

CORVINUS UNIVERSITY OF BUDAPEST

**Department of Political Sciences
International and Security Studies**

**Russian Influence-Seeking by Way of Natural Gas
Supplies in the Visegrad Countries from 1990 to 2015**

Doctoral Dissertation Summary Booklet

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I. Research Background and Justification of the Topic

This dissertation seeks to explain how the four countries of the Visegrad region have governed natural gas supplies and how Russia sought influence in these countries in this sector. The time frame of research starts in 1990 when the dissolution of the Soviet Union happened, and the transition started in the former Eastern Bloc. This choice expresses a fundamental approach to the topic: the dissolution of the Soviet Union, economic transition and the Putin era brought new vision and strategy into Russian foreign policy and thus also into Russia-V4 relations. The endpoint of the research follows the 2015 agreement on the Nord Stream 2 project. Visegrad countries have followed different paths in dealing with Russia, even if the circumstances of their development are unique and, in many cases, independent of one another, the research suggests that these trends may be interrelated. Russian funding and support have contributed to the rise of certain political forces. The below analyses facilitate a fuller understanding of trends

of Russian influence and motives for its changes in international relations.

Research Questions and Research Objective

The research uses the lens of contribution analysis of tracing processes to argue that the given independent variables - geographical proximity, existing pipeline infrastructure, ruling elites' relations with Russia, and the EU requirements on the stance of Visegrad countries - might matter in shaping the dependent variable - more of a resistance to influence and a more active seeking of alternative suppliers.

First Hypothesis: Geographical Proximity

The geographical proximity in this context is not simply understood as sharing or not sharing a land or maritime border, but it is divided into 3 categories: (1) sharing a border with Russia's core territory, (2) sharing a border with any Russian territory and having one tier of countries between self and the core Russian territory, (3) having two tiers of countries between self and the core

Russian territory (where the core is Russia without Kaliningrad, and Kaliningrad is considered as Russia's non-core territory).

The Visegrad countries with geographical proximity in the first category, sharing a land or maritime border with Russia's core territory, resulting in greater threat perception, than Visegrad countries which have one and two tiers between self and the core Russian territory. The countries in the first category are more resistant to influence and are more actively searching for the alternate suppliers. For these countries that share borders with Russia, the perception of a Russian threat is ubiquitous, with new fervour added to it by a series of events, from Russian intervention in Georgia (2008), to the Smolensk Air Crash in 2010 and the Crimean Annexation in 2014. Such countries have foreign policies focusing to improve cooperation among states that share a similar perception. In contrast, countries in the second and third category, which does not share a border with Russia's core territory tend to choose less pragmatic relations with Russia. However, in these countries, we see an explicit break in Western responses to Russia.

Second Hypothesis: Existing Pipeline Infrastructure

The Visegrad countries with already existing pipeline infrastructure result in the less active seeking of alternate suppliers, due to the convenience of the existing link. Monopolization of the market by Russia as the primary supplier indicates that long-term contracts tend to be less favourably priced, resulting in higher energy costs. The mix of energy types used by states in the Visegrad region is supposed to be less variable than in Western Europe, meaning that any disruption to their primary energy type could be problematic. This is especially so when it is recognised that the region's import infrastructure is dominated by static pipelines built during the Soviet era and that integration with Western European infrastructure is limited. Without appropriate alternative energy access or sufficient gas storage, any problem with the pipelines can cost serious effects on import-dependent countries.

Third Hypothesis: Ruling Elites' Relations with Russia

Ruling elites of Visegrad countries with closer relations to Russia are less likely to diversify gas supply, as this would mean promoting policies that go against Russia and Russia's elites' interests. I assume that a higher number of visits and signed long-term contracts with Gazprom occurred during governments closer to the left political spectrum than during governments closer to the right political spectrum. While import-dependent Visegrad countries under left-wing governments seek to cooperate with the already dominant supplier (Gazprom) and keep prices lower is their strategic priority, the right-wing governments are less likely to prioritise natural gas such as new contracts and infrastructure initiatives undertaken with non-Russian suppliers.

