Bargaining practice and negotiation failure in Russia-Ukraine gas relations

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Table of Contents

Abstract
What causes 'gas wars' between Russia and Ukraine? Answering this question, this paper argues, requires that we synthesize two prominent theories of international relations (IR), the bargaining model of war and practice theory. It applies these theoretical frameworks to the 2008-2009 Russia-Ukraine gas crisis using qualitative case study methods. Bilateral gas relations can be usefully modeled as crisis bargaining interactions — up to a point. Both Russia and Ukraine deploy crisis bargaining practices to secure natural gas supply and pricing contracts with each other. These practices are not, however, primarily aimed at revealing credible signals of resolve, as standard bargaining models would suggest. Rather, Russia and Ukraine use them to maintain political control over the negotiation process and flexibility over a range of potential outcomes. This tacit understanding poses difficulties when preferences shift such that signaling resolve becomes more important than maintaining political control and flexibility. In these situations, such as late fall 2008, both parties continue to deploy crisis bargaining practices that 'make sense' as ways to engage in negotiation but no longer fit their strategic goals for the process. The taken-for-granted means of practicing gas politics don't fit with the strategic ends sought; the result is a costly gas war despite strong incentives on both sides of the table to locate a compromise short of conflict.

Résumé
Quelles sont les causes des conflits gaziers russo-ukrainiens? Cet article soutient que, pour répondre à cette question, il faut synthétiser deux grandes théories des relations internationales (RI) : *le modèle de négociation de guerre* et *la théorie de l'action*. L'article applique ces cadres théoriques à la crise du gaz de 2008-2009 entre l'Ukraine et la Russie, en se basant sur des études de cas qualitatives. Les relations gazières bilatérales peuvent être modélisées comme des interactions de négociation de crise - jusqu'à un certain point. La Russie et l'Ukraine ont tous deux recours à des pratiques de négociation de crise pour assurer leur approvisionnement en gaz naturel et pour obtenir des contrats l'un avec l'autre. Cependant, ces pratiques n'ont pas comme objectif principal la révélation de signaux crédibles de détermination, comme laisseraient à croire les modèles de négociation habituels. Au contraire, la Russie et l'Ukraine utilisent ces pratiques pour maintenir un contrôle politique sur le processus de négociation et pour préserver leur flexibilité par rapport à une gamme de résultats possibles. Cette entente tacite pose des difficultés lorsque les préférences changent et que la signalisation de la détermination devient plus importante que le maintien du contrôle politique et de la flexibilité. Dans de telles situations, comme le démontrent les événements de l'automne 2008, les deux parties continuent à utiliser des pratiques de négociation de crise qui seraient rationnelles si l'objectif principal était la négociation, mais qui ne correspondent plus à leurs objectifs stratégiques pour le processus. Les moyens habituels de faire de la politique gazière ne correspondent plus aux buts stratégiques visés. Le résultat est un conflit gazier coûteux, malgré les incitations fortes qui existent des deux côtés de la table à trouver une solution autre que le conflit.

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None of us are able to finish a project of this nature without accruing a substantial number of personal and professional debts; I have likely accrued more than most. While it is impossible to recognize all of them here, several require mentioning. I owe my largest intellectual debts to Vincent Pouliot, who provided guidance throughout with wisdom, grace, and more patience than ever should be asked of a supervisor. The faculties and administrative staff of both McGill and Georgetown deserve credit for the support and encouragement they offered despite my best efforts to exasperate. Geoff Sigalet, Brittany Lambert, Adam Mount, and Rebecca Friedman are colleagues I have come to rely on as friends, sources of inspiration, and models of excellence. Dante Reino welcomed me into his home at a critical stage in the writing process. Brit Lambert, Evan and Marie-Thérèse Sophoulis, and Marc Trépanier all assisted with the translation of the abstract. I can't thank my family enough for the love and support they have provided. Finally, this project would never have been finished without Kelly Nakamura. She has been beside me every step of the way; I hope and pray she always is.

Introduction

Right at the end of 2008, final negotiations between Russia and Ukraine over the terms of a contract to transport and supply natural gas broke down. The resulting crisis was the first major disruption of natural gas supplies to Europe in recent memory: it had serious implications for many of the Western and Central European states that depend on Russian gas for industrial capacity, and serious implications on the eastern European and Baltic states that depend on the same gas for basic heating and infrastructure needs.[1]

The somewhat regular instability of the Russia-Ukraine gas relationship, typified in the 2008 crisis, is puzzling. Both actors benefit substantially from gas trade: Russia is a major exporter state and Ukraine is a major consumer and transit state. While the strategically- and economically-vital nature of natural gas means both states have political interests in the terms by which it is traded, they also have strong incentives to maintain a cooperative and lucrative relationship vis-à-vis each other and the rest of Europe. Major disruptions in 2006 spurred fears about security of supply throughout Europe; both Russian and Ukrainian leaders recognized the damage they caused. Both states have every reason to maintain the stability and predictability of the gas trade. Despite this, regular instability seems to be a feature of Russia-Ukraine gas relationship; the 2008-2009 breakdown, with its unprecedented level of disruption so soon after the 2006 crisis, constitutes an important political-economic puzzle. If gas trade is as vital as it is, why is it as volatile as it is? I investigate this puzzle in the specific context of the 2008 crisis and its causes.

[1] Pirani, Stern, and Yafimava 2009; Kovacevic 2009.

In this paper I argue that the answer lies at the intersection of two very different literatures. The first is a core international relations (IR) research program, frequently called the bargaining theory of war.[2] I argue that the gradual deterioration of relations and escalation of tensions can be usefully modeled as a situation of crisis bargaining. At the same time, however, the key mechanisms at the heart of the negotiation breakdown aren't captured in the bargaining model. Instead, breakdown results from a mismatch between the crisis bargaining practices both actors take for granted and the specific interests at stake in the negotiation. Theoretically, I argue that the logic of crisis bargaining needs to be embedded within an appreciation for practical constraints that render certain policy/bargaining choices obvious and others unthinkable. These practical constraints prevent actors from adjusting their strategies as quickly as necessary to produce optimal results. I do this by reaching to a second literature, the 'practice turn.'[3] Contra the bargaining model, I present evidence that in the case of Russia-Ukraine gas negotiations, crisis bargaining practices aren't aimed at revealing credible information about resolve so much as they are designed for the purpose of maintaining political control and flexibility over a range of potential outcomes. While credible information and the role it plays in negotiation is still an important part of what Russia and Ukraine do in the negotiation process, their bargaining practices reflect a deep dispositional orientation towards these alternative interests. The taken-for-granted bargaining practices that express these dispositions — high level missions to Moscow, elite political intervention, and

[2] Fearon 1994.
[3] Pouliot 2008.

inventive and ad-hoc problem solving, amongst others — work well when each actor is concerned about maintaining political space for a wide range of solutions rather than satisfying a specific set of preferences over outcomes. At times, however, more specific contextual interest can shift whereby these dispositional orientations are no longer the primary goals of the parties involved. I argue that crisis and breakdown stem from a mismatch between taken-for-granted practices — what it makes sense to do, in terms of mostly unreflective practicality, established on a firm foundation of background understanding or dispositional orientations — and what the strategic goals and contextual interests of the specific negotiation process are.

The explanation of the 2008 crisis developed here draws on three elements. Crisis outcomes rely on bargaining practices employed: outcomes can vary between success and failure, and practices are in principle flexible but at the same time exhibit a strong degree of consistency. These bargaining practices, in turn, rely on and are embedded in a set of dispositions held by each set of actors about what their broad goals are and what they 'should' be doing to achieve them. This background understanding gives meaning to particular practical choices and strategic decisions. The basic structure of this relationship is captured in Figure 1.

I argue that this theoretical structure captures the interesting set of outcomes apparent in the 2008 negotiation process. Russia and Ukraine engage in two sets of long, contentious negotiations in 2008: one between January and March, and the other between September and December. In the first, we observe a set of bargaining practices being employed that serve the broader goals of maintaining

political control and flexibility. The negotiation process concludes successfully (that is, short of gas war) in large part because the bargaining practices employed work as they are understood to work: they allow both actors the space in the negotiation process to communicate their political interests and arrive at a flexible and mutually acceptable outcome.

In the fall, however, Russia's established preference for maintaining political flexibility, shared with Ukraine, shifted to a more resolute interest in extracting immediate value from the contract and pricing structure. In effect, Russia's specific interests changed from being primarily concerned with maintaining political flexibility to interests in signaling resolve and extracting immediate value; the taken-for-granted crisis bargaining practices that continued to be applied to this end, however, worked at odds to it. Rather than revealing credible signals of resolve, the bargaining practices both actors continued to deploy without question undermined any chance of effectively securing a mutually acceptable agreement.

Figure 1.

I develop this argument in a case study of the 2008 negotiation. The paper proceeds in the following manner. First, I situate the 2008 negotiation within the historical context of Russia-Ukraine energy relations. This provides a basis on which to consider both the theoretical arguments most relevant to the crisis and the empirical evidence drawn from a careful analysis of the case study time period. Second, I introduce the two most relevant theoretical arguments, the bargaining model of war and a theory of practice. Third, I consider a variety of alternative explanations in order to ensure the robustness of my synthetic account. After this theoretical section I outline the qualitative approach taken, one that relies on within-case analysis and process tracing. While qualitative methods are a standard mode of inquiry in IR and especially relevant for the puzzle at hand, I spend some time at the end of my 'methodology' discussion defending my single-case approach, as well as my choice to evaluate and synthesize theories as different as the bargaining model and practice theory under the same conceptual framework. I then turn to empirical evidence and build an analytic narrative drawing on a careful analysis of both the history of Russia-Ukraine gas relations and the two negotiation periods immediately preceding the 2008 breakdown. The final section concludes with a discussion of some of the empirical and theoretical implications of this argument.

In general, this paper engages with a research question of importance to both theories of IR and international political economy (IPE). Gas relations are substantively and theoretically interesting, and this research aims at improving our understanding at both levels. In this aim I hope to contribute to a growing

literature on the importance of natural resources and international politics. Energy has always been recognized as a key dimension of how we should measure state strength and how we should think about the political-economic relations between them.[4] Recently this interest has developed into a growing literature on the domestic and international implications of energy wealth.[5] While the 'resource curse' is now a major literature within political science, scholars are developing new ways of thinking about the relationships that exist at the nexus of energy and politics. Important and developing lines of research consider relationships between globalization and natural resources,[6] as well as international conflict and energy.[7] In particular, energy has become an important lens through which researchers are making sense of Russia's evolving place in the international political landscape.[8] This research project has been put together within the context of these growing literatures on energy, resources, and international politics, and hopes in particular to focus this interest on issues of energy trade salient to theories of international politics. As such, it is situated at the intersection of IR/IPE theory, energy politics, and Eurasian political relations.

[4] Krasner 1979; Yergin 1980; Baldwin 1985; Feigenbaum 1987; Wilson 1987; Yergin 2011; Yergin 2012.

[5] Ross 1999; Ross 2001; Weinthal and Luong 2006; Ross 2008; Morrison 2009; Haber and Menaldo 2011; Ramsay 2011; Kehl 2011; Bearce and Hutnick 2011; Jensen and Johnston 2011; Kurtz and Brooks 2011; Morrison 2011; Closson 2012; Tyburski 2012.

[6] Rudra and Jensen 2011.

[7] Colgan 2010; Colgan 2011; Colgan 2013.

[8] Balzer 2005; Stulberg 2007; Gustafson 2012a; Gustafson 2012b.

Case Background

The purpose of the following section is to provide some of the historical context for the case of Russia-Ukraine negotiations in 2008. These negotiations were an episode of an economic and political relationship that has developed between Russia and Ukraine since the breakup of the Soviet Union, and has important historical antecedents in the Soviet era as well. This relationship has developed along several dimensions, including issues of national identity, language, minority rights, foreign policy alignment, security interdependence, European relations, economic integration, and trade. I have chosen to trace its development in terms of gas trade, an issue that brings in almost every other at regular intervals, and sometimes all at once.

The case background in this section is organized into four sections. The first considers some of the dimensions of the gas relationship inherited from the Soviet era. The second (1991-1999) traces some of the major developments in the relationship from its beginning at independence to the late 1990s economic crisis. The third (2000-2004) covers the period in the relationship between the elections of Putin in Russia and Yushchenko in Ukraine. The fourth (2005-2009) considers some of the relationship's most salient aspects in the period immediately preceding the 2009 crisis. None of these are meant to be comprehensive surveys of the gas relationship between Russia and Ukraine, let alone comprehensive surveys of the relationship between the two broadly speaking. Rather, they are designed to indicate some of the most important features and trends of a

relationship that has been at the core of relations between Russia and Ukraine over the past twenty years.

Many of the material dimensions of the post-independence gas relationship have been inherited from the Soviet era. Energy was key to the Soviet project of a centrally planned economy and highly dependent peripheral political entities. The production, trade, distribution, and usage of energy were some of the most important ties between the Soviet republics, and gas featured prominently at every level of industry.[9] The Soviet Union contained vast natural gas reserves within its geographical boundaries and had enough political cohesion to develop highly complex, extremely expansive energy infrastructure across all of its territory. In material terms, the nature of gas as a natural resource meant that this infrastructure was comprised of expensive, immobile and inflexible pipeline, pumping station, generator, and distribution installations spread across vast distances. In political and economic terms, this infrastructure tied disparate parts of this territory together into networks of strong mutual interdependence.[10]

These infrastructural ties existed at several levels at once. Gas extracted in from Uzbek and Turkmen fields and, later, the Tyumen Oblast of northwest Siberia was piped thousands of miles to communities across all the Soviet republics and to the centres of industrial development in the centre and west.[11] On a more local level systems for heating were built around energy plants that functioned like centrally controlled hubs.[12]

[9] Balmaceda 1998.
[10] Dienes and Shabad 1979; Dienes, Dobozi, and Radetzki 1994.
[11] Dienes 2007, 210.
[12] Bouzarovski 2010, 171.

The development of these infrastructural ties had several implications that continue to play a role in gas relations. First, they enabled and encouraged economic development that relied on high energy intensity and an over-reliance on natural gas as a fuel source. Gas became a primary source of energy for heating, electricity, and a variety of industrial applications across the Soviet Union.[13] Second, the efficiency basis on which these infrastructural ties were developed resulted in a somewhat idiosyncratic model of development especially given the changes after the breakup of the Soviet Union. It made more sense to extract and pipe Central Asian and Siberian gas than to develop resources closer to centres of industrial development. In what became Ukraine, for example, gas fields under the Black and Azov seas were left unexploited in favor of fields much further away.[14] Third, once established the infrastructural ties allowed for a system of subsidization: gas became a tool of the state not only to create interdependencies between regions, but also to provide incentives for participation and integration.[15]

For the majority of the Soviet era the Ministry of Gas Industry handled all gas-related issues. This body was liquidated in 1989, however, and replaced by the state gas company Gazprom.[16] The gas infrastructure and the political and economic patterns of interaction it sustained, as well as the creation of Gazprom, stand as some of the most important Soviet-era factors in the gas relationship.

[13] Pirani 2007; Pirani 2009; Pirani, Stern, and Yafimava 2009.
[14] Szeptycki 2009, 87.
[15] Krasnov and Brada 1997, 827.
[16] Wyciszkiewicz 2009.

The continuing importance of Soviet-era factors makes the Russia-Ukraine gas relationship somewhat anachronistic. Many of its features — economic interdependence, energy consumption norms, established infrastructure — date from a period before the possibility of a politically differentiated Russia and Ukraine made sense. The strategic and economic decisions that went into planning and constructing the vast gas network didn't take into account the borders that the network now crosses. And while there have been modifications in the structure and characteristics of Gazprom, there has been more continuity than change in gas sector governance over the time periods surveyed here.

The break-up of the Soviet Union forced new interpretations of the infrastructural and behavioral interactions that had gone on, mostly uneventfully, in the Soviet era. Dependence became dependence between different and sometimes competing states; pipelines became structures that violated newly nationalized borders. Gas relations joined a host of other points of interaction between the new states that came together to form the tangled mess of post-Soviet relations. While existing infrastructure continued to link Russia and Ukraine, these structures had to be reconsidered against a new political reality and against emerging regional and global conditions. In particular, the post-independence gas relationship existed at the intersection of gas infrastructure path dependencies, conditions of financial duress and charged, occasionally antagonistic political relations.[17]

In the first place, neither Russia nor Ukraine exited the Soviet era in the best of economic conditions. Independence splintered a highly organized communist

[17] For a detailed summary of the early years of this period, see Smolansky 1995.

economy that had been able to shelter its component sectors, to a certain degree, against the pressures of international competition. Independence exposed much of the industrial and economic capacity of both Russia and Ukraine to the international market, an exposure for which neither country was particularly well positioned. Ukrainian GDP, for example, fell 68% between 1991 and 1997; Russia experienced similar declines in economic strength.[18] Russia and Ukraine both experienced severe economic slumps that lasted for most of the 1990s: these involved substantial inflation, capital flight, and debt accumulation. In the gas sector, as in others, governments and private interests attempted to navigate the complex and not-quite-settled economic topography of newly differentiated supply chains and patterns of trade and exchange. The realities of the Soviet era continued to have a strong influence — in many cases, titles and not actors were the things that changed — so these economic conditions were filtered through an active, if disorganized, political structure and process. On both sides, the gas sector experienced less reform than almost any other.[19] The Russian and Ukrainian governments continued to play a key role in the gas relationship; both state and non-state actors were still defined by a lack of transparency in terms of both their internal structures and interactions with each other. Gazprom, for instance, was transformed into a corporate holding structure in 1992, and regional production associations into private companies in 1993. Despite these changes, however, the monopolist's inner workings continued to be opaque.[20]

[18] Pirani 2007, 4.
[19] Smolansky 1995.
[20] Quast and Locatelli 1997.

