Rakova and Leonid Zlotnikov, born of their many years of experience working with Belarusian statistical sources, was invaluable in this respect. In May 2012, financed by a grant from the Center of Excellence on Russian Modernization at the University of Helsinki, I spent a week in Minsk with Dr. Zlotnikov doing a private course on the use of post-Soviet national account statistics.

ped by the Krupp Wissenschaftskolleg and the University of Greifswald on this area, in particular the *Ukrainicum* summer school and the planned project for a Deutsche Forschungsgemeinschaft-supported international Graduiertenkolleg on Twenty years of post-Soviet transformation. I look forward to continue developing the synergies between my work and these two unique initiatives in the years to come.

In addition to completing the two books above, I used my stay at the Alfried Krupp Wissenschaftskolleg to start developing new research ideas which build upon my expertise on the connections between natural resources issues and political transformation in the former Soviet area, but also take it in new directions.

Sub-project 3: *Exploratory project on "The Arbitrage Gains Years, 1991-2014: Corruption Rents and Political Transformation in the post-Soviet states: Gas, Oil, Raw Materials"*

This exploratory project was intended to set the basis for a larger and more ambitious project and an application for an Advanced

Investigator Award by the European Research Council (ERC) to be submitted in 2014. This future project proposes a fundamental reinterpretation of post-Soviet history from 1991-2014 from a crucial but hitherto unexplored perspective: while most interpretations of the first two decades of post-Soviet political development – i.e., the most important formative period for the fifteen states that emerged of the Soviet dissolution – have focused on political factors (and, in particular, democratization and the tension between the centrifugal forces represented by the post-Soviet republics' striving for independence, and the centripetal forces represented by Russia's desire to keep control over the post-Soviet area) as main driving forces of post-Soviet political developments, this project focuses on an important but under-studied issue: the unprecedented economic rent-seeking possibilities and opportunities for corruption that emerged in the region after 1991, as central driving forces of post-Soviet development. It proposes the period (1991 to c. 2014) needs to be assessed as a separate historical period marked by its own rules and phenomena associated with the unprecedented availability of rent-seeking opportunities

for well-situated political actors, itself closely related to Russia's role as major supplier of energy resources fetching much higher prices in Western European markets than the production costs at home.

As currently envisioned, this project would involve an international research team, and case studies of, among others, 1) The rent-seeking boom of the period immediately following the dissolution of the USSR, and its impact on the post-Soviet transition; 2) Rent-seeking and the emergence of key post-Soviet political actors; 3) Rent-seeking, arbitrage gains and the establishment of new informal institutions regulating trade between Russia and other post-Soviet states; 4) rent-seeking and post-Soviet centrifugal processes involving secessions and the establishment of *de-facto* states (South Ossetia, Abkhazia, Nagorno-Karabakh and Transnistria).

As part of this exploratory project, I conducted preliminary research on the last topic, e.g., on how rent-seeking processes have affected the establishment of unrecognized, *de facto* states seceding from the legal territory of formally recognized post-Soviet republics. I did this by conducting a micro-study of the

effects of rent-seeking on elite political processes and relations with Russia in the small break-away republic of Transnistria, which *de-facto* seceded from Moldova in 1991-1992. I also completed several conference papers and a journal article on this issue³, and attended a special preparatory seminar and advising session for future ERC applicants.

Sub-project 4: *Exploratory project on "Towards a Political Economy of Protracted Conflicts and de facto Statehood: Natural Resources Governance and Unrecognized Statehood in the Former Soviet Union"*

This exploratory project set the basis for an application for a c. \$1.2 m grant from the Academy of Finland and the Aleksanteri Institute, University of Helsinki⁴. The project builds upon my earlier work on energy and natural resources rent-seeking and corruption, and uses it to seek innovative answers to ques-

³ See my article on "Elite defection, rents and relations with patron states: the case of Transnistria, 1991-2012," under review at *Communist and Post-Studies*.

⁴ Submitted September 24, 2012.

tions about conflict and conflict-resolution. In particular, it seeks to develop a new theory on the political economy of protracted ("frozen") conflicts by analyzing the micro-foundations of elite incentives leading to conflict entrenchment or resolution. We plan to do this by focusing on the interactions between economic actors in the secessionist entities and those in parent and patron states, looking specifically at interactions in natural resources and energy (crucial due to their high profitability). Should funding be received, we plan to use as primary case studies the four post-Soviet de-facto states that broke away from their officially-recognized "parent states": Abkhazia and South Ossetia (Georgia), Transnistria (Moldova) and Nagorno-Karabakh (Azerbaijan), which will be analyzed by a core group at University of Helsinki led by myself, in addition to research partners in Armenia, Azerbaijan, Georgia, Moldova, as well as in the four unrecognized entities themselves. In doing this, this project – if funded – would also constitute the first in-depth analysis of energy and natural resources governance in the post-Soviet de-facto states.

Summing-up

As can be seen from this brief report, my one-year stay at the Alfried Krupp Wissenschaftskolleg was extremely productive. Most importantly, the Wissenschaftskolleg provided the intellectual space and inspiration to not only focus on bringing to completion two concrete book projects, but to explore the connections between these various projects to develop many new ideas for even more ambitious projects for years to come. This sets my stay at the Wissenschaftskolleg apart from other research stays, and makes me enormously grateful for this opportunity.

Balmaceda, Margarita „The Politics of Energy Dependency: Ukraine, Belarus and Lithuania Between Domestic Oligarchs and Russian Pressure“, Toronto: University of Toronto Press, forthcoming.

Balmaceda, Margarita „Living the High Life in Minsk: Russian Energy Rents, Domestic Populism and Belarus' Impending Crisis“, Budapest: Central European University Press, forthcoming.

Balmaceda, Margarita „Russia's Central and Eastern European Energy Transit Corridor: Ukraine and Belarus" in Pami Aalto (ed.) *Russia's Energy Policies: National, Interregional and Global Dimensions*. (Cheltenham: Edward Elgar, 2011), 136-155.

Articles

Balmaceda, Margarita "Elite Defection, Rents, and Relations with Patron States: the Case of Transnistria, 1991-2012," under review at *Communist and Post-Communist Studies* (submitted June 4, 2012).

Balmaceda, Margarita "Rent-seeking, secession, and de-facto statehood: the case of Transnistria" (in progress).

ausgewählte
Veröffentlichungen