Fourth Hypothesis: the EU Requirements on the Stance of Visegrad Countries

The impact of the EU requirements in the Energy Security Strategy announced in 2014 shaped Visegrad countries to speed up the process of diversification of

natural gas and enabled these countries to be less dependent on Russia. When Western Europe securitises Russian energy and its dependency on it, Visegrad countries followed these cues to reduce their respective dependency on Russia. There are many steps that Visegrad countries took since 2014. For example: establishing interconnectors and reverse flows, were affected by such events as the establishment of the EU Energy Security Strategy in 2014, the 2014 Ukraine crisis which escalated to the annexation of Crimea and war in Donbas, as well as launching the Energy Union by EC in 2015, and Germany's Nord Stream 2 decision in 2015 to suspend its regulatory approval in the wake of the Minsk agreements.

Research Questions

In this research I study why Visegrad countries under comparable international conditions prioritize natural gas differently. RQ1: Why at certain periods do the Visegrad countries seem determined to diversify away from Russian natural gas supplies while at other times not, and what explains the type of variation and its timing? RQ2:

Is the interest of Russia to gain power in these countries similar to all four Visegrad countries or country-specific?

RQ3: What is the country-level policy strategy of the Visegrad countries against an increased Russian influence?

By answering these questions this dissertation contributes to the broader research field on variations of domestic responses to comparable international conditions. I aim to understand the factors of prioritizing natural gas, and their facilitating and preventing conditions. As I observe in the CEE countries in transition, policies enhancing energy security are prioritized when three aspects correspond and interact: 1) when the perception of threat is high and concentrated among supporters of ruling parties which can plausibly be connected to the energy security; 2) when former elites who can draw on personal links with the perceived source of threat, and thus can dampen the effects of threat, are removed from power; 3) and when present industrial interests are deconcentrated and face obstacles in promoting their interests (Nosko 2013).

Energy import-dependent countries have high energy security when their transit routes and suppliers are diversified. The import market is de-concentrated, and its resource mix is diversified with domestic consumers spread over several different sectors, with stable prices at levels comparable to other countries in a similar position. The explanation which I provide applies especially to countries in transition facing a clear misunderstanding between their political and economic allies.

II. Methodology

In the Literature review of this research, I identified that there was a lack of theoretical underpinning in the subject and that IR theories have not tackled energy security and mapping analysis since the economic transition. This part seeks to fill this gap and move away from a descriptive method of analysis by using the process-tracing method as the most suitable one for an analysis of energy security.

Process tracing is a data analysis method for identifying, validating, and testing causal mechanisms

within case studies (Reilly 2010). A robust technique to test theories of causality in action by examining the intervening steps. The method requires a clear theory of change with a series of steps that are predicted to take place in the process. It is well-suited to studying decision-making processes and can capture emergent processes because it traces events over time, permits the study of complex causal relationships and provides a strong basis for the inferring cause. It also helps answer questions about mechanisms, helps control researcher bias and reconciles different theoretical schools. Challenges in using this method include selecting a starting point for the tracing process, which can be contentious, and a risk of losing sight of the impact of larger social forces by paying too much attention to fine details.

Process tracing theory is used to argue that the variation in the dependent variable can be explained by the independent variable. When the state is faced with external power, the state has a choice of two categories of balancing strategies: to continue with existing political defence strategies and technological practices or to

engage in emulation or innovation (Reilly 2010: 734). Continuing with existing practices would mean that the state continues with the same policies that it inherited from its predecessors.

Applying these possible balancing strategies to the energy strategies of the Visegrad countries, the continuation of existing strategies can be seen, as continuing with the status quo. This would mean that no efforts would be made to reduce their dependence on Russia. For example, emulation can be seen, as the diversification of gas supplies, while innovation as an active pursuit of energy security in newer ways. In this case, officials make their policy choices based on their perceptions and calculations of the other's relative power intentions. The result of this is that in the short and medium-term different state policies may not be predictable. The Visegrad countries' geographical proximity, existing pipeline infrastructure, ruling elites' relations with Russia and the EU requirements on the stance of the Visegrad countries are seen as the independent variables, while bigger resistance to

influence, a more active seeking of alternative suppliers, building reserve storage capacity, building up reserves using those capacities, interconnectors, reverse-flow optionality, etc. are in this case dependent variables.