Economic conditions and infrastructural path dependencies interacted with new and unstable political factors.[21] While political differentiation existed at varying levels throughout the Soviet era, independence intensified differences and similarities by imposing national boundaries and creating autonomous electoral systems. These changes affected every aspect of every relationship in the post-Soviet environment. In the case of Russia and Ukraine relations in particular, these changes created two political factors the importance of which cannot be overstated. First, independence gave rise to a whole set of security concerns at the heart of Russia-Ukraine bilateral relations.[22] Ukraine constituted the most powerful post-Soviet state aside from Russia and inherited a key strategic location. For Russian political elites, concerned with securing their interests vis-à-vis Europe and the CIS states, Ukraine was a key piece of the puzzle. Ukrainian political elites, for their part, quickly recognized the threat Russia could potentially pose in political and territorial terms.

Second, security and economic issues were closely tied to a complex set of identity concerns that independence brought to the fore. The jurisdictional boundaries independence formalized meshed imperfectly with existing — and extremely salient — patterns of political, cultural, and ethnic identification. The relationship between Russia and Ukraine along every dimension was filtered through, on both sides, concerns related to irredentism,[23] minority rights,[24]

[21] For surveys, see Szporluk 2000; Solchanyk 1994; Molchanov 2002.
[22] D'Anieri 1995; Legvold and Wallander 2004.
[23] Solchanyk 1994.
[24] Resler 1997.

language politics, ethnic politics,[25] representation, and cultural competition and cooperation.[26] While close political and economic ties during this period were, for the Ukrainian decision-making elite at least, a matter of survival, competition and contention characterized the bilateral relationship over all of these issue areas.[27]

Infrastructural, economic, and political factors combined at the nexus of gas relations to produce a pattern of bilateral interaction that evolved over time but also contained elements of consistency throughout the period. First, gas relations were characterized by less-than-ideal economic fundamentals. Through most of the period Russia supplied gas at a price that was sometimes less than a break-even cost, and certainly lower than market value. While Russia technically adopted world market prices for all trade in the fall of 1992, this failed to apply to the gas trade or to Russia-Ukraine interaction.[28] The government influence over Gazprom allowed for a domestic and regional gas market that was heavily subsidized by the Russian state. It did this to incentivize closer post-Soviet ties, but also to a certain degree as a function of the economic difficulties of many of its gas partners.[29] Ukrainian import rates in this period were significantly lower than the rates paid by western European states. In this sense the Soviet practice of using gas as a tool to tie together the republics continued: dependencies forged in the Soviet era continued through much of the 1990s, within the Russia-Ukraine bilateral relationship and in several others.[30]

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[25] Pirie 1996.

[26] Wilson 1995. The literature on Russia-Ukraine identity politics is substantial; see for instance Laitin 1998; Prizel 1998.

[27] Puglisi 2003, 829.

[28] Krasnov and Brada 1997.

[29] Nygren 2008.

[30] Krasnov and Brada 1997, 827.

Despite the subsidization of gas, however, Ukraine managed to incur large debts in the period directly following independence.[31] While some of this debt was unrelated to the gas trade, a significant portion of it arose in connection to the sector. Non-payment for delivered gas was a regular occurrence in the first several years after independence: Ukraine found itself unable to pay the full cost of gas, even at its discounted rate, often because of the financial constraints of the importing body. Debt accumulation was closely related to the domestic market's inability to pay utility and heating bills, as well as a general imbalance between imports and exports: in 1995, for instance, the value of Ukraine's gas imports ($15 billion US) significantly outweighed its exports to Europe (valued at $12 billion US).[32] Until 1996 all Ukrainian imports were handled by a state firm, Ukrhazprom, one that accumulated substantial debts. After 1996, under pressure from the International Monetary Fund, the government ended centralized imports for industrial consumers: eight independent wholesalers were given regional monopolies and took over responsibilities for payments to Russia.[33] Ukrhazprom continued to supply the private market, which continued to be plagued by non-payment.[34] By 1997 some accounts indicate that Ukraine owed over $4 billion US to Russia for gas alone.[35] Complicating matters was the fact that Ukraine at various times through this period offloaded gas meant for Europe in order to meet its own domestic demand. This occasional — and highly controversial — theft was linked by political actors on both sides of bilateral relationship to broader

[31] Balmaceda 1998, 261; Szeptycki 2009.
[32] Balmaceda 1998, 260.
[33] Szeptycki 2009.
[34] Balmaceda 1998, 270.
[35] Ibid., 261.

debt concerns.[36] Debt accumulation improved after the Ukrainian government replaced regional wholesalers with a new state monopoly, Naftogaz, in 1998,[37] but the relationship was affected by the sizeable amount of debt built up. Russia and Ukraine came to an agreement on a 12-year repayment schedule starting in 1998, but debt continued to be a problem up to the 2008 negotiations that form the main object of study in this paper.[38]

Subsidized gas, non-payment, debt, and theft coalesced into a working arrangement for the Russian-Ukrainian gas trade that proceeded on a year-to-year basis and was characterized by non-traditional mechanisms for dispute resolution and agreement bases. Initially both Russia and Ukraine attempted to resolve issues in the gas trade — the negotiated values of supply, transit, storage, and debt resolution for instance — by linking gas to political concerns explicitly. Gas trade negotiations in the early portion of this period were linked, at various points and with varying degrees of efficacy, to issues such as the Black Sea naval fleet, Sevastopol basing and the leftover Soviet nuclear arsenal.[39] Over time other strategies replaced political issue linkage and concession extraction: later arrangements concerned bargaining over domestic market and network equity[40] and a variety of bartering formulae.[41] While initially open to Russian participation in privatization, Ukraine's Supreme Council banned the privatization of the pipeline network and infrastructure in 1994.[42]

[36] Pirani 2007; Szeptycki 2009.
[37] Pirani 2007, 22.
[38] Krasnov and Brada 1997, 828.
[39] Balmaceda 1998, 265; Pirani 2007, 19; D'Anieri 1995; Szeptycki 2009.
[40] Finon and Locatelli 2008.
[41] Balmaceda 1998, 261; Balmaceda 2007; Pirani 2009, 5; D'Anieri 1995, 614.
[42] Szeptycki 2009, 95–96.

The post-Soviet economic decline that Russia and Ukraine both experienced culminated in a major financial crisis in 1998. Both states managed to recover largely on the back of a worldwide increase in commodity prices: Russian growth was directly tied to the rising value of exports like oil and gas, and cheap CIS prices for those commodities shielded Ukraine from the negative aspects of being an importer.[43] This economic recovery marked a turn in the gas sector towards more regularity, transparency, and market-based approaches, as well as to an increasing liberalization with regard to Russian investment.[44] At the same time, centralization returned to a prominent place in Russian domestic economic policy: state ownership in Gazprom broke above 50% in 2005, and Russia has remained the dominant shareholder since then.[45]

The international increase in commodities like gas also, however, set the stage for some of the most contentious issues between the two actors over the next several years. The differential between European gas prices and CIS gas prices widened sharply during the early part of this period, and it wasn't long before Russia was calling for an increase in the 'netback' fees paid by Ukraine (EU border prices minus transport costs).[46] Disagreements over the cost of gas deliveries came to a head in January 2006: unable to successfully negotiate a contract for the new year, Russia cut off export volumes meant for Ukrainian consumption but maintained contractual supplies to Europe. A short but intense period of public denouncements and private negotiations followed. Supplies to

[43] Pirani 2007, 8.
[44] Puglisi 2003, 842.
[45] Balmaceda 2004; Balmaceda 2007.
[46] Pirani 2009, 7; Pirani, Stern, and Yafimava 2009.

Europe were somewhat disrupted as Ukraine offloaded gas to meet its own needs, and a Band-Aid solution was reached fairly promptly. Russia didn't manage to secure netback prices under the new contract, but there were a number of important developments to the relationship: the contractual relationship would no longer be constituted by barter deals, Ukraine no longer negotiated with Turkmenistan, and a new co-owned entity was given a dominant position in the Ukrainian domestic gas market.[47]

The decade between 1998 and 2008 was characterized, therefore, by increasing revenues and problems associated with contracts and pricing. Mutual dependence was heightened. Ukraine remains the single larges importer of Russian gas, and the main corridor for Russian exports to Europe.[48] Energy issues have become of central importance in Russia and in Ukraine. Margaret Balmaceda argues that "energy issues play the largest role in [Ukraine's] daily economic and political life. Unstable energy supplies are Ukraine's number one problem, in terms of effects on the economy, political instability, and relations with Russia."[49] Nor is the situation likely to change any time soon: according to some reports, energy dependency could rise by 65-70% from its current levels by 2020.[50]

[47] Pirani 2009, 8; Pirani, Stern, and Yafimava 2009.
[48] Stern 2006.
[49] Balmaceda 2004, 1.
[50] Ibid., 4. See also: Weisser 2007; Grant and Barysch 2003.

Theory

The structure of the Russian-Ukrainian gas trade has, for reasons developed in the previous section, developed particular and important characteristics. First, it is of immense strategic importance to both actors. Gas is one of Russia's key exports, and it relies on Ukraine to transmit its gas to its largest client, Europe. Ukraine is the most important transit state between Russia and Europe; the importance of its own domestic reliance on gas is augmented by the strategic importance of its place in this vital supply chain. Russia and Ukraine are heavily invested, both economically and politically, in the gas business. Second — and we shouldn't be under the impression that each of these reasons is entirely distinct from the others — the gas trade is constituted through regular renegotiation of contracts. The political importance of the relationship and the price volatility of the commodity have ensured that the terms of trade are regularly revisited. Contracts are relatively short by design and need to be reformulated on a regular basis. Finally, the gas trade involves both political and economic actors; or rather, the actors involved in the gas trade are both entirely political and economic. State-owned companies are the final signing parties, but their agreement is contingent upon and established through the regular interaction and input of the most senior political actors in each state.

These three characteristics — strategic importance, regular intervals of renegotiation, and political participation — mean that the Russia-Ukraine gas trade can be usefully thought of as meeting many of the assumptions and criteria

of the bargaining theory of war.[51] This theory, one of the most influential in IR, is usually applied to interstate military conflicts. In this paper, however, I argue it is particularly relevant for the gas trade and the conflicts endemic to it. Over the following pages I lay out the basic logic of the theory in advance of applying it more carefully to the case at hand.

The Bargaining Model of War

The bargaining model of war begins with a question about the nature and utility of war itself. Why do wars occur? They are costly and risky: states have strong incentives to locate and agree upon a solution to their dispute before engaging in conflict. This solution has to be one that both state prefer to war, but if located it is cheaper for both parties than fighting out a resolution. Because both states want to get the best deal possible, however, each will try to seem as if it is more willing to fight than it is. Wars occur, according to Fearon, because of private information about the willingness to fight and incentives to misrepresent that willingness.[52] Willingness to fight — resolve — is the key piece of private information each state involved in a dispute possesses. While complete information allows both parties to locate an agreement short of fighting, the incentive to misrepresent resolve means that states face a dilemma. On one hand, they would like to learn about mutually agreeable solutions; on the other, they

[51] Fearon 1994; Fearon 1995; Wagner 2000; Powell 2002; Reiter 2003; Slantchev 2003a; Slantchev 2003b; Slantchev 2005; Leventoğlu and Slantchev 2007.

[52] Fearon 1994, 578; Fearon 1995.

have incentives to misrepresent their own resolve, and so cannot be sure of the other states'.[53]

This dilemma is solved, potentially, through crisis bargaining and *audience costs*. States try to locate good information about their opponent's resolve, but private information and the incentives to misrepresent it mean that not all information provided by the other party means something. As a result, states have an interest in sending credible signals about their own resolve to their opponent. Fearon refers to credible information as *costly signals*. States send costly signals about their own resolve to dissuade their opponent from escalation or to convince their opponent to concede. Crises, then, are information-revealing interaction; crisis bargaining is the means by which information about resolve is credibly revealed.[54]

Fearon discusses three types of signaling costs that are part of crisis bargaining, but the most important — indeed, the ones that make it into the title of the seminal article articulating the theory — are audience costs.[55] Simply put, crisis bargaining imposes costs on signals by making them public. The public nature of the crisis means that relevant audiences are able to judge and potentially sanction the participants in the dispute if they perceive their interests to be hurt. Audience costs have developed into a substantial literature in its own right, one

[53] It is worth noting here that an important critique of the bargaining model suggests that even given the same information, different interpretations of it can result in war. See Kirshner 2000.

[54] Fearon 1994, 579.

[55] Ibid., 580–581. The others are the financial and organizational costs of mobilizing troops and the risk associated with accidents as a result of escalation. Neither is particularly relevant to the economic nature of the case at hand.

that exists at the intersection of the bargaining theory of war and the democratic peace theory.[56]

Crisis bargaining is a process through which states involved in a dispute gather information about each other's resolve. The most relevant pieces of information to this end are costly signals, primarily signals tied to audience costs. Crises break down into war if neither party is able to credibly signal their resolve. This leads us with two clear expectations with regard to our empirical puzzle, the question of why Russia-Ukraine negotiations break down at the end of 2008. The bargaining model would lead us to expect that Russia and Ukraine were unable to locate an agreement short of conflict — i.e. short of the gas shutoff that occurred on January 1st, 2009 — because one or neither party was able to effectively signal its resolve. In particular, it would recommend that we look at the inability to send credible signals through audience costs: our expectation under the model is that one or both parties were unable to establish costs clear enough to effectively signal their resolve.

> **H1: Bargaining Theory:** *2008 negotiation failure is the result of one or both parties' inability to effectively/credibly signal their resolve over the issues at hand (pricing, transit).*

This expectation goes a long way towards improving our understanding of the source of the negotiation breakdown. Thinking about the bargaining process as one through which information is sought and potentially obtained is a useful approach to this particular crisis. In fact, however, we are unable to tell a convincing story about the causes of the 2009 gas war without making better

[56] Fearon 1997; Schultz 1998; Schultz 2001; Tomz 2007; Schultz 2012; Slantchev 2012; Trachtenberg 2012

sense of the particular means — crisis bargaining practices — both states employed to meet their specific strategic ends. An adequate explanation requires that we supplement the theoretical apparatus of the bargaining model with a conceptualization of the importance of the means themselves. For this I turn to a recent development in IR, one referred to as the *practice turn*.[57] I outline a theory of practice over the next few pages.

Practice Theory

Practice theory is an analytical approach to the study of social interaction that begins from the focal points provided by the practices that constitute interaction; that is, its first location of inquiry is into "what is done", or the specific practices actors engage in. It advances the claim that it is not only who we are that drives what we do; it is also what we do that determines who we are.[58] We have a working — practical — understanding of what practices are: actions or behaviors that have meaning within a particular context. In many ways, the theoretical understanding of practice developed here is consistent with that general sense. We are interested in the meaningful actions of actors within a social space. More specifically, however, practice sits at the top (or bottom) of a hierarchy of performances an individual can engage in. The most basic of these are *behaviours*, which are in a simple sense physical movements bodily enacted. Behaviors become *action* when they have meaning both for the individual producing them and the other individuals she interacts with: actions have both subjective and intersubjective meaning. *Practices* are actions patterned within a

[57] Neumann 2002.
[58] Pouliot 2010a, 5.

socially-organized context: they draw from and are embedded within a broader context of meaning, itself a tangled web of the behaviors, actions, and practices that produce, reinforce, and perhaps subtly change it.[59] Practice theory focuses our attention on these meaningful actions. Importantly, however, it calls us to make sense of them not only in terms of the specific meanings they might have for those that participate in them, but also in relation to the broader context, the background in which they are embedded. A core wager of practice theory is that practices enact this background meaning in and on the world. Practices draw our attention to this background, the logic of practicality. Making sense of this dimension of the IR practice turn requires that we go a little deeper into the social theory behind it.

IR theorists owe the argument that practices express background knowledge to Pierre Bourdieu.[60] His rich social theory and has made him one of the most-cited social scientists in modern history, but it is enough here to focus on developing a few key concepts that make practice theory operationalizable and applicable to the case at hand. Practice, as introduced above, is one of these; the second is *habitus*, simply understood a collection of dispositions or orientations towards the world held by a subject.[61] The most important characteristic of these dispositions is that they are based on practical understanding: taken-for-granted, tacit, inarticulate knowledge of the world grounded in 'doing', direct experience in and on the world.[62] As such, the habitus is ontologically prior to logics of social action such as rational choice, norm compliance, or discursive argument. Each of these logics

[59] Adler and Pouliot 2011a, 5.
[60] Bourdieu 1976; Bourdieu 1990.
[61] Williams 2007, 25.
[62] Pouliot 2008, 273; Williams 2007, 25.

relies on habitus: it provides a foundation for their operationalization, and they operate only on the basis of and within the limits of the habitus' unreflexive dispositions.[63] The background knowledge that makes practices what they are — meaningful and patterned in a social context — is captured in the individual in this set of dispositions she holds. Background knowledge forms the basis of her cognitive and bodily engagement with the world.

The practical doing individuals engage in form habitus over time through a process of inculcation: dispositions "become 'second nature' through childhood experiences, through a myriad of mundane processes of training and learning."[64] The process of acquiring habitus, and the habitus itself, is fundamentally historical: habitus is the gradual sedimentation of past experiences and trajectories over time.[65] Adler-Nissen understands habitus to function "like the materialization of collective memory."[66] This historical process makes the habitus path dependent, to a certain extent,[67] and durable over time. Composed as it is of practical knowledge derived from historical experience, habitus can hold across contexts and ties together the experiences and understandings of individuals in a non-arbitrary way.[68] In this, habitus is in an important way relational: the dispositions held by individuals hold within them elements of intersubjective understandings and interactions with others.[69]

[63] Pouliot 2008, 258.
[64] Williams 2007, 25.
[65] Pouliot 2008, 273.
[66] Adler-Nissen 2008, 669.
[67] Pouliot 2008, 273.
[68] Williams 2007, 26.
[69] Pouliot 2008, 274.

Habitus is fundamentally important to a theory of practice because it generates the specific actions performed by individuals. The habitus

> inclines or disposes actors to do certain things. It generates inclinations, propensities, and tendencies. Habitus is an 'art of inventing' that introduces contingency in social action: the same disposition could potentially lead to different practices depending on the social context. That said, habitus also negates complete free will or fully fledged creativity: agents 'improvise' within the bounds of historically constituted practical knowledge. Habitus is a grammar that provides a basis for the generation of practices."[70]

The concepts of practice and habitus give us the conceptual tools to make sense of the specific processes political actors engage in. Practice theory focuses our attention on these processes rather than on the outcomes they produce alone. In addition to thinking tools, practice theory proposes a particular argument about the world we can use to investigate it. The core claim is that practical actions matter in and of themselves: what people do without thinking, in an unreflective way, through force of habit or regular repetition, can be immensely important to social and political phenomena. Attention to these taken-for-granted steps in the social interactions we are concerned with can yield explanatory purchase over them. Practice theory draws our attention to the things political actors do without thinking too much about them, and to the reasons behind this unreflective practice. While the baseline claim is that all social action is produced through these — we all engage in practices on a day-to-day basis — the more relevant claim for our purposes is that these regular, unthinking doings can be a vitally

[70] Ibid.

important part of the processes we are concerned with. This theoretical argument has been taken up by several scholars in the study of IR.[71]

Practice theory, then, points us towards considering what actors do as opposed to what they think, or what we think they think. Put broadly, this theoretical orientation gives us the following expectation we can evaluate in the case research.

> **H2: Practice:** *2008 negotiation failure is the result a particular set of practical dispositions expressed in the negotiation practices and held by the actors involved.*

Alternative Explanations

The central concern of this paper is to offer an account of the 2008 gas negotiations between Russia and Ukraine, and an explanation as to their failure. In order to ensure that the explanation is as robust as possible, I consider a range of alterative explanations in addition to the two core theories introduced above. Theories are treated as analytic simplifications of complex social phenomena, heuristic devices that are more or less useful but not, ultimately, true or false. This approach — consistent with what Patrick Jackson refers to as the analyticist tradition in social science — has its limitations. For one, it sidesteps the fact that many of these theories have been formulated as if they offered true accounts of reality against other, less true or false accounts, and are understood in these terms by the individuals who formulated them. For another, it sidesteps the particular

[71] Pouliot 2007; Williams 2007; Buger and Villumsen 2007; Adler 2008; Jackson 2008; Pouliot 2010a; Pouliot 2010b; Hopf 2010; Navari 2010; Leander 2010; Mérand 2010; Leander 2011; Adler and Pouliot 2011b; Neumann and Pouliot 2011; Bigo 2011; Kangas 2011; Cohen 2011; Adler-Nissen 2011a; Adler-Nissen 2011b; Andersen and Neumann 2012; McCourt 2012; Adler-Nissen 2012.

methodological aspects of each theory in favor of a more general set of methodological choices. Some of these theories share epistemological foundations, and recommend proceeding with analysis in similar ways; others, however, rely on very different epistemological and methodological grounds. While my intention here is to consider each theory as fairly as possible on the basis of its variables of interest and observable implications, it must be noted that the way I go about this process often differs, in important ways, from the way favoured by each theory in particular.

With these caveats out of the way, I believe that an effort to consider IR theories as fairly as possible in the context of a single case is an effort worth spending. Certainly each of them should want to have explanatory purchase on an event such as this: Russia-Ukraine bilateral relations are of central importance to European politics, as well as concerns related to post-communist transitions, Russia's place in the modern system, and the relations between asymmetric and interdependent states.

Explanations of international relations phenomena, or explanations of social action and interaction offered within the discipline of IR, can be roughly organized into two analytic frameworks: rationalist and constructivist explanations. Each of these frameworks contains within it specific theories that are linked by at least one key theoretical commitment. Rationalist explanations are all tied together by the assumption that actors are rational: that is, they maximize their expected utility on the basis of a set of given preferences. Constructivist explanations are tied together by the assumption that action and

interaction are best understood by examining the social processes through which they are constructed. It should be clear that the first of the main theories introduced above, bargaining theory, is a solidly rationalist one; likewise, practice theory fits comfortably with a broadly constructivist approach to social phenomena.

Rationalist and constructivist frameworks subsume several other analytic categories employed in the discipline. Each framework contains specific theories that are structural, in that they emphasize factors that condition actor-level behaviour, or agentic, in that they emphasize processes at the actor level. A material-ideational dichotomy also often structures empirical IR work; while there are strong affinities between some of the analytic frameworks employed here and either side of this dichotomy (constructivist explanations are almost always ideational, and some of the most prominent rationalist explanations are strictly material) there are enough discrepancies to limit the heuristic utility of creating theoretical categories on the basis of whether material or ideational factors are emphasized.

The following sections introduce the main contours of each analytic framework, specify particular explanations derived from theories within each as hypotheses, and points to some of the observable implications of each proposed explanation.

Rationalist Explanations

The rationalist framework is comprised of IR theories built around the assumption that actors are rational: that is, they maximize their utility on the basis

of a set of given preferences.[72] This core commitment gets cashed out, however, in several different ways within the discipline. Rationalism is at the core of some of the most prominent schools of thought within IR: structural neorealism and neoliberal institutionalism. It is also fundamental to bargaining theory or non-cooperative game theory, a range of work that straddles the boundary between a theory of social action and a methodological approach to political phenomena. There are enough differences between these approaches to distinguish them analytically, but the core commitments they share are such that debate between approaches has largely been replaced by nuanced dialogue, differences of degree rather than kind, and, according to some critics, a worrying stability and consensus.[73] While the degree to which prominent voices within these schools of thought agree might be worrying to those on the outside, the differences between them are clear enough in the varying explanations they offer for the case at hand. Rationalism as a core commitment allows for a variety of interpretations of social phenomena; I hope this range is indicated, if not captured in all of its subtlety, by the hypotheses offered below.

The following sections introduce the three rationalist approaches and derive a set of expectations as to outcomes for the case at hand, framed as hypotheses. The theorists who have developed each of these arguments put substantial effort into specifying the conditions under which they should apply and the degree to which they are generalizable. Every effort has been made to represent what they might

[72] Quattrone and Tversky 1988; Elster 1989; Riker 1995; Milner 1998; Ostrom 1998; MacDonald 2003; Shepsle 2010.

[73] Ruggie 1998; Walt 1999.

say about the case at hand, given their specifications and component parts, as fairly as possible to the work of those who developed them.

The first rationalist explanation of the case at hand comes from the neorealist or structural realist tradition within IR. The approach, first articulated by Kenneth Waltz,[74] finds its antecedents in mid-20th century classical realism and microeconomic theory.[75] The central actors for this approach are states that are rational in that they work to maximize their utility within the limits imposed by a anarchic international system. Anarchy means that all states are responsible for their own well being: the system is one of self-help. As such, states are differentiated only by the degree to which they hold power: the distribution of capabilities is the most salient measure for understanding the interaction between them. Neorealists differ to some degree on the implications of anarchy. Some, following Waltz, argue that states are driven to maximize security: while the international system is characterized by uncertainty and instability (security-seeking states remain distrustful and wary), cooperative outcomes can emerge and certain distributions of power are more stable than others.[76] On the other hand, offensive realists observe that an interest in security relative to others means that states are better thought of as power-seeking: they strive to maximize relative power at all times, and will rarely settle on a stable or peaceful equilibrium with others.[77]

[74] Waltz 1979.
[75] Carr 1946; Waltz 1959; Morgenthau 1960.
[76] Ruggie 1998; Walt 1999.
[77] Mearsheimer 1994; Mearsheimer 2001; Rosato 2003; Monteiro 2012.

While neorealism is properly speaking a theory of the international system, it has been applied regularly to the analysis of single issues, important cases, and specific theoretical questions.[78] And despite the fact that there are a variety of perspectives and theories under the neorealist umbrella, we can extend what is generally understood to be its logic to posit some preliminary thoughts about the case at hand. From a neorealist perspective, for instance, it seems safe to say that sustained cooperation between Russia and Ukraine is highly unlikely. Each of these states should be centrally concerned with their strength and security relative to one another and are unable to appeal to any authoritative force beyond their interaction to ensure a mutually beneficial outcome. While realists generally focus on security issues, this logic can and has been extended to economic competition.[79] For neorealists, the lack of cooperation is the result of rational decision-making by competitive actors under the conditions of anarchy. Thus,

> **H3: Power:** *2008 negotiation failure is the result of an anarchic system that makes cooperation fleeting and conflict likely. As such, the gas interaction is a site for expressions of power and control that produce crisis. In particular, crisis is for these reasons in the interest of one or both actors.*

The explanation offered within this theory is a fairly simple one. The structure of the international system is such that we shouldn't expect Russia-Ukrainian negotiations to work out well: Both actors are constrained by systemic pressures in such a way that rational action — the pursuit of self-interested motives — will likely produce suboptimal outcomes. Gas negotiations, like most others at the international level, will rarely produce pareto-optimal outcomes and agreements

[78] Van Evera 1984; Cha 2000; Mearsheimer 2006; Christensen 2006; Lieber 2007; Rosato 2011; Betts, Desch, and Feaver 2011; Jackson 2012; Layne 2012.
[79] Krasner 1976; Krasner 1979; Gilpin 1981.

will never be particularly stable. In particular, this explanation holds that gas supply and pricing is merely a tool for the powerful actor (Russia) to use against the weaker actor (Ukraine) in order to establish dominance in the dyad and express power to the international audience. Crisis is rationally determined by one or both actors to be in their interest, and so they foment it.

If true, this explanation would rely on a number of potentially observable implications. The structural importance of anarchy could be demonstrated in the bargaining and negotiation process by a concern held by actors for their relative geopolitical position in dyadic, regional, or international terms. We should expect to see interests in a cooperative outcome significantly outweighed by concerns as to relative power and/or security. In specific terms, this hypothesis is expressed most prominently in the punditry as the 'Russian bear' argument: conflict arises from Russia's use of gas as a political tool with which to gain relative advantage over its counterparts. Evidence that the crisis primarily arose from Russian aggression would support the common argument as well as this *realpolitik*, neorealist one.

A different perspective on the likelihood for cooperation comes from neoliberal institutionalism.[80] Formed as a response to neorealism, this school of thought accepts many neorealist assumptions and arguments: The theory is gives pride of place to structure, models states as rational, unitary actors, and accepts that they are security-seekers in a self-help world. Even despite these constraints, however, neoliberal institutionalists argue we are more likely to see cooperation at the international level than neorealists expect. States aren't solely interested in

[80] Keohane 1984.

relative gains: they can and do work towards realizing mutual gains even in under anarchy.[81] Additionally, institutions can help to promote transparency, facilitate negotiations, and stabilize expectations.[82] The international system, as a result, is characterized by far more cooperation than neorealists allow for.

Neoliberal institutionalists would reach for different arguments, then, when offering an explanation for a failed economic interaction like the one at hand. Anarchy and the competitive interaction between states is exacerbated by the fact that the relevant arena of interaction, bilateral gas relations, isn't subject to or structured by institutions that stabilize many other areas of international trade. Russia-Ukraine relations fail in important ways because institutions that could help don't structure them. Thus,

> **H4: Institutionalization:** *2008 negotiation failure is the result of a lack of institutionalization that limits the degree to which information could be shared, credibility could be established, and expectations could be stabilized.*

While the argument here is a clear one, this hypothesis is likely difficult to falsify. It argues that the absence of a key factor (institutions) matter; it seems hard to imagine a case where institutionalization, designed to solve bargaining problems, wouldn't help in some way. Thus it seem evident that the absence of institutions matters to some extent. The analysis that follows will try to hold this hypothesis to a higher standard: it looks for evidence that the lack of institutionalization matters more than other factors, and the participants' discourse reflects this central importance. Observable implications for this hypothesis will

[81] Axelrod 1984; Oye 1986; Busch and Reinhardt 1993.

[82] Krasner 1983; Keohane 1984; Keohane 1988; Keohane and Martin 1995; Katzenstein, Keohane, and Krasner 1998; Rosendorff and Milner 2001; Koremenos et al. 2001.

relate to explicit articulations of a desire for greater institutionalization and a conscious recognition on the part of the participants of the institutional limits of their interaction arrangement.

Liberalism subsumes another large set of arguments of relevance to this case. This literature focuses in particular on the importance of domestic politics and institutions to international and bilateral politics. It is still largely institutional, but sheds the focus on the international system that characterizes much of neoliberal institutionalism. Instead, this literature emphasizes the importance of domestic constituencies and institutions for international political and economic outcomes. Arguments along these lines take a number of shapes. They can focus in particular on the importance of gains and losses from international interaction that are disbursed amongst economic sectors at the domestic level; this literature owes much of its foundation to trade theories within economics, and is a substantial and growing part of the core of political economy.[83] A somewhat distinct literature focuses on political institutions and the importance of electoral coalitions.[84] Both of these approaches give primary explanatory importance to domestic-level factors and emphasize the key role domestic actors play in international negotiations. Liberals working within these literatures might propose that domestic factors played an important role in the process of 2008 negotiations. Uncertainty or instability within the domestic political institutions of either state

[83] Ray 1981; Rogowski 1987. Grossman and Helpman 1994Scheve and Slaughter 2001; Hiscox 2001; Hiscox 2002.

[84] Rogowski 1987b; Putnam 1988; Mayer 1992; Fearon 1994; Mo 1995; Milner and Rosendorff 1997; Milner 1997; Fearon 1998; Mansfield, Milner, and Rosendorff 2002.

might have caused bilateral bargaining to break down, given the importance of domestic factors in determining international outcomes. Thus,

> **H5: Domestic Politics:** *2008 negotiation failure is the result of instability or uncertainty at the domestic level in one or both bargaining party, leading to an inability to properly establish the grounds for cooperative interaction.*

If this explanation were true we should expect to see the importance of domestic politics in the negotiation process. It should be apparent that cooperative outcomes were attainable but for political disagreements at domestic level.

Constructivist Explanations

While rationalist theories might make up the bulk of work being done within North American IR and IPE,[85] there are increasingly prominent theoretical alternatives. Most of these can be grouped loosely together as constructivist theories. Simply put, they argue that political phenomena are produced through the interactions of actors whose behaviours, preferences, and interests are constituted and conditioned by a social structure, web of meanings, or cultural framework.[86] Preferences, outlooks, interests, and attitudes are formed within this web of meanings and cannot be fully understood outside of it, so constructivist theories attempt to contextualize and show the development of more specific social phenomena within structures that shape them.

Schools of thought under a constructivist banner emphasize different factors at the level of social structure or webs-of-meaning, however. There are at least three prominent in the IR literature: constructivist theories based on identity, norms,

[85] On the differences between American and British IPE, for example, see Higgott and Watson 2007; Ravenhill 2007; Cohen 2007.

[86] Ruggie 1982; Onuf 1989; Kratochwil 1989; Katzenstein 1996; Checkel 1998; Hopf 1998; Wendt 1999.

and language. Each of these conceptualizes social context in different - but not necessarily competing - ways.

The first major category of constructivist explanations centres around the importance of social identity to political phenomena. This school of thought has a number of foundations, including social psychology and continental philosophy; as such it can only be thought of as a loose amalgamation of several more specific approaches to social construction and identity. Common to all of them, however, is the argument that social processes and political phenomena are related in important ways to the identities that operate and for the context for interaction. Conceptions of self and other at the individual and collective levels are vital to the development and outcomes of social processes.[87]

Identity constructivism within IR emphasizes the identities at play within the context of particular interactions and their importance for processes and outcomes. In the case at hand, identity theories would point to the different conceptions of self and other held by the negotiating parties, and link these identities with the interaction outcome. Negotiation failure is related to the idea held by actors on both sides of the bargaining table that Russia and Ukraine are dramatically different political entities. Thus,

> **H6: Identity:** *2008 negotiation failure is the result of stubborn and conflictual conceptions of self held by one or both actors.*

This explanation might be observed in the utilization of strongly nationalistic rhetoric, explicit identity characterizations at odds with cooperative outcomes, and

[87] Neumann 1999; Reus-Smit 1999; Abdelal et al. 2006; Abdelal et al. 2009.

evidence of conflictual and/or intractable identities held by one or both of the actors involved in the negotiation process.