III. The Findings of the Dissertation

Geographical Proximity

- Poland is proving the first hypothesis the best due to its shared border with Russian territory. Polish-Russian geographical proximity resulted in Poland's bigger threat perception compared to the three other Visegrad countries. This fact pushed Poland to be more invulnerable to Russian influence and therefore, actively search for alternate suppliers.
- Poland and the Czech Republic can be seen as the countries with the lowest politicization of Russian presence and influence in the gas sector. Since the Czech Republic went through the transformation process with bigger success than Poland, Slovakia or Hungary and handled as the first country in the region to diversify its energy import structures. In the

beginning, the Czech's construction of new gas supplies was characterized by a powerful effort to diversify, which does not support the first hypothesis.

- Although Slovakia and Hungary do not share a direct border with Russia's core territory and have one tier of countries between self and the core Russian territory, their territorial scope of foreign policies has been changed as well. A Russo-centrist perception of the post-Soviet space with only small attention to neighbouring Ukraine, which was characteristic of the Mečiar governments in Slovakia, has been changed by a more distinguished approach, which proves the first hypothesis.
- Hungary has turned from being a country that adopted privatisation and liberalisation during the 1990s to one that has become extremely controlling over its energy sector after 2010 Fidesz started to govern the country. Hungary is also less resistant to influence and is less actively searching for alternative suppliers. However, Hungary has aimed to limit Russian influence when it was possible, mostly concerning ownership of energy

companies. Nowadays Hungary uses an “open-close” approach when dealing with Russia.

Existing Pipeline Infrastructure

- Even if existing pipeline infrastructure inherited from Soviet times was present in all Visegrad countries, this fact did not stop Polish officials from the active search for alternative supplies. Opposite to the second hypothesis assumption. Poland managed already in 1992 to seek an alternative supply with the North Sea gas production via Denmark. Later in 1996, PGNiG and Norway’s Statoil signed a small and big deal on the supply of gas for 8 years. In 2005, the plans to construct an LNG terminal in Świnoujście to become even less dependent on Russian gas imports were launched as well as several interconnections with the Czech Republic, Slovakia, Lithuania, Ukraine, Denmark and Germany.
- In the Czech Republic, the deal between the Czech Transgas and Norway in 1997 can be characterized as the most significant act of diversification in the Visegrad region. Besides the gas deals with the Western

countries the Czech territorial position, mainly its shared border with Germany and Austria, helped the country to diversify natural gas easier than in the other three countries. In that way, the second hypothesis cannot be proven in the case of the Czech Republic either because the tracing process revealed that despite the already existing pipeline infrastructure from Soviet times in the Czech Republic, the Czech officials after the transition at the beginning of 1990s actively searched for alternative suppliers at Western Europe.

- Slovakia's policy in the natural gas sector, after 1993, was characterised by a passive approach, mainly due to the already existing supply contracted during the Soviet era, which provided enough gas to fulfil demand. Its political leaders (Mečiar, Moravčík, Dzurinda) did not consider supply diversification as a policy priority, as the second hypothesis assumes. However, the robust impact of the 2009 gas crisis on the Slovak energy supply triggered a change in public policy on energy. After 2009, under Fico's administration, Slovakia started fast construction of reverse flow pipelines with

its Western neighbours Austria and the Czech Republic to become less dependent on the Russian gas supply.

- In Hungary, the preference for state-owned companies to behave in different ways during re-negotiations with the dominant supplier between 2010 and 2014, and the absence of arbitration cases between Hungarian importers and Gazprom as suppliers support the second hypothesis.

Ruling Elites' Relations with Russia

- In Poland, the conservative Buzek government launched a diversification-seeking agenda with the signing of three new high-capacity supply contracts (two with Norway and one with Denmark) and the support of a new pipeline BalticPipe, which would transmit gas from the West to Poland. The later PiS party and PO conservative governments from 2005, under Kaczyński and then Tusk, also advertised new supply deals by investing in the building of an LNG terminal.
- The Czech right-wing ODS government sought and signed a long-term contract with Norwegian suppliers

that permitted the country to decrease its dependence on Russian gas during the 90s.