A second school of thought under the constructivist banner emphasizes the importance of social norms, beliefs held by participants in social processes, to political phenomena and outcomes of interest. Ideas make up the social fabric in which particular actors and processes are embedded: strategy and action always proceed on the basis of beliefs held as to the rightness, appropriateness, or utility of certain courses of action. These held beliefs constitute and shape social interaction.[88] These held beliefs could take the form of normative rules, as in March and Olsen's logic of appropriateness; they could also be salient ideas or interpretations held by key individuals or groups of actors.

Criticism of ideational constructivism has focused at least in part on the fact that scholars within this tradition focus on 'positive' phenomena when considering the role ideational factors play in world politics, such as human rights, just war norms, or environmental initiatives. There is no theoretical reason, however, to limit the scope of ideational constructivism to only these types of phenomena. Rather, it has as much to say about 'negative' ideas or held beliefs. It might be the case here, for instance, that negotiation failure resulted from a particular interpretation of events, or a particular set of held beliefs that characterized the relationship as one dominated by conflict, animosity, difficult, and/or failure regardless of the gains to be had by cooperation. Thus,

> **H7: Ideas:** *2008 negotiation failure is the result of a shared understanding of the bilateral relationship as a necessarily damaged or conflictual one.*

[88] Ibid.

Language is a third major plank in the constructivist research agenda. Norms and identities come to have causal force and theoretical value in the way they are expressed by social actors; in turn, language expresses the webs of meaning through which social reality takes its form.[89] The words used by political actors are vitally important for how we make sense of social interactions like crises and bargaining scenarios. This theoretical concern with language runs through all of constructivism, but gets cashed out in particular within two more specific literatures. Both potentially have a bearing on cases, like the one at hand, where negotiation, bargaining, and crisis are developed through the statements of statesmen.

The first of these is discursive or Habermasian constructivism.[90] In general, work along this line focuses on the rhetorical statements and communicative interactions of political actors. It involves the analysis of political phenomena through the lens of the rhetorical strategies, approaches, and interests involved. Jurgen Habermas' theories of communicative action are foundational to this approach: political phenomena are made sense of not just in terms of the rational pursuit of interest or the a-rational adherence to ideational frames, ideas, and identities, but also in terms of a process of truth-seeking or deliberation.[91] According to Risse, "communication in truth seeking discourses oriented toward reaching a reasoned consensus is not motivated by the players' desire to realize their individual preferences…. Communication is motivated by the desire to find out the 'truth' with regard to the facts in the world or to figure out 'the right thing

[89] Taylor 1971; Geertz 1983.
[90] Risse 2000; Mitzen 2005; Busby 2007; Hall 2011.
[91] Habermas 1979; Habermas 1983.

to do' in a commonly defined situation."[92] At one level the fact that the outcome is a product of negotiation indicates that communicative action was ongoing, but whether or not that communicative action met the standards of rational 'truth-seeking' is an empirical question. An argument from this perspective might propose, therefore, that insufficiently communicative interactions were responsible for the breakdown in the process: failure came from the absence of truth-seeking discourse aimed at "reaching mutual understanding based on a reasoned consensus."[93]

Alternatively, however, discourse can and is expressive of more than just inquiry and communicative action. A constructivist literature informed by poststructural theory tackles this side of language head on.[94] This second line of analysis points to the expression of power in language rather than in the material distribution of capabilities. Discourse can be intimately linked to power and role identities, such that it becomes a site for political efforts to legitimate policy in light of powerful identities. Policy responses and political interactions are shaped by key discourses,[95] their expression of the interests of powerful actors, and the importance of rhetorical coercion as opposed to truth-seeking inquiry.[96] In both cases, however, the key factors at play are linguistic or expressive constructs which limit action or channel outcomes. Thus,

[92] Risse 2000, 12.
[93] Ibid., 2.
[94] Shapiro 1981; Ashley 1984; Der Derian and Shapiro 1989; Hansen 2006; Der Derian 2009.
[95] Hansen 2006.
[96] Van Evera 1984; Cha 2000; Mearsheimer 2006; Christensen 2006; Lieber 2007; Rosato 2011; Betts, Desch, and Feaver 2011; Jackson 2012; Layne 2012.

H8: Discourse: *2008 negotiation failure can't be understood without examining the linguistic and expressive constructs developed by the actors involved.*

Methodology

This research relies on recent developments in qualitative methodology. It employs historical evidence structured around a relevant 'case' to build a theoretically informed explanation of that case.[97] The relevant historical evidence is, for the most part, texts rather than numbers, and the research is aimed at developing a compelling causal explanation out of history-as-texts rather than history quantified. Because this approach lacks quantification, causal inference is sought through a focus on processes and mechanisms that connect theoretically relevant factors rather than through the interpretation of correlations established through regression procedures.[98] Quantitative approaches are unparalleled in their ability to establish strong arguments for the existence of an association between two variables, even in the presence of alternative associations between these variables and others of interest, especially when a significant number of observations are relevant. However, it is often difficult to parse out what that association means and through what paths and processes it is established. In this, qualitative methodologists have identified a comparative advantage for their

[97] Bennett 2008, 704; George and Bennett 2005.

[98] There is an important strand of 'qualitative' research that tries to reproduce as closely as possible the correlative, regression-based approach of quantitative methods (King, Keohane, and Verba 1994). The discussion here will touch on some dimensions on the key debate that has emerged, but mostly sidesteps it. Briefly, a single case research design makes little to no sense within the KKV methodological framework, given its emphasis on qualitative cross-case comparisons. Other currents within qualitative methodology recognize the value of single case research, and analyticism is built around it, as *the* way of conducting analytic research, we will see. On the key debates within mainstream qualitative methods, see Laitin and Caporaso 1995; Tarrow 1995; Collier 1995; Collier and Mahoney 1996; McKeown 1999.

approach: while qualitative research might not be ideal for analyzing broad swaths of data or establishing firm associations between factors that can be generalized across a broad range of cases, it is useful for elucidating and examining the linkages that tie relevant variables together. These processes and mechanisms provide a link between variables we can think of as being provisionally causal.[99] Qualitative methodology, therefore, involves the use of historical evidence in the context of a case to build a theoretical explanation based on an analysis of processes and mechanisms. At the core of this endeavour is what qualitative methodologists have come to call *process tracing*.[100]

Process tracing is the activity at the core of a qualitative approach to research, and should be considered both a specific method and part of a methodological commitment. Like regression analysis, process tracing can be most simply understood as a way of analyzing data; here, however, the data are what Mahoney calls causal process observations (CPOs).[101] CPOs are information about causal processes found within each historical case. These pieces of evidence[102] shed light on the causal processes that produce social and political outcomes, and form a key component of any social-scientific account. Mahoney identifies two kinds of CPOs. The first are those that concern whether not an independent variable operates: these CPOs provide information about the presence and strength of a

[99] George and Bennett 2005; Gerring 2008; Gerring 2010; Hedström and Ylikoski 2010.

[100] Brady, Collier, and Seawright 2006; Bennett 2008; Brady, Collier, and Seawright 2010; Mahoney 2010; Collier 2010; Collier and Brady 2010. I have decided to focus my discussion of qualitative methodology on the process tracing approach rather than on case studies: case studies are a more basic part of the research program, and have received ample attention in social science methodology

[101] Mahoney 2010, 125.

[102] Collier 2010, 1.

factor suggested by our theory.[103] The type of data observed concerns the existence of a posited cause; the types of theories tested are ones that pose competing or controversial causes. The second, mechanism CPOs, are those that provide information on whether or not an intervening event operates in the causal chain.[104] Here they type of data observed by the researcher relates to expected intervening steps in a causal process, and the type of theory tested is one that involves expectations about steps in the causal process connecting the explanatory factor and the outcome. Process tracing work almost always involves both types of CPOs. They can be combined towards developing general theories or specific hypotheses; they can also be used to test existing theories or hypotheses. Either way, CPOs are always employed in a theoretically-relevant sense. And, while a research may of course process trace several cases within a single research framework, nothing about the approach requires cross-case comparison.[105] The focus is instead on using CPOs to build explanations within specific cases.[106] "Because process tracing is the technique of looking for the observable implications of hypothesized causal processes within a single case," Bennett argues,

> the researcher engaged in process tracing often looks at a finer level of detail or a lower level of analysis than that of the proposed theoretical explanations. The goal is to document whether the sequence of events or processes within the case fits those predicted by alternative explanations of the case.[107]

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[103] Mahoney 2010, 127.
[104] Ibid., 128.
[105] George and Bennett 2005, 13. See also Mahoney 2010, Collier 2010. For KKV, process tracing and single case studies are only useful to "increase the number of theoretically relevant observations," and are thus relevant in a descriptive rather than causal sense (227). Bennett, Mahoney, Collier, and most modern qualitative methodologists would dispute this conclusion.
[106] Mahoney 2010, 131; Bennett 2008.
[107] Ibid., 705.

This research brings together and considers two very different theoretical arguments in such a way that will likely leave scholars associated with each rather uncomfortable. Each theory is associated with very different ontological and epistemological commitments, as well as different standards of assessment and measurement. On one hand, the bargaining model of war has been developed within the neopositivist tradition, where the work of social science, in particular establishing causal inference, is accomplished through cross-case comparisons and deductive theorization.[108] Practice theory, on the other hand, is more closely associated with post-positivism, where strong talk of causal inference and law-like generalization is mostly cautioned against. Post-positivist empirical research takes the form of inductive, within-case analysis. The approach I develop here is situated in the middle: I hope to establish provisional causal inference but do so through a within-case approach. The approach taken here doesn't test or falsify any of the theories considered. There is nothing in the empirical work that would recommend we dispense a rationalist, audience-costs approach to conflict, or that we avoid making the practice turn. These continue to be viable theoretical arguments that may or may not have analytical utility for other researchers applied to other cases or other sets of evidence. My argument puts each theory in a dialogue with empirical evidence: certain elements of each will be particularly helpful in improving our understanding of the case, and others will be less helpful. The theories themselves, however, remain abstract models that may or may not be useful in other applications. In this research I develop an analytical narrative that treats each theoretical argument as a logical entity rather than something needing

[108] King, Keohane, and Verba 1994.

testing or evaluation. They are instrumentally useful here, but remain abstract theories rather than actual true or false depictions of lived reality. While I evaluate their usefulness in the context of the case at hand, nothing here prevents other researchers from applying them to this or other cases.[109]

Research Design and Methods

The goal of the specific methods employed is to maximize internal validity and to provide a space for analysis that is as theory-neutral as possible. Given this, data collection is an important part of how this research is structured. The method this research project is founded on is designed to get as close as possible to the events that make up the phenomena under analysis, while avoiding commentary, editorialization, or opinions regarding these events. I use newswires produced by local news companies that were released as close as possible to the time at which the event or occurrence they relate occurred. These newswires were accessed through the World News Connection (WNC),[110] an online database of translated journalistic material from around the world provided by the United States Government. The WNC is produced by the Director of National Intelligence Open Source Center, which is tasked with providing analysis of worldwide open source documents to various facets of the U.S. Government. The Open Source Center distributes original-language and translated versions of a huge range of print and online news sources through the National Technical Information Service

[109] This way of thinking about the relationship between theory and empirical evidence puts this research firmly within what Jackson calls an *analyticist* philosophy and/or methodology of social science. See Jackson 2010. On the more formal end of the discipline, a similar argument is made by Clarke and Primo 2007, Clarke and Primo 2012.

[110] http://wnc.fedworld.gov/sources.html

(NTIS).[111] The WNC is the tool it distributes these documents through. What it provides is an extensive archive of recent reports regarding events at a very local level, sourced from institutions or news firms close to the arena they report on. In this particular case, the WNC captures a variety of central and eastern European newswire services relevant to this project, including ITAR-TASS, Interfax, RIA-Novosti, and Interfax-Ukraine, among others.

Several steps went into producing a case study narrative from the material available through the WNC. First, I used a series of searches based on generic terms related to the focus of this project — "Ukraine," "Russia", "Gazprom," "Naftogaz," "natural gas" — within a specific date range, November 2007 to January 2009, to produce a list of thousands of documents culled from the WNC database. Second, I eliminated obvious duplicates from the list by selecting out articles on the basis of their title and leads: often a story would be reproduced and carried, with almost identical contents, by a variety of news services and outlets. Third, I eliminated those articles that failed to meet the criteria of strict reporting: editorials, commentary, analysis from a political or business perspective, or predictive documents were excluded from the list. Fourth, I identified those articles remaining that were produced as close to the date of occurrence for the material they covered, and compared them with other articles covering the same set of material; if the less immediately-produced articles failed to add any information, I eliminated them from the list. These steps produced a list of approximately 350 articles that met criteria I feel is incredibly important for constructing a case study narrative: they were produced as closely as possible to

[111] http://www.ntis.gov

the events they covered and they were as factual as possible in their reporting style. Almost all of these remaining documents were produced by newswire services, documents that form the basis for most other types of journalism. Almost all of them were originally written in Russian or Ukrainian, and translated by the OSC through the WNC, and almost all of them were written within 6 hours of the events they covered.

Once the raw data was collected in the manner described above I began using it to construct a detailed narrative of the events that comprised the 2008 negotiation process. I used the remaining newswires to construct a timeline of events. For every element of the timeline I endeavoured to find at least two or three distinct documents that contained the same information, without being carbon copies of each other (i.e. exactly the same text run multiple times in a day. The search engine would regularly turn up articles like this). This method of 'triangulation' reduced the risk that incorrect or mistaken elements would be incorporated into the narrative. The final narratives are footnoted with a selective list of citations to newswire documents. For reasons of space and time the list of directly cited newswire documents is a non-random selection of the total population of newswire documents: I have made every effort to ensure that the documents directly cited in the case study sections are representative of the contents in the broader range of material the narrative is based on.[112] My hope is to have produced a detailed, coherent narrative of the events that make up the 2008 negotiation process, one that provides a solid foundation for theoretical

[112] An archive of full-text copies of these documents can be found at: http://goo.gl/ArU7L An archive of full-text copies of the complete list of used but un-cited documents can be found at: http://goo.gl/xcln5

application and investigation. The method described above was chosen to allow for the production of a narrative that was as honest with regard to the actual historical occurrences as possible, and also as neutral with regard to the theoretical explanations as possible.

Case Study

Spring 2008

The case at hand is bounded in time by the initiation of a new round of bargaining over a gas contract in early 2008, and by the end of a second, and unsuccessful, round of bargaining on January 31st, 2008. There are substantively important processes before and after this bounded case that aren't directly engaged with. In the late winter 2007 Russia and Ukraine successfully negotiated a contract for the remainder of the year. The crisis properly speaking — beginning with the gas shut off to ring in New Year 2009 — is also hugely important, and has been the focus of most popular and academic attention since. Focusing in particular on the process of negotiation leading up to the 2009 crisis is, however, a justifiable exercise theoretically and substantively. Theoretically, it allows us to apply and focus on theories of bargaining process and failure in particular, rather than conflict prosecution or end. Substantively, the reasons for why Russia and Ukraine's relationship devolved into conflict are just as important to understand as aspects of their conduct and interaction once engaged in the formal standoff.

Russia and Ukraine settled relatively easily on a gas price for 2008 late in the year prior. The import price for 2008 gas supplies from Gazprom to Ukraine was

set at $179.50/mcm, and two intermediaries were formed to facilitate the gas trade between the two countries: RosUkrEnergo sold the gas to UkrGazEnergo at the border between Russia and Ukraine, which then interacted with Ukraine's national gas utility Naftogaz Ukrainy. Early in February 2008, however, major rifts begin to develop in this relationship. On February 1st Ukrainian Prime Minister Yulia Tymoshenko, along with the Ukrainian National Security Council, released a document that called for the removal of RosUkrEnergo from the contract scheme between the two parties. Very soon after Tymoshenko and the UNSC publish their interest in removing the intermediary companies, Gazprom announced concerns of its own: the Ukrainian gas utility Naftogaz had incurred large debts since the beginning of the year, and Gazprom publicly demanded that these be paid off immediately. Gazprom spokesman Sergei Kupriyanov announced that Naftogaz had incurred close to $500 million since the beginning of January, and that the total debt amount was close to $1.5 billion. He notified Naftogaz that they had until Tuesday, February 10th to rectify this situation.[113]

Further public statements clarified this situation somewhat. RosUkrEnergo supplied gas sourced from Central Asia, but early in 2008 those producing states reduced the amount of gas exported due to particularly cold weather. To make up the difference RosUkrEnergo purchased and then re-sold Russian gas at a price of $314.70/mcm. UkrGazEnergo board member Andriy Halushchak affirmed the debt cited, but alleged that Naftogaz wouldn't have any records of these purchases

[113] "RosUkrEnergo To Be Removed From Gas Supplies-Timoshenko." ITAR-TASS. February 3, 2008 Retrieved: April 2, 2011. "Newsline." Radio Free Europe / Radio Liberty. February 4, 2008 Retrieved: May 12, 2011. "Gazprom May Halt Deliveries Of Its Gas To Ukraine Effective Monday." Interfax. February 7, 2008 Retrieved: April 2, 2011. "Gazprom May End Gas Supplies, Ukraine Must Pay Debt By Mon." ITAR-TASS. February 7, 2008 Retrieved: April 2, 2011.

because it siphoned gas off illicitly. President Viktor Yushchenko stated his belief that Gazprom was retaliating for Tymoshenko's statements on the intermediaries.[114]

Negotiations over the disputed debt began in earnest on Friday, February 8th. Tymoshenko announced that telephone conversations with Gazprom had been initiatecped, and that a delegation lead by Naftogaz's Igor Didenko was on its way to Moscow. At its end, however, Gazprom stated that the meeting wasn't a productive one, and Naftogaz issued a press release saying that it has no debts to Gazprom. Important communications continued over the weekend: Gazprom CEO Alexei Miller sent a telegram to Yushchenko on Saturday discussing the problem and Tymoshenko dispatched Naftogaz chairman Oleg Dubyna to Moscow on Sunday evening. Ukrainian Deputy Prime Minister Alexander Turchinov made a public announcement on Sunday, saying that debts will be paid on the condition that Naftogaz would be able to sign contracts directly with Gazprom. Within a few days of the opening of the conflict, both Ukrainian leaders explicitly link the debt issue with the intermediary issue.[115]

The new week brought several developments. Naftogaz and Gazprom officials held high-level talks in Moscow all day Monday, February 10th, at the end of which Gazprom announced that the gas cutoff would be postponed for eight

[114] "Gazprom May Halt Deliveries Of Its Gas To Ukraine Effective Monday." Interfax. February 7, 2008 Retrieved: April 2, 2011. "Ukrainian Government Begins Gas Talks With Russia." ITAR-TASS. February 8, 2008 Retrieved: April 2, 2011. "Neftegaz Ukrainy Not Ready To Discuss Debt Problem - Gazprom." ITAR-TASS. February 8, 2008 Retrieved: April 2, 2011.

[115] "Ukrainian Government Begins Gas Talks With Russia." ITAR-TASS. February 8, 2008 Retrieved: April 2, 2011. "Neftegaz Ukrainy Not Ready To Discuss Debt Problem - Gazprom." ITAR-TASS. February 8, 2008 Retrieved: April 2, 2011. "Gazprom CEO Asks Ukraine' s Yushchenko To Help Solve Gas Problems ." ITAR-TASS. February 9, 2008 Retrieved: April 2, 2011. "One Day Left For Settlement Of Russia-Ukraine Gas Conflict." ITAR-TASS. February 11, 2008 Retrieved: April 2, 2011.

hours. While she didn't attend the meetings in Moscow, Tymoshenko continued to be vocal about the importance of transitioning to a direct relationship between Naftogaz and Gazprom.[116]

On Tuesday, February 11th President Yushchenko travelled to Moscow for negotiations with Vladimir Putin. Their meeting was attended by Russian presidential aide Sergei Prikhodko, Russian Ambassador to Ukraine Viktor Chernomyrdin, deputy head of the Ukrainian presidential secretariat Oleksandr Chaly, and Ukrainian Ambassador to Russia Oleh Dyomin. The meetings reportedly lasted for four hours, but they marked a significant step forward in bilateral relations.[117] At the end of the day Putin announced that the parties had agreed what is to be called the Ukraine-Russia Action Plan. While the Presidential Agreement took a general rather than a specific tone, it contained several important elements. Ukraine agreed to begin paying back their 2007 and early 2008 debts on February 14th, and both actors agreed to form a working group on gas relations before the end of the year. Both Russia and Ukraine acknowledged an interest in removing intermediaries, and agreed to a gas price of $179.50/mcm for the remainder of 2008.[118]

Initially both parties were quick to follow up on the Presidential agreements. Dubyna flew to Moscow on Thursday to discuss debt payment schedules and the

[116] "Russia' s Gazprom postpones deadline to cut off gas to Ukraine by eight hours." RIA-Novosti. February 11, 2008 Retrieved: April 2, 2011.

[117] "Moscow, Kyiv Agree Gas Shipment Terms That Suit Gazprom - Putin." Interfax. February 12, 2008 Retrieved: April 2, 2011.

[118] "Putin, Yushchenko Admit Issues In Russia-Ukraine Relations ." ITAR-TASS. February 12, 2008 Retrieved: April 2, 2011. "Russia, Ukraine To Form Gas Working Group By Yearend - Neftegaz." ITAR-TASS. February 12, 2008 Retrieved: April 2, 2011. "Gazprom Can Accept Ukrainian Offer - Putin." ITAR-TASS. February 12, 2008 Retrieved: April 2, 2011. "Russia And Ukraine Settle Gas Debt Dispute." ITAR-TASS. February 13, 2008 Retrieved: April 2, 2011.

Ukrainian government took immediate steps to remove UkrGazEnergo as the sole importer. By the end of the day Ukraine had paid some of its debt to UkrGazEnergo and Gazprom spokesman Kupriyanov announced that both parties would take a week's break before discussing the implementation of the Plan of Action further. Seven days marked a dramatic fluctuation in the tone and health of the relationship: both parties were hours away from disrupting their economic relations on Monday, but by Friday it seemed as though the relationship was back on a productive and sound footing.[119]

Gains in stability were maintained, at first, when both parties resume interaction. Dubyna flew to Moscow on Wednesday, February 20th to re-open negotiations on a number of topics, including debt repayment schedules, RosUkrEnergo sale-and-purchase contracts, and joint ventures between Naftogaz and Gazprom. Tymoshenko joined him: she met with Russian Prime Minister Zubkov Wednesday afternoon, President Putin on Wednesday evening, and Miller on Thursday morning. While none of these meetings produced definitive outcomes, Zubkov indicated that the discussions were useful and all of them ended with the promise that they will be continued. More substantively, Naftogaz made another payment to UkrGazEnergo in the middle of the week. While the sum wasn't disclosed, Putin announced that it wasn't sufficient amount.[120]

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[119] "Payment Plan For Naftogaz Ukrainy Gas Debt To Be Approved On Feb 14." Interfax. February 13, 2008 Retrieved: April 2, 2011. "Naftogaz Ukrainy To Hold Another Round Of Gas Talks In Moscow." Interfax. February 14, 2008 Retrieved: April 2, 2011. "Russia, Ukraine Begin To Replace Go-betweens In Gas Delivery." ITAR-TASS. February 14, 2008 Retrieved: April 2, 2011. "Naftogaz Pays Some Of Its Gas Debt - Presidential Press Office (Part 3)." Interfax. February 14, 2008 Retrieved: April 2, 2011.

[120] "Rates Of Ukrainian Gas Settlements Fall Short Yushchenko-Putin Accord - Baloga." ITAR-TASS. February 19, 2008 Retrieved: April 2, 2011. "Yushchenko Concerned About Tymoshenko Govt' s Lack Of Action On Gas Debt Issue." Interfax. February 20, 2008 Retrieved:

Public negotiations didn't take place again until the following week: when they did, it was clear from the tone and actions of both parties that the interaction had degenerated. On Tuesday, February 26th Gazprom spokesman Kupriyanov announced that debt payments had not been satisfactory and as a result gas deliveries to Ukraine would cease at 10am on March 3rd. That afternoon Putin initiated a phone conversation with Yushchenko. While the conversation was private, Yushchenko immediately called on Tymoshenko to make more effective payments towards the debt and requested that the Prime Minister report on the implementation of these demands by Wednesday morning. Due to sickness she presented the requested report in writing. On Thursday, February 28th Didenko travelled to Moscow in place of Dubyna, who had also gotten sick; the negotiations failed to advance the issue any further, and both parties agreed to extend the discussion over the weekend.[121]

Public announcements from both gas utilities became more acrimonious as the cutoff deadline approached. Naftogaz issued a release on Thursday, February 28th stating there are no confirmed debts to Gazprom remaining, to which the Russian

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April 2, 2011. "Ukraine makes another payment for gas debt." Interfax-Ukraine. February 20, 2008 Retrieved: April 2, 2011. "Ukrainian premier hails talks with Russia as ' constructive' ." Interfax-Ukraine. February 20, 2008 Retrieved: April 2, 2011. "RF, Ukrainian Premier Confirm Commitment To Putin-Yushchenko Gas Accords." ITAR-TASS. February 20, 2008 Retrieved: April 2, 2011. "Ukraine PM Meets With Gazprom Chief Executive." Interfax. February 21, 2008 Retrieved: April 2, 2011. "Gazprom CEO, Ukrainian PM Agree To Have More Talks." ITAR-TASS. February 21, 2008 Retrieved: April 2, 2011. "Ukraine Official Says Gazprom Was Persuaded To Dump Intermediaries." ITAR-TASS. February 22, 2008 Retrieved: April 2, 2011. "Ukraine, Gazprom agree on debt repayment, premier says." Radio Free Europe / Radio Liberty. February 22, 2008 Retrieved: May 12, 2011.

[121] "Putin, Yushchenko Discuss How Ukraine Implements Gas Accords." Interfax. February 26, 2008 Retrieved: April 2, 2011. "Putin, Yushchenko Discuss Fulfillment Of Feb 12 Gas Accords - 2." ITAR-TASS. February 26, 2008 Retrieved: April 2, 2011. "Yushchenko Tells Tymoshenko To Fully Repay Gas Debt." Interfax. February 26, 2008 Retrieved: April 2, 2011. "Gazprom To Cut Gas Supplies To Ukrainian Customers By Fourth On March 3." ITAR-TASS. February 26, 2008 Retrieved: April 2, 2011. "Gazprom Ready To Continue Talks With Ukraine This Weekend." ITAR-TASS. February 29, 2008 Retrieved: April 2, 2011.

company responded that Naftogaz didn't have records because they haven't been registering the Russian gas received. Tymoshenko held a press conference on Saturday, March 1st: she denied that gas would be cut off, stated that deliveries going forward would be made to Naftogaz and not UkrGazEnergo, and stated that Ukraine had been 'blackmailed' into paying the 2007 gas debts.[122]

These developments did nothing to improve the situation. On Monday, March 3rd Gazprom took two actions: it reduced the supply of gas to Ukraine by 40 million cubic metres a day (an amount that is roughly 35% of normal supply levels) and it forwarded another package of proposals to Naftogaz. The reductions varied across various measuring stations: Sudzha, on the Kursk-Kyiv pipeline, recorded a reduction of 24 million cubic metres; Mozyr, on the Torzhok-Dolina pipeline, recorded a reduction of 16 million cubic meters. The Ukrainians responded by immediately increasing their consumption of gas from storage in order that adequate network pressure might be maintained. While the exact volume of the reduction was debated, neither side denied its significance. Putin and Yushchenko spoke again by phone on Monday evening, but the day ended without any positive developments in the relationship.[123]

On Tuesday, March 4th Gazprom spokesman Kupriyanov publicly called on Ukraine to resume talks: he expressed surprise that a delegation from Ukraine or Naftogaz hadn't come to Moscow, and announced a further cut of 25% slated to occur at 8pm that evening. Naftogaz responded with their own press release: if

[122] Ibid. "Ukrainian gas company says it has no debts to Gazprom." Interfax-Ukraine. February 28, 2008 Retrieved: April 2, 2011.

[123] "Gazprom Forwards New Proposals To Naftogaz Ukrainy." ITAR-TASS. March 3, 2008 Retrieved: April 5, 2011. "Russia' s Gazprom denies not paying Ukraine for gas transit." Interfax. March 3, 2008 Retrieved: April 5, 2011.

Russian gas continued to be reduced, the Ukrainian utility would begin siphoning off Europe-bound gas. This response, in the words of the press release, was a "proportionate and asymmetric [measure] to protect the interests of consumers in Ukraine" in the face of "unprecedented psychological pressure." The dispute between the two gas utilities came to a head over the issue of network observers. Naftogaz denied access by independent observers to two metering stations, located in Orlovka and Uzhgorod; the observers, employees of Swiss-based SGS contracted by Gazprom to monitor the gas supply to Europe, were denied access, according to Naftogaz head of public relations Zemlyanski, because they failed to show their passport data in Kyiv.[124]

At this point, the politicians took an even more central role in the proceedings. Newly-elected President Dmitry Medvedev called Yushchenko to kick-start a resolution to the crisis on Tuesday afternoon and the Ukrainian Presidential press service publicized Yushchenko's most recent efforts, directed at Tymoshenko in the form of a letter, to re-open the bilateral negotiations.[125]

The crisis began to break on Wednesday, March 5th. Prime Minister Tymoshenko held a press conference following an internal government meeting: according to the Prime Minister, the Ukrainian cabinet of ministers would adopt a resolution on payments for gas modeled after the September-December 2007

[124] "Naftogaz Ready To Siphon Off Gas If Supply Is Cut Further-official." ITAR-TASS. March 4, 2008 Retrieved: April 5, 2011. "Moscow Expects Ukraine To Intensify Settlement Of Gas Debts - Medvedev." Interfax. March 4, 2008 Retrieved: April 5, 2011. "Naftogaz Calls On Gazprom To Return To Negotiating Table." Interfax. March 4, 2008 Retrieved: April 5, 2011. "Ukraine To Keep Normal Gas Supply 2 Weeks After New Restriction." ITAR-TASS. March 4, 2008 Retrieved: April 5, 2011. "Gazprom Cuts Gas Exports To Ukraine By Another 25% (Part 2)." Interfax. March 4, 2008 Retrieved: April 5, 2011.

[125] "Naftogaz Calls On Gazprom To Return To Negotiating Table." Interfax. March 4, 2008 Retrieved: April 5, 2011. "Naftogaz Ukrainy, Gazprom Working On Joint Gas Statement - Tymoshenko." Interfax. March 5, 2008 Retrieved: April 5, 2011.

resolution, and Naftogaz and Gazprom were currently engaged in telephone conversations regarding a joint statement. At roughly the same time, Gazprom said that Ukraine has notified them of the transit state's decision to reduce the volume of gas transited to Europe by 60 million cubic metres. The reduction, announced by Kupriyanov, allegedly began at 10am. Yushchenko, speaking on a visit to Kazakhstan, contradicted reports of transit reductions. Around noon, Ukrainian Justice Minister Nikolai Onishchuk announced that Russia had agreed to resume full gas deliveries. Gazprom spokesman Kupriyanov said that talks between Miller and Dubyna had resulted in a breakthrough. While a contractually binding relationship remained undeveloped, an agreement on debt payments had been arrived at; new delivery mechanisms were to be developed as of the end of March, and talks between the two parties would resume on March 11th. This information was verified by Tymoshenko on Thursday, March 6th: the Prime Minister added that the parties had agreed to eliminate UkrGazEnergo as the importing entity in return for licenses granted to Gazprom to market about 1.25 million cubic meters of gas a year in Ukraine on its own. This compromise, according to Tymoshenko, replaced the element of the February 12th Presidential agreement that called for joint venture intermediaries.[126]

[126] "Ukraine To Keep Normal Gas Supply 2 Weeks After New Restriction." ITAR-TASS. March 4, 2008 Retrieved: April 5, 2011. "Gazprom Cuts Gas Exports To Ukraine By Another 25% (Part 2)." Interfax. March 4, 2008 Retrieved: April 5, 2011. "Ukrainian Premier To Hold Government Meeting, News Conference." ITAR-TASS. March 5, 2008 Retrieved: April 5, 2011. "Ukrainian Govt To Adopt Resolution On Gas Payments." ITAR-TASS. March 5, 2008 Retrieved: April 5, 2011. "Gazprom Fully Paid Ukraine For Gas Transit - Kupriyanov." ITAR-TASS. March 5, 2008 Retrieved: April 5, 2011. "Ukraine Says Russia To Resume Gas Supplies." ITAR-TASS. March 5, 2008

Retrieved: April 5, 2011. "Naftogaz Ukrainy, Gazprom Working On Joint Gas Statement - Tymoshenko." Interfax. March 5, 2008 Retrieved: April 5, 2011. "Ukraine Will Not Reduce Gas Transit To Europe - Yushchenko." ITAR-TASS. March 5, 2008 Retrieved: April 5, 2011.

As promised, negotiations between Naftogaz and Gazprom re-opened on Tuesday, March 11th. Tymoshenko announced an agreement between the two a day later that excluded UkrGazEnergo from contractual relationships going forward. A formal contract was signed on Thursday, March 13th. The companies agreed that a supply of Central Asian gas, priced at $179.50/mcm, would be delivered from RosUkrEnergo and purchased at the Russia-Ukraine border by Naftogaz; they also agreed that January and February debts would be paid, and that as of April 1st Gazprom or a subsidiary would be authorized to sell gas directly to consumers in Ukraine at a volume of no less than 7.5 bcm.[127]

The first period of the 2008 negotiations between Russia and Ukraine can be usefully characterized as a bargaining scenario under the general terms provided by a rational bargaining model of war. It involved two actors interacting over the uncertain terms of a set of contracts; while there were incentives on both sides to secure a cooperative outcome, there were also incentives in place to extract as much as possible from the negotiation. Consistent with the bargaining model of war, Russia and Ukraine escalate their crisis close to the point of a gas war, but manage to locate a mutually acceptable agreement short of outright conflict.

When we examine the processes at the heart of the interaction, however, the logic of the bargaining model of war is less useful than it might initially seem. At

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"Naftogaz Ukrainy, Gazprom Agree To End Tensions In Gas Sphere." ITAR-TASS. March 6, 2008 Retrieved: April 5, 2011. "Tymoshenko Govt Won' t Implement Part Of Presidential Gas Accords (Part 4)." Interfax. March 6, 2008 Retrieved: April 5, 2011.

[127] "Premier says Ukraine, Russia have excluded intermediary from gas deals." Radio Free Europe / Radio Liberty. March 13, 2008 Retrieved: May 12, 2011. "Ukraine, Russia sign agreement on direct gas supplies." Radio Free Europe / Radio Liberty. March 14, 2008 Retrieved: May 12, 2011. "Gazprom Press Release: "Gazprom and Naftogaz Ukrainy enter into Agreement to develop relations in gas sector"." Gazprom- Press Release. March 13, 2008 Retrieved: April 5, 2011. "Press Release." Naftogaz of Ukraine Press Center. March 13, 2008 Retrieved: April 5, 2011.

the theoretical core of the bargaining model is the need to send costly, informative signals of resolve. Actors seek information about the stakes their counterparts have, and have an interest in communicating their own. This interest in sending costly signals, coupled with incentives to misrepresent, produce the dynamism and uncertainty of the bargaining process. When we examine this initial period and focus on the actions taken by both states, however, many of the most important of these seem poorly suited to revealing the sort of information that would move both states toward an information-enhanced and cooperative understanding of the situation. Russia and Ukraine deploy a set of bargaining practices that move the negotiation along and guide its path, but don't correspond perfectly to the expectations we have derived from the standard bargaining model. These bargaining processes seem designed to do something different.

Four specific bargaining practices are apparent from the narrative constructed above: *missions to Moscow, political participation, creative problem-solving,* and *material escalations*. Each of these are fairly easy to outline, and once identified jump out as being some of the most important and regularly occurring events or actions taken in the negotiation process. The first, *missions to Moscow*, is a bargaining practice neither party seems to take any notice of, despite the obvious imbalances it creates: Russia and Ukraine conduct much of their most important business in face-to-face meetings, and all of these meetings are held in the Russian capital. Each stage in the negotiation process is constituted by a delegation of high-level political and private sector Ukrainians making their way to Moscow to meet with Gazprom executives or Russian politicians. Both parties

take this for granted; in fact, it is only noted by either in its absence a Russian official notes his surprise that a Ukrainian delegation had not been received.

On one hand, missions to Moscow are hardly surprising as tools of diplomatic interaction. Face-to-face meeting are common across political and economic fora, and certainly have a role to play in discussions of a key resource like gas. At the same time, however, they don't seem all that well suited to revealing information in the bargaining theory context. While these missions are publicized, their contents or proceedings rarely make it to the public without being vetted through the political apparatus of both states. These public missions don't function to tie hands or create audience costs in a way that helps either side reveal or learn information about the stakes involved. While they might facilitate communication between the key players, this facilitation is limited in the context of the standard bargaining model.

The second key bargaining practice*, political participation*, is related to the missions to Moscow but not reducible to them. Simply put, Russia and Ukraine use political actors at all stages of the negotiation process: to determine the points of agreement or disagreement, to vet potential solutions, to issue public statements to the press, and to sign agreements into contract. Political participation is a bargaining practice that occurs throughout the process. On one hand, both Russia and Ukraine are careful to avoid calling the interaction a political one, and politicization is pejorative more than anything else; on the other hand, every other important statement is made by a political actor, not an economic one. Given what we know about the development of the gas industry, its trade, and its corporate

structure in the region, this isn't surprising. At the same time, however, it seems counter-productive if the goal of negotiation interaction is to locate a mutually agreeable solution on the basis of information about resolve. In other negotiation arenas political actors employ distance from the economic realm to maintain some degree of autonomy of decision-making. At the very least, political participation adds nothing to the credibility content of each stage of the process.

The third key bargaining practice, *creative problem solving*, is the practice employed by both Russia and Ukraine to offer and eventually use ad-hoc, negotiated, and often creative solutions to the debates internal to the negotiating process. Bartering and agreement conditional on some other factor are the most common variants of this practice. Both Russia and Ukraine are more than willing to propose and then accept novel and interesting ways of coming to an agreement in a way that secures some of their other interests at the same time. Bartering over transit prices, debt, and the role of intermediaries is an important element throughout the early 2008 period. While these practices have obvious benefits in the negotiation process, they don't fit too well within the standard bargaining theory framework. Because of their ad-hoc and temporary nature, they carry little in the way of standard credibility and bear few links to anything resembling audience costs.

The final bargaining practice evident in this early stage is *material escalations*. These are the practices engaged by both parties that impose a direct and externally identifiable material cost on the other party. Gas reductions, off-loading, pressure changes, and denial-of-access actions are all material escalation

practices. Unlike the other bargaining practices regularly employed, these do establish costs and the credibility that goes along with them.

Taken together, the bargaining practices employed most frequently by Russia and Ukraine in early 2008 don't seem to be specifically designed to create and communicate costly signals of resolve. Instead, these bargaining practices make sense within an alternative logic or understanding of the nature of the bargaining interaction, one that emerges from the historical trajectory of the relationship over time. These bargaining practices don't make sense to the actors that employ them as ways of credibly revealing their resolve. Instead, they make sense as tools of maintaining political control over a process that otherwise might be conducted on a purely economic basis, and as tools for maintaining flexibility over a range of potential outcomes. Russia and Ukraine's interest in this broader understanding of the nature of the gas trade is evident from the case background and the early 2008 narrative. Both parties have a deep and lasting interest in making sure gas trade is process that is controlled by the political actors; at the same time, both actors need to be able to interact on a flexible and negotiable basis. All of the bargaining practices outlined above are aimed at these broad background logics of the gas trade. Missions to Moscow, high-level political participation, and creative problem solving are all practices that allow both Russia and Ukraine to maintain political control and flexibility more than they allow them to credibly signal their resolve over an ideal point or range of options.

In early 2008, the specific bargaining practices employed and the broader background understanding of the nature of the negotiation seem to align. Russia

and Ukraine dispute several of the more specific elements of their interaction, but the specific tools at their disposal allow them to reach a cooperative outcome: both Russia and Ukraine are primarily interested in maintaining their political control over the issues and are at the same time fairly open to flexible solutions, and so the bargaining practices employed align with the more tacit assumptions and logics of the interaction. While Russia and Ukraine engage in a bargaining interaction superficially similar to the one outlined in standard bargaining models of war, the understanding they have of the tools they use to conduct their interaction is fundamentally different to the logic that structures the bargaining model.

How useful are the alternative explanations for understanding the early 2008 negotiation process? The narrative tells a mixed story when considered in the light of the expectations captured by H3, which points to the implications of anarchy on interstate cooperation. On one hand, negotiations between Russia and Ukraine take place without much evidence of any level of authority or organization above or beyond the state: neither party seems to be constrained or enabled in their actions vis-à-vis one another by anything beyond their highest level of decision-making authority. Public statements by the Presidents and Prime Ministers of both Russia and Ukraine indicate that the most important factors involved in their relationship are at the level of the executive branches, or below them (domestic actors such as elected and corporate bodies). Appeals to organizational structures that supersede the state (the United Nations, for instance, or norms such as liberalism) might well be a regular part of interstate relations in the 21st century;

here, however, high-level negotiations between Russia and Ukraine seem indifferent to and/or unconstrained by any factors such as these. Anarchy as it is understood to exist by realists seems to be the arena in which Russia-Ukraine gas interaction takes place.

On the other hand, however, anarchy does not seem to produce the environment H3 argues we should expect. Gas is an immensely valuable commodity for both parties and interaction and cooperation over its sale are obviously a high priority for both Russia and Ukraine. The narrative reveals an interaction that is uneven and competitive, but not one that is permanently paralyzed. The parties are able to find a mutually acceptable cooperative outcome through negotiation despite the absence of an authority enforcing or requiring cooperation. The early 2008 narrative shows that it is at least possible for these two actors to form a cooperative relationship.

H4 offers a lack of institutionalization as an explanation for the breakdown in the relationship. The early 2008 period offers some support for this explanation. Russia and Ukraine conducted most of their interactions in face-to-face meetings without making use of intermediaries, a neutral forum, or arbitration structures. Despite the absence of many formal institutional structures, however, Russia and Ukraine manage to negotiate successfully in this early period, and it would be a mistake to think their relationship lacked any institutionalization at all. The terms of negotiation and agreement are developed within the context of previous contractual relationships, and the somewhat 'ad hoc' nature of the negotiation process seems to be expected and accepted by both parties.

An analysis of the early 2008 period suggests that Russia and Ukraine are able to cooperate despite the absence of formal institutional structures, but there is evidence that the lack of institutionalization made cooperation hard to arrive at and undermined the stability of the incremental agreements achieved through the process. In mid to late February, for instance, Russia and Ukraine were able to remove much of the acrimonious dimensions of the first month by coming to a temporary agreement on debt repayment. The terms of this agreement were less than transparent, however, and it took less than two weeks for it to break down through insufficient or unsatisfactory payments. It seems plausible, based on the narrative evidence, that cooperation broke down at this particular point in the process, because of a lack of transparency and a lack of credibility. The partial agreement Russia and Ukraine were able to reach was undermined by the fact that its maintenance couldn't be publicly assessed. More importantly, the difficulty Ukraine had keeping up payments that were satisfactory had the potential to undermine credibility in future rounds of the negotiation, and pointed to a lack of credibility even from the outset of this process. While agreements might be achieved, the early 2008 period points to their fragility.

H5 captures a different side of the liberal institutionalist literature from H4: rather than emphasizing factors at the international level, it points to the importance of factors at the domestic level within each actor. In this case, H5 points to confounding problems at the domestic level to explain negotiation breakdown between Russia and Ukraine. If a party to the negotiation process is unable to present a unified front, it will have difficulty achieving a cooperative

outcome with an external party. In this case, the preference-aggregation difficulties seem to have been completely on the Ukrainian side. Russia's political structure in 2008 cohered strongly: Putin, Medvedev (elected in the middle of the period under analysis), and Gazprom's Miller provide a consistent public voice for the Russian position during the early 2008 process. This unity, particularly between the executive branches at the corporate leadership of the monopolist gas utility, is often given as one of the reasons for gas's central importance in political and economic issues. It might, perhaps, be more accurate to say that gas's central importance necessitates a tight bond between these actors: this was almost certainly the logic when Russia repurchased a majority stake in Gazprom, and when Putin installed a close associate of his at its head. In any case, domestic uncertainty on the Russian side was not a factor during the early 2008 negotiation process.

Domestic instability was, however, a factor on the Ukrainian side. The narrative reveals that throughout this period President Yushchenko and Prime Minister Tymoshenko provided different and sometimes contradictory public statements, publicly disagreed with the conduct of each other, and operated with what seemed to be a consistently high degree of acrimony in their relationship. This was most visible around Saturday, March 1st and it seems to have impacted Ukraine's ability articulate a consistent set of preferences across all dimensions of the negotiation. Tymoshenko's strong desire to remove intermediaries was not shared by Yushchenko; while both actors seemed willing to accommodate Russia's concerns with the debt, Yushchenko publicly criticized the Prime

Minister for failing to service these issues as well as she should have. These elements of the 2008 process were part of a long-standing and well-documented rift between Tymoshenko, Yushchenko, and their political parties. They are connected to deep demographic, political, and cultural divisions within the country itself.

Despite these domestic factors, however, Ukraine was able to conclude a relatively successful negotiation at the end of this period, one that furthered the cause of removing intermediaries, determined a favorable price for the remainder of the year, and resolved much of Russia's concerns about debt. Political rifts within Ukraine certainly were a factor, but not ones that derailed the negotiation process during the early 2008 period.

H6-H8 capture facets of what is broadly understood as the constructivist research tradition within IR. The first focuses on the importance of social identity for the construction and development of political phenomena. Action and interaction develop within a context formed by differing senses of self: political phenomena implicate and derive from the identities of the actors they involve, identities that are an important constitutive element of the social world. H6 looks for an explanation of the 2008 crisis in social identity; in particular, it points to a set of conceptions of self and other held by the actors involved in the negotiation process as being key factors in its breakdown. Russia and Ukraine each hold particular conceptions of their own identity and particular conceptions of the other actor’s identity that pushed the negotiation process towards failure. In this explanation, Russia and Ukraine aren’t just actors in a conflictual bargaining

scenario, they are animated by deeply held convictions as to who they are and how they are different.

There is certainly evidence from the long trajectory of Russia-Ukraine relations, captured in part in the "Case Background" section, that there is an important set of identities within this bilateral relationship. Ukraine's position as the most powerful actor within Russia's near-periphery is part of this, as is Russia's former role as Soviet controller. Particular Russian and Ukrainian decision-makers are unavoidably acting within the context of a deeply fraught historical relationship, and a set of identities implicated within it. Identity matters, in a very basic sense, as it likely does in any social setting.

Two problems exist for this hypothesis as an explanation of 2008 negotiation failure, however. The first is that it is clear that Ukraine and Russia operate with a repertoire of identities available for use. Ukraine is certainly divided in terms of identity: a large portion is close to Russia in many respects important to its sense of self, while another is distant in those same respects. Russia certainly seems to have several identities at play, not always in a coherent manner. For one, they are closely tied to the Putin administration, and seem to derive a character and sense of self from that foundation; for another, they are a regional power struggling to gain international prominence caught between the available options of liberal democracy on one hand and semi-autocracy on the other. Even if we recognize the importance of identity, as such, which identity, and at what level, become incredibly complex and problematic questions.

Second, there is little evidence within the early 2008 narrative that suggests these identities predispose either actor to one particular course of action over others, or that they are of prime importance within the decision-making apparatuses of either actor. It might be — and is likely the case — that certain elements of Ukrainian leadership understand Ukraine to have fundamental parts of what it is that are deeply incompatible with Russia's identities and requisite interests. It might also be the case that the most important Russian decision-makers have a sense of self, and an understanding of Ukraine's otherness, that limits the degree to which durable and effective cooperative solutions can be found. These identities, even if we leave aside questions of how they are aggregated, do not seem to firmly pre- or proscribe courses of action. Identities do seem to be important, at a general and fundamental level, but do not translate into decisions and actions in a way specific enough to support the argument that they are the prime causal or constitutive factors at play in this particular interaction.

H7 and H8, which points to shared ideas and discourses rather than identities as factors in the 2008 crisis, suffers from a similar disconnection from the specific phenomena under analysis. 'Ideas' here stands in crudely for products of cognition. At one level, of course, ideas are fundamental to every part of the social interaction. Preferences formed by each actor are cognitive assessments and understandings. Agreement and disagreement rely on perceptions and interpretations of events, as well as interpretations of 'facts' and meanings on which to agree or disagree. The language used to express these ideas, coalescing into discourses, also are important elements of all political processes. Throughout

the early 2008 negotiation period we have regular appeals to ideals of liberality, procedure, fairness, and justice. At the same time, however, these ideas and discourses are the basis for both conflictual relations (saber-rattling, tit-for-tat, and the variety of other aggressive interactions Russia and Ukraine engaged in through the month of February 2008) and the cooperative outcome that emerged from these near the beginning of March. It seems unavoidably true that ideas are foundational to every aspect of the relationship; equally unavoidable, however, is the indeterminacy such an observation leaves us with. Discourses and ideas shaped both the argumentative phases of the process and the conciliatory phases. Recognizing the importance of the social construction brought about through cognitive processes and interpretations might allow for a richer understanding of what 'social' means in general, but doesn't seem to bring us much closer to a specific understanding of the mechanisms through which the 2008 negotiation failure came about. To say that they were socially constructed on the basis of identities, perceptions, and interpretations is true and, but, in the end, not particularly useful. Specific, causally- (or constitutively-) important ideas, identities, and discourses do not seem to be more than an indeterminate factor in the early 2008 negotiation process.

Alternative explanations for the negotiation process in 2008 locate and focus on several important aspects of the interaction between Russia and Ukraine, but fail to provide a comprehensive account equal to the synthesis of the bargaining and practice arguments. In general, these alternative explanations are unable to convincingly account for both the conflictual and cooperative moments in the

course of the negotiation process. If domestic instability is a key factor for some points of the negotiation process and not others, it isn't as useful a lens through which to make sense of the mechanisms of interaction. Likewise, explanations drawn from macro-structural elements like anarchy, identity, or discourses identify some of the important factors at play, but offer accounts that are overall to indeterminate to isolate as compelling explanations. In the analysis of the second half of the 2008 case, therefore, I focus mostly on the main arguments captured in the bargaining and practice theories, turning to alternative explanations only when necessary or relevant.

Fall 2008

On September 4th, 2008, a delegation of Naftogaz executives travelled to Moscow to begin a discussion of gas supply and transit for the 2009 calendar year: this marked the first important step in a negotiating process that would extend until the end of the year, and one that would eventually degenerate into one of the worst crises in diplomatic relations experienced by Russia and Ukraine.[128] On Wednesday, September 24th Prime Minister Tymoshenko held a press conference to announce the signing of an agreement on Russian supplies to Ukraine for 2009. This came, the Prime Minister said, despite the lack of Presidential instructions regarding gas talks. Tymoshenko emphasized the importance of engaging with Gazprom directly, and said her plans to visit Moscow in the near future were predicated upon signed agreements between Naftogaz and Gazprom. That constructive, agreement-oriented tone continued the

[128] "Naftogaz Ukrainy Delegates Go To Moscow For Talks With Gazprom." ITAR-TASS. September 4, 2008 Retrieved: April 11, 2011.

following day in New York City at a meeting of Russia and Ukraine's foreign ministers: Ukrainian minster Vladimir Ogryzko informed his counterpart Sergei Lavrov that Ukraine intended to pay its existing debt of $1.3 billion in a lump sum (all prices in US dollars). Prodan echoed this commitment the day after his announcement in New York. Neither Ogryzko nor Prodan indicated where, exactly, the debt emerged from; nor, for their part, did any member of the Russian political or economic elite publicly signal that this amount is a pressing problem.[129]

The early stages of the fall negotiations continued to demonstrate complicated domestic relationships in the Ukrainian response to the gas issue. Tymoshenko's September 24th announcement explicitly mentioned that she had come to an acceptable place in bilateral gas relations with Russia without directives from President Viktor Yushchenko. The next day, while in New York, Prodan said that Tymoshenko had ordered the Foreign Ministry to look at Yushchenko's proposals regarding early gas payment. The complicated domestic nature of Ukraine's early-fall efforts at negotiating a 2009 relationship continued when Tymoshenko announced on Friday, September 26th that a long term agreement on gas was expected to be signed before the end of October. The Ukrainian President didn't seem to be satisfied with the proceedings: his staff publicly discussed the risks inherent in proceeding without a Presidential directive.

[129] "Timoshenko Intends To Visit RF To Sign Agreement On Gas Supplies." ITAR-TASS. September 24, 2008 Retrieved: April 11, 2011. "Tymoshenko Denies Claims Her Planned Visit To Russia Has ' Dual' Purpose." Interfax. September 24, 2008 Retrieved: April 11, 2011. "Timoshenko Orders Ministry To Work On Early Debt Repayment Bid ." ITAR-TASS. September 25, 2008 Retrieved: April 11, 2011.

This early stage of the negotiation process reveals some of the bargaining practices exhibited in the negotiations earlier in 2008. The relationship was amicable and the tone conciliatory at this stage, but the means through which the interaction was carried out were characteristic of crisis negotiation. The first of these crisis bargaining practices was a public and highly visibly trip to Moscow made by a Ukrainian delegation. Face-to-face meetings in the Russian capital occurred throughout the bargaining process. While there isn't any indication in press reports that the gas contract being negotiated was at this stage problematic or under dispute, both actors still structured their discussion through these highly visible, publicized, formalized trips.

High-level political participation is, again, immediately important. In this case the Ukrainian Prime Minister announced the new round of contract discussions. The content of her late-September speech was salutary, and wouldn't seem to require the public intervention of one of the most prominent politicians on either side of the interaction. There seems to be no reason at this stage of the process why economic officials — the heads or spokespersons of the gas companies, say — weren't able to make a public statement of their cooperative efforts. That a high-level politician made the announcement is evidence of another crisis bargaining practice, even in the absence of a crisis.

What made these crisis bargaining practices? What made political intervention and public missions to Moscow meaningful in the sense of *crisis* bargaining as opposed to just standard negotiation procedures? The answer is found in the highly public nature of each practice. Russia and Ukraine were politicizing their

interaction by using means that went beyond the economically necessary. While the practices themselves might have been related to crisis bargaining in their public, political dimension, they weren't the sort of credible signals Fearon discusses as being the really valuable sort of crisis bargaining practice. In the first place, it isn't clear we had a dispute in the proper sense of the term: all indicators in the bilateral relations (leaving aside for the moment the complicated political relationships within Ukraine) pointed to shared interests and cooperation. In the second, the public and political nature of the practices shouldn't be confused with any type of hand-tying or commitment: they weren't costly signals revealing Ukraine's resolve in a dispute with Russia, because they didn't tie either side to any position they wouldn't be able to retreat from quickly and easily.

What is the purpose of publicity and political control, then? As in the earlier negotiation period, the ends these practices were particularly suited for meeting relate to the interest both actors shared in maintaining political control over the process and maintaining flexibility through the process. Public missions and Prime Ministerial interventions were particular ways of engaging in gas relations that allowed for full political control over the process without really imposing any audience costs. In effect, they were *signals as to political flexibility* rather than to resolve. These crisis bargaining practices were designed to allow the political actors on both sides of the negotiation full control over the process, without making them accountable to specific positions in the bargaining space.

Despite the domestic political rumblings, Tymoshenko announced soon after her September 24th speech that Presidential directives had been approved and gas

talks were scheduled for Thursday, October 2nd. Tymoshenko and Oleg Dubyna, Naftogaz chairman, flew to Moscow for negotiations. While they left with approved directives apparently in hand, her departure became something of a public incident. The delegation's departure to Moscow was delayed after the plane they had planned to use was re-allotted to Yushchenko; his aircraft landed at the same airport due to technical difficulties, and he had continued his trip with the Moscow delegation's plane. This left the Prime Minister scrambling for transport to the negotiations, something her retinue eventually secured in the form of a Cessna belonging to the Challenge Aero Airline. Tymoshenko, Dubyna, and advisor Vitaly Haiduk flew in the Cessna; Prodan, Minister of Industrial Policy Vladimir Novytsky and a coterie of journalists were forced to wait for another flight. Tymoshenko's staff publicly criticized the President for what they characterized as deliberate efforts to derail the talks.[130]

It is important to note that there were mixed signals being sent here by the Ukrainians. The obvious political tensions between the Presidency and the Prime Minister's office seemed to be impinging upon the negotiation process. Interestingly, these signals didn't follow the pattern we might suspect given our

[130] "Ukrainian Govt Expects To Sign Gas Agreement With Russia By November (Part 2)." Interfax. September 26, 2008 Retrieved: April 11, 2011. "Tymoshenko Says Naftogaz Ukrainy Is Solvent." Interfax. September 26, 2008 Retrieved: April 11, 2011. "Ukrainian Govt Okays Directives On Gas Talks With Russia - Tymoshenko." Interfax. October 1, 2008 Retrieved: April 11, 2011. "Ukraine' s Timoshenko Flying To Moscow For Gas Talks." ITAR-TASS. October 2, 2008 Retrieved: April 11, 2011. "Ukrainian Govt Delegation Deprived Of Plane To Fly To Moscow." Interfax. October 2, 2008 Retrieved: April 11, 2011. "Plane Incident Aimed To Foil Gas Talks - Timoshenko' s Team." ITAR-TASS. October 2, 2008 Retrieved: April 11, 2011. "Ukrainian PM Tymoshenko Has Left For Moscow - Source (Part 2)." Interfax. October 2, 2008 Retrieved: April 11, 2011. "Political Problems Have No Impact On Economic Cooperation - Putin." ITAR-TASS. October 2, 2008 Retrieved: April 11, 2011. "RF-Ukrainian Gas Memo Is Basis For Gazprom-Naftogaz Deal - Putin." ITAR-TASS. October 2, 2008 Retrieved: April 11, 2011. "Russian, Ukrainian Premiers Sign Memorandum On Gas Supplies." ITAR-TASS. October 2, 2008 Retrieved: April 11, 2011.

prior knowledge about personal and political relationships. The Prime Minister was the one securing agreements with Russia, whereas the President was the one holding back talks. In any case, the public, high-level nature of the dialogue was continued. While this wasn't yet a crisis, crisis bargaining practices were on full display.

Despite the air transport difficulties the three-hour gas talks made quick headway. Putin updated the media on the proceedings halfway through the day: he said that the talks were 'substantial' and would produce an intergovernmental memorandum on cooperation, one that would form the basis for an agreement between Gazprom and Naftogaz. By the end of the day that memorandum was signed and its details made public. The Putin-Tymoshenko agreement recognized that a three year transition to 'real-market economically grounded prices' were in the interest of both parties. Tymoshenko announced that long-term contracts between the gas utilities would extend for a period of 10 years, and that the meetings had involved successful negotiations over 'every single article' of supply and transit contracts. A private source present at the negotiations told *Interfax* that the agreements included a move towards direct relations as opposed to the use of intermediaries. The newspaper *Ukrayinska Pravda* printed a photocopy of the memorandum on Saturday, October 4th. According to the document, Ukraine and Russia agreed to implement and initiate long term direct relations on January 1st, 2009, but neither party mentioned prices as Gazprom had yet to agree on purchase agreements with its Central Asian producers.[131]

[131] Ibid. "Gazprom, Naftogas Switching To Direct Relations Due To Debt Payoff." Interfax. October 3, 2008 Retrieved: April 11, 2011. "Naftogaz Ukrainy, Gazprom To Sign Ten-year

So, despite a little friction, Russia and Ukraine seemed to be able to secure an agreement at the political level. The means through which it was accomplished reinforce our sense of the crisis bargaining practices introduced already. Highly publicized but completely opaque political negotiations in the Russian capital were the means through which the Presidential accords were secured. Even when the outcome is cooperative and there seems to be little public indication of a dispute, the gas trade was structured by and through these crisis bargaining practices.

October continued relatively quietly until Thursday the 23rd, when Yushchenko stated to the Ukrainian BBC service that the gas utilities were about to sign an agreement. Tymoshenko mentioned she was confident agreements would be signed in November. A Gazprom spokesman seconded that sentiment, but for the first time mentioned that all outstanding debts would have to be settled before any agreements could be made. The first public steps towards formal agreements were made on Monday, November 10th by Dubyna, who announced his intention to travel to Moscow for negotiations on November 11th and affirmed his interest in signing contracts that would last until 2019. Those meetings were relatively successful: both Naftogaz and Gazprom agreed that direct relations between the two companies should begin on January 1st 2009, and both agreed to a transition to market prices over a three year period. Putin and Tymoshenko

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Contracts In Weeks." ITAR-TASS. October 3, 2008 Retrieved: April 11, 2011. "Text of Russian-Ukrainian gas memorandum." Ukrayinska Pravda. October 4, 2008 Retrieved: April 11, 2011. "Naftogaz Ukrainy, Gazprom To Soon Sign Gas Contracts - Tymoshenko (Part 2)." Interfax. October 3, 2008 Retrieved: April 11, 2011.

followed up with each other on November 14th and it seemed as though the implementation of the October memorandum was continuing fairly smoothly.

Thursday, November 20th, 2008 marked the beginning of a turn towards crisis. Russian President Dimitri Medvedev and Gazprom Chairman Alexei Miller held a press conference after a government-industry meeting that outlined some significant barriers to a long-term deal with Ukraine. The most important of these issues was a $2.4 billion dollar debt Naftogaz had incurred and thus far left unpaid. This figure was fleshed out over the next few days: according to Gazprom Naftogaz owed around $1 billion for October gas, $250 million in fines, and $1.27 billion for winter 2007-2008 gas supplies. The tone at the Russian conference was significantly different from the statements released just a week prior: now, Miller explicitly suggested that gas prices might rise above $400/mcm.[132] The response from Ukraine was immediate. Minister of Industrial Policy Vladimir Novitsky criticized the cost of gas figure as being outrageously high, and Naftogaz responded to the debt allegation by quoting a $1.267 billion debt to RosUkrEnergo, but no overdue payments to Gazprom itself. The President directed the Prime Minister to resolve the situation within five days, and Tymoshenko blamed the situation on the RosUkrEnergo. She maintained that she still expected a gradual transition to market prices.[133]

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[132] "Medvedev Orders Gazprom To Recover Gas Debt From Ukraine." ITAR-TASS. November 20, 2008 Retrieved: April 15, 2011. "Kiev Displeased With Growth Of Russian Gas Price For Ukraine." ITAR-TASS. November 21, 2008 Retrieved: April 15, 2011. "Naftogaz Ukrainy Says It Has No Debts To Gazprom." ITAR-TASS. November 21, 2008 Retrieved: April 15, 2011. "Ukrainian president tells premier to pay gas debt to Russia." Interfax-Ukraine. November 21, 2008 Retrieved: April 15, 2011.

[133] "Kiev Displeased With Growth Of Russian Gas Price For Ukraine." ITAR-TASS. November 21, 2008 Retrieved: April 15, 2011. "Naftogaz Ukrainy Says It Has No Debts To Gazprom." ITAR-TASS. November 21, 2008 Retrieved: April 15, 2011. "Ukrainian president tells

What changed? The empirical record doesn't help much in answering this question. The Russians offer little in the way of an explanation of the sudden chill in their relations. While domestic political issues continued to roil within Ukraine this hadn't affected the gas relationship at earlier stages of the negotiation. Ukraine's attempts to link itself closer to NATO were mostly in the rearview mirror (and unsuccessful); new developments on that front wouldn't arise until mid-December, well into the gas crisis devolution. The most plausible reason for Russia's newfound interest in securing debt-payments might have been its growing appreciation for the seriousness of its financial crisis. While the Russian stock market began a steady decline in the later summer and early fall, it is reasonable that the seriousness of this downturn might have only become apparent in Moscow in October and November.

This new Russian stubbornness proved to be a significant obstacle in the way of gas cooperation. Evidence suggests that Russia now had a much stronger, more firmly fixed stake in retrieving income in the gas sphere; this marks a dramatic shift in their strategic endgame. Whereas prior rounds of negotiation demonstrated the interest of both parties in locating politically expedient, flexibly determined solutions, Russia was now more resolute on its position in the bargaining space. The shock of the deepening financial crisis shifted the ends Russia had in mind when engaging in negotiations around gas contracts. Critically, however, the practices employed to conduct the negotiations remained unchanged. Both Russia

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premier to pay gas debt to Russia." Interfax-Ukraine. November 21, 2008 Retrieved: April 15, 2011. "Gas Debt Is Liability Of ' Shadow' Companies - Ukrainian Premier." ITAR-TASS. November 21, 2008 Retrieved: April 15, 2011. "Ukrainian premier expects price of Russian gas to go up gradually." Interfax-Ukraine. November 21, 2008 Retrieved: April 15, 2011.

and Ukraine continued to deploy the same crisis bargaining practices evident at earlier stages of the process. This disassociation between means and ends in the negotiation process is at the core of its failure. The gas shutoff, an event that was both individually and collectively suboptimal, occurred as a result of the skilled deployment of a repertoire of practices that no longer fitted the bargaining goals.

Gazprom spokesman Sergei Kupriyanov made the terms of resolution, and the consequences of a failure, very clear on November 22nd. If the debt wasn't paid then contracts could not be signed, and Gazprom would cease deliveries of gas to Ukraine as soon as contracts ran out. In addition, non-payment of the debt could force Gazprom to transition to market prices immediately.[134] A further clarification of the debt also was released on November 22nd. Naftogaz owed approximately $400 million to RosUkrEnergo after having paid only $285 million for September gas. The bill for October gas added another $798.6 million, and left-over debts and penalties from the beginning of the year were valued at $250 million.[135]

The two parties continued a communication of terse public statements on Monday, November 24th. Medvedev spoke about using both administrative and legal measures to extract payments from Naftogaz, while Prodan responded that Ukraine hadn't received any formal documents that would indicate a lawsuit. Speaking later that day, Foreign Ministry Press Secretary Vasyl Kyrylych said "gas is an absolutely and utterly economic category for us. I would not want gas

[134] "Gazprom Not To Supply Gas To Ukraine Without Contracts." ITAR-TASS. November 22, 2008 Retrieved: April 15, 2011. "Ukraine' s debt makes long-term gas contracts impossible - Russia' s Gazprom." Vesti TV. November 22, 2008 Retrieved: April 15, 2011. "Naftogaz Ukrainy Admits USD 2,25 Bln Dent For Russian Gas Supplies." ITAR-TASS. November 22, 2008

[135] Ibid.

to become a political category, that is, a tool for exerting political pressure on another state."[136]

Tymoshenko advanced the negotiations with a Monday announcement that Ukraine had asked for a delay in payment for October gas. The Prime Minister made a great effort in her speech to assert Ukraine's reputation as a reliable business partner: Ukraine had every intention to fulfill all transit responsibilities, and its underground reserves meant that it could be counted on by both the Russians and the Europeans for regular and punctual transportation services. She explicitly drew on the precedent of former agreements that deferred payments for gas until used, and said that a delegation had travelled to Moscow to talk about the issue in person.[137]

A meeting in Moscow improved the situation somewhat. Miller and Dubyna met and reaffirmed their commitments to the October Presidential accords; more importantly, they agreed that Naftogaz would settle its September debts and some of its October debts by December 1st. Naftogaz representative Didenko clarified the next day that Naftogaz intended to pay its $380 million debt to RosUkrEnergo, and was considering using a credit from the International Monetary Fund towards that end. Later that week Dubyna said Naftogaz and

[136] "Medvedev Hopes Problem On Gas Supply To Ukraine Not To Recur(adds)." ITAR-TASS. November 24, 2008 Retrieved: April 15, 2011. "Ukraine says no documents received from Russia on Gazprom' s possible lawsuit." Interfax-Ukraine. November 24, 2008 Retrieved: April 15, 2011. "Ukraine warns Russia against using gas for political pressure." Interfax-Ukraine. November 24, 2008 Retrieved: April 15, 2011. "Ukraine Asks For Delay In Payment For Imported Gas Delivered In October." ITAR-TASS. November 24, 2008 Retrieved: April 15, 2011. "Timoshenko Guarantees Unhindered Transit Of Russian Gas To Europe." ITAR-TASS. November 24, 2008 Retrieved: April 15, 2011.

[137] "Ukraine Asks For Delay In Payment For Imported Gas Delivered In October." ITAR-TASS. November 24, 2008 Retrieved: April 15, 2011. "Timoshenko Guarantees Unhindered Transit Of Russian Gas To Europe." ITAR-TASS. November 24, 2008 Retrieved: April 15, 2011.

Gazprom would meet again on December 1st. He also offered one of the first public explanations given for the debt: it was incurred due to a domestic drop in consumption, which in turn was due to the ongoing financial crisis. Later that week, Prodan said that part of the problem was also the lower-than-expected exchange rate between hryvni and American dollars. Naftogaz transferred approximately $100 million to RosUkrEnergo on Friday, November 28th, 2008. Gazprom and RosUkrEnergo, via spokesman Andrei Knutov, confirmed its receipt. The payment was later acknowledged to be $268.7 million.[138]

On Tuesday, December 2nd a Naftogaz delegation travelled to Moscow to continue negotiations with Gazprom. Later that day Kupriyanov stated the delegation was requesting a deferral for the remainder of the September debt. It wasn't clear whether the visit did anything to change the situation: on Thursday, December 4th Putin spoke for the first time about the possibility of cutting off supplies of gas to Ukraine, and on Tuesday, December 9th Miller announced that formal negotiations between Gazprom and Naftogaz would continue on Friday, December 12th. These talks involved the presentation of new proposals from Gazprom to Naftogaz, but their specific details were not made public. They

[138] "Russia, Ukraine agree on gas debt settlement." RIA-Novosti. November 25, 2008 Retrieved: April 15, 2011. "Ukraine Should Fully Pay Its Debts For Gas Deliveries By Gazprom." ITAR-TASS. November 25, 2008 Retrieved: April 15, 2011. "Yushchenko Suggests Making Russia Gas Price Dependant On World Markets." ITAR-TASS. November 25, 2008 Retrieved: April 15, 2011. "Naftogaz Ukrainy To Pay Sept Gas Supply Debt By Weekend." ITAR-TASS. November 26, 2008 Retrieved: April 15, 2011. "Putin conveys birthday greetings to Tymoshenko, reminds her about gas debt." Interfax. November 28, 2008 Retrieved: April 15, 2011. "Naftogaz plans to meet with Gazprom to negotiation all debts by Dec 1." Interfax. November 28, 2008 Retrieved: April 15, 2011. "Ukrainian Fuel Ministry hopes to sign gas supply agreement by 2009." Interfax. December 3, 2008 Retrieved: April 20, 2011. "No Progress At Gazprom-Neftegaz Negotiations." ITAR-TASS. December 16, 2008 Retrieved: April 20, 11.

continued on the following Monday, but by Tuesday, December 16th Gazprom publicly stated the negotiations had gone nowhere.[139]

More bargaining practices became evident as the tension of the crisis ratcheted. Russia and Ukraine continued to deploy political intervention and missions to Moscow as the primary tools of negotiation; to these they added *saber-rattling* and *brinksmanship*, as well as *appeals to creative problem solving*. In another context, these might have been effective elements in a strategy of signaling resolve. Here, however, they work towards the mis-matched end: each practice was deployed and interpreted in such a way as to ensure political control and flexibility rather than communicate credible information about 'lines in the sand.' The negotiation process resembled at this point a desperately sad chase: Ukraine was reaching blindly for a solution that would satisfy the Russians, expecting that their counterparts were feigning firmness and really as interested in a politically expedient solution as usual. For their part, Russia was unable to credibly signal to Ukraine that it was serious about recouping its losses.

Naftogaz made another payment, this time of $800 million, to RosUkrEnergo on Wednesday, December 17th. President Yushchenko announced the payment; he also stated that Naftogaz was accumulating another $200 million. A response from Gazprom came the following day: Kupriyanov acknowledged the payment,

[139] "Ukraine has not fully paid for gas supplied in September - Gazprom spokesman (Part 2)." Interfax. December 2, 2008 Retrieved: April 20, 2011. "If Ukraine fails to properly transit Russian energy to Europe, its gas supply will be cut - Putin." Interfax. December 4, 2008 Retrieved: April 20, 2011. "Gazprom, Naftogaz to continue talks on Dec 12 (Part 2)." Interfax. December 9, 2008 Retrieved: April 20, 2011. "Gazprom Makes Kiev New Proposals Concerning Gas Debt - 2." ITAR-TASS. December 12, 2008 Retrieved: April 20, 2011. "Naftogaz Ukrainy Head Continuing Gas Supplies Talks In RF." ITAR-TASS. December 15, 2008 Retrieved: April 20, 2011. "No Progress At Gazprom-Neftegaz Negotiations." ITAR-TASS. December 16, 2008 Retrieved: April 20, 11.

but also said that Naftogaz had notified Gazprom this would be the last payment for the remainder of the year. According to Kupriyanov, the transferred amount wasn't enough to sign a contract on January 1st for gas deliveries. Medvedev reopened the possibility that gas might increase in price for 2009 (he quoted a figure somewhere between $260-300); Yushchenko responded by pointing to the reduction in worldwide oil prices and says that a reduction to $100 would be more appropriate. His deputy reiterated this point on December 22nd. On December 21st Kupriyanov suggested that one solution might be for Russia to prepay for transit, but also said that no progress had been made along those lines. During this period both Russia and Ukraine were actively engaging with various European parties, attempting to assuage worries that the gas supply to the European Union would be upset. Both Russia and Ukraine were clear in their statements that they could be relied upon to fulfill any responsibilities they had, and that any fault in the proceedings belonged to the other side.[140]

Here we see the hallmark of crisis bargaining: verbal sparring and public disagreements over terms and issues. Russia and Ukraine were adept at the game, and were playing it to the best of their abilities. The problem was that their methods were ill suited to the task because the ends had shifted. While the sort of saber rattling and political intrigue we see here was a useful way for both parties to determine the degree of flexibility they were wiling to allow while maintaining

[140] "Ukraine has paid $800 Mln toward reducing gas debt to Russia - Yushchenko (Part 2)." Interfax. December 18, 2008 Retrieved: April 20, 2011. "Ukraine pays $800 for gas debt, will not pay more until end of 2008 - Gazprom (Part 2)." Interfax. December 18, 2008 Retrieved: April 20, 2011. "Gazprom projected price for gas too high - Ukraine president." Interfax. December 19, 2008 Retrieved: April 20, 2011. "Gazprom Hopes To Resolve Ukrainian Gas Debt Problem, May Have To Halt Supplies." ITAR-TASS. December 21, 2008 Retrieved: April 20, 2011. "Yushchenko Insists Price For Russian Gas In 2009 Be Pegged To Oil Price." ITAR-TASS. December 22, 2008 Retrieved: April 20, 2011.

full political control, they weren't particularly useful for sending credible signals. The means here are deployed excellently, and with full confidence, but they don't match the specific ends sought.

On Tuesday, December 23rd rumours began to circulate about a possible deal that would have allowed Naftogaz to pay for gas by the end of the month after it had been received. Yushchenko was the most prominent voice to articulate this point, and says that the National Bank had assigned reserves for that purpose. Gazprom rejected this possibility, however: Kupriyanov stated that there are "no agreements for restructuring the arrears" in place: "the contract says that [Naftogaz] must pay for the gas by the end of the delivery month." Another of Yushchenko's claims, that it might be possible to return un-paid for gas, was immediately contradicted by Tymoshenko. Kupriyanov also rejected the idea, but said it might be possible to re-sell that gas to other markets.[141]

Gazprom and Naftogaz officials met again on Wednesday, December 24th but the talks were ineffectual. Late in the day Medvedev publicly exhorted the Ukrainians to pay, and emphasized that Russia was just interested in getting paid.

[141] "Russian economy needs Ukrainian gas money - Gazprom." Interfax. December 23, 2008 Retrieved: April 20, 2011. "Neftegaz To Repay Some Of This Year' s Gas Supplies In Jan-February - Yushchenko." ITAR-TASS. December 23, 2008 Retrieved: April 20, 2011. "Gazprom denies gas debt deal made with Ukraine." Interfax. December 23, 2008 Retrieved: April 20, 2011. "Gazprom Refutes Yushchenko' s Claim Of Alleged Settlement Of Gas Problem." ITAR-TASS. December 23, 2008 Retrieved: April 20, 2011. "Timoshenko Against Transfer Of Gas From Reserves For Debts." ITAR-TASS. December 24, 2008 Retrieved: April 21, 2011. "Russia-Ukraine deal "makes no provision" for returning gas." Interfax. December 24, 2008 Retrieved: April 20, 2011. "Gazprom May Discuss Use Of Gas Reserves In Ukraine For Debts." ITAR-TASS. December 24, 2008 Retrieved: April 21, 2011. "Russia To Use All Possibilities To Collect Debts From Ukraine -- Medvedev." ITAR-TASS. December 24, 2008 Retrieved: April 21, 2011. "Ukraine Can' t Pay Gas Debt To Russia -- Gazprom." ITAR-TASS. December 24, 2008 Retrieved: April 20, 2011.

Kupriyanov made it clear that the outstanding fees would reach $2.118 million by the end of the year.[142]

On December 27th Miller delivered letters to European customers warning that a supply disruption might be coming. The Chairman of the Verkhovna Rada of Ukraine, Vladimir Litvin, visited Moscow over the weekend of December 27th, 28th and 29th: he met with Putin and Medvedev, but their discussions did nothing to improve the situation. Neither did an hour-long phone conversation between Putin and Yushchenko on Monday, December 29th. Miller met a Naftogaz delegation and informed them that gas prices could rise to $218/mcm as of January 1st, which would be a direct shift to market prices. Kupriyanov stated that a market price might be implemented if debts aren't settled. At the same time, Naftogaz continued to reject offers from the Russians to pay for gas transit in advance.[143]

Substantial movement was initiated on the Ukrainian side midway through Tuesday, December 30th. Naftogaz informed *Agence France Presse* that they intended to transfer around $1.5 billion, and the government announced that the

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[142] "Gazprom May Discuss Use Of Gas Reserves In Ukraine For Debts." ITAR-TASS. December 24, 2008 Retrieved: April 21, 2011. "Russia To Use All Possibilities To Collect Debts From Ukraine -- Medvedev." ITAR-TASS. December 24, 2008 Retrieved: April 21, 2011. "Ukraine Can' t Pay Gas Debt To Russia -- Gazprom." ITAR-TASS. December 24, 2008 Retrieved: April 20, 2011.

[143] "Ukraine Unlikely To Settle Gas Debt Before Yearend: Gazprom (Adds)." ITAR-TASS. December 27, 2008 Retrieved: April 21, 2011. "Ukraine Parliament Speaker To Moscow To Develop Relations." ITAR-TASS. December 27, 2008 Retrieved: April 21, 2011. "Medvedev expresses concern over Russian-Ukrainian gas problem." Interfax. December 29, 2008 Retrieved: April 21, 2011. "Putin Says His One-hour Gas Debt Talk With Yushchenko Was Fruitless." ITAR-TASS. December 29, 2008 Retrieved: April 21, 2011. "Russia' s Gazprom warns Ukraine of steep gas price hike if deal not reached." Interfax. December 29, 2008 Retrieved: April 21, 2011. "Russia May Set Price Of Gas For Ukraine At 418 Dlrs - Gazprom." ITAR-TASS. December 30, 2008 Retrieved: April 21, 2011. "No Chance Ukraine May Pay For Gas With Future Transit Services." ITAR-TASS. December 30, 2008 Retrieved: April 21, 2011. "Ukraine counts on positive outcome of gas talks with Russia." Interfax-Ukraine. December 30, 2008 Retrieved: April 21, 2011.

loans from Oshchadbank and Urkeximbank worth approximately $2 billion had been authorized. Yushchenko followed this news up with a public statement that indicated his belief that Ukraine had satisfied all of its debts and his confidence that an agreement on 2009 supplies could be signed. The payment didn't cover outstanding penalties, Zemlyansky clarified, but those should be left until a new contract is signed. Tymoshenko also took action on December 30th: according to her press secretary she held a phone conversation with Gazprom CEO Miller, though the outcome was left undiscussed.[144]

Wednesday, December 31st began with mixed signals. Tymoshenko announced that she planned to visit Moscow for the day, but almost immediately cancelled the trip. *Itar-Tass* cited sources that say she was discouraged from going by Yushchenko. Naftogaz reportedly sent a message to Gazprom that suggested Naftogaz would have no reason to continue transit services to Europe if there weren't any 2009 contracts in place: Kupriyanov reacted negatively to the message, though its validly was publicly questioned by Prodan. Gazprom announced that the price for gas for 2009 would be $250/mcm, to which Yushchenko's representative, Bohdan Sokolovsky, responded by saying it was too high if the price of transit remained $1.7/mcm/100km. Initial reports indicated

[144] "Ukraine May Pay For Gas Within Two Or Three Hours - AFP." ITAR-TASS. December 30, 2008 Retrieved: April 21, 2011. "Govt Permits Neftegaz Ukrainy To Borrow $2 Billion For Repaying Gas Supply-2." ITAR-TASS. December 30, 2008 Retrieved: April 21, 2011. "Ukraine pays in full for Russian gas - presidential secretariat." Interfax-Ukraine. December 30, 2008 Retrieved: April 21, 2011. "Naftogaz Transfers $1." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Ukraine' s PM, Gazprom' s CEO Negotiate Gas Supplies Over Telephone." ITAR-TASS. December 30, 2008 Retrieved: April 21, 2011.

that Dubyna was called back to Kyiv earlier than expected by Yushchenko, but later reports undermined this data.[145]

The Russian leadership had the last public word on the issue late in the afternoon on Wednesday, December 31st. At a press conference in Moscow Putin explained Russia's reasoning on the gas price: the price was lower than the market rate because of a 'humanitarian' interest in Ukraine's well-being and fiscal health, while also recognizing that the price had to be reasonable enough that payment could be expected. He also recognized that domestic political rifts were hurting Ukraine's ability to deal with a large price increase. Finally, Putin indicated that Ukraine was contractually bound to deliver gas to Europe until December 31st, 2010. Alexei Miller also spoke: the negotiations of the last two days had been unsuccessful and Gazprom has not received the promised transfer of money. He placed the blame for the failure to find a solution squarely on the Ukrainians: according to him, forces inside of the country were interested in fomenting a crisis. He announced that deliveries of gas to Ukraine would be cut off at 10am on Thursday, January 1st, 2009.[146]

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[145] "Ukrainian embassy confirms premier to visit Moscow for gas talks." Interfax-Ukraine. December 31, 2008 Retrieved: April 21, 2011. "Ukraine Crudely Blackmails Russia, Europe - Gazprom' s Spokesman." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Gazprom Sees 30/70 Chances Gas Agt With Ukraine To Be Signed Today." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Ukrainian energy minister suggests letter with threats to Gazprom fake." Interfax-Ukraine. December 31, 2008 Retrieved: April 21, 2011. "Gazprom Offers Ukraine To Buy Gas At $250 Per 1,000 Cu M-source." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Ukrainian premier cancels New Year' s trip to Moscow." Interfax-Ukraine. December 31, 2008 Retrieved: April 21, 2011. "Ukraine PM Trip To Moscow Prevented By Yushchenko -Source." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011.

[146] "Ukraine' s Chief Delegate At Gas Talks With RF To Return To Kiev." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Ukrainian president orders gas delegation to break off Moscow talks - source." Interfax-Ukraine. December 31, 2008 Retrieved: April 21, 2011. "Ukrainian Delegation Is Continuing Gas Talks In Moscow." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Ukrainian presidential aide says Russia' s proposed gas price too high." Interfax-Ukraine. December 31, 2008 Retrieved: April 21, 2011. "Russian President Hurries

In the end a strange mix of highly strategic action and unintended consequences marked the negotiation process. Russia and Ukraine were perhaps behaving as quintessential rational actors in the IR/IPE sense of the role: each move was indicative of strategic interaction where both actors were trying to maximize their utility. At the same time, however, these calculated and strategic actions were practices in the context of a tacit approach to how to engage in gas relations that didn't fit with the conscious goals being sought. Both Russia and Ukraine continued to engage in practices that 'made sense' against the backdrop of a certain understanding of how to 'do' gas politics. This understanding privileged flexibility and political control over fixed interests. As a disposition towards the right or appropriate way to engage, this sensibility was the product of sedimented interactions over decades, each reinforcing the necessity of political intervention and the expedience of creative flexibility. The argument here is not that it can't or doesn't change; actors like Russia and Ukraine are potentially able to learn from mistakes and reconsider patterns of action and interaction. Rather