- In Hungary, the policy of the Antall government between 1990-1993 joined the HAG pipeline project and later during Orbán's three periods in office government challenged Russian investment in the national energy sector or worked on taking back state control of the agencies that deal with Gazprom.
- Slovakia is an exception because the dependence on Russia as a major supplier of gas was preserved throughout the 1990s, despite the period led by the conservative governments of Mečiar between 1992-1994 and between 1994-1998. Alternative supply deals were not signed until the situation became critical during the gas crisis in 2009 when the Slovak supply was stopped.
- Left-wing governments in the Visegrad region prioritised and kept dependence on Russia between 1990-2015. Except for Slovakia the other three important long-term contracts with Russia's Gazprom were signed by Czech, Hungarian and Polish left-wing governments (Zeman's ČSSD and Transgas in the case

of the Czech Republic in 1998; MSZP's Horn through MOL in Hungary in 1996 and Cimoszewicz's SLD and PGNiG in Poland in 1996). All these contracts were signed for long-term periods over ten years. Slovakia under Mečiar continued to rely on Russia through a network of illegal business deals and shadowy agreements. In 2021, Fidesz's signed a 15-year gas supply agreement. Earlier until 2015 it was true that governments of the left-wing made long-term deals. However, there is the anomaly with the Orbán government now and it is a complex case, likely a result of multiple interacting variables as such. Probably, the Orbán government might have expected that for the West prices would go up and stay up without Russian gas and so they would be better off, which then did not turn out that way. Ideology may have played a role, too, with the Orbán government's ever-growingly critical approach to the West. And also other variables, which are hard to discern from the outside, not having access to the whole range of considerations internal to the Hungarian decision-making process.

The EU Requirements on the Stance of Visegrad Countries

- In the Visegrad countries positive changes can be observed in the implementation of the EU energy policy. The most visible it is in the creation of the Energy Union and the realization of its dimensions.
- The most noticeable improvement has been made in the decarbonization of the economies. In a few years, Visegrad economies have significantly decreased greenhouse gas emissions and increased renewable energy share.
- The Visegrad countries fully integrated internal energy market.
- Little changes happened in energy security, solidarity and trust, and energy efficiency.
- The Visegrad countries are still strongly dependent on external energy supplies.
- Unsatisfactory results were realized in the research, innovation, and competitiveness of all four countries of the Visegrad region, for example, public spending on energy research has been enacted into law.

- The effect of EU energy policy in the Visegrad countries is diverse and constantly changes. At the beginning of the year 2004, the Visegrad countries were at a similar level of energy policy implementation. The following years are characterized by rising diversification and in fact, worsening the situation of all Visegrad countries.
- The level of implementation of the EU energy policy since 2014 was the worst in Poland, while Slovakia and Hungary implemented the energy policy quite well.
- In 2019, Poland did not commit to the 2050 climate neutrality goal, and Poland did not agree with the Emissions Trading System and asked to review it.
- The Visegrad countries' positions on energy policy at the time of the Energy Union constitution, in fact, have a common interest in active participation in the EU energy policy, mainly in the area of energy security. However, they show different attitudes.
- The Visegrad countries, instead of decreasing the Russian gas supply and establishing energy infrastructure such as gas storage capacity or blocking

foreign ownership of energy infrastructure based on national security considerations, fail to collaborate on a bigger scale which would permit them to diversify. Instead, they act unilaterally to develop domestic infrastructure and policies to tackle potential threats. This demonstrates the difference between the stated aim of concerted action by the EU and the national interests pursued by the individual member states.

IV. Main References

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IV. List of Publications

- 2022 Horuz, Deniz; Rashovski Stefan; Sárvári Katarína
EU and the principle of double-standard politics.
DER DONAURAUM (0012-5415) Vienna,
Austria.
- 2021 Sárvári, Katarína
*The V4's Gas Market transition towards the EU's
Energy Security.*
Köz-gazdaság, 16 (2). pp. 207-218.
DOI <https://doi.org/10.14267/RETP2021.02.16>
- 2020 Marton, Péter; Sárvári, Katarína
Natural Gas as a Means of Influence.
In: Romaniuk, S., Thapa, M., Marton, P. (eds) *The
Palgrave Encyclopedia of Global Security Studies.*
Palgrave Macmillan, Cham.
DOI https://doi.org/10.1007/978-3-319-74336-3_640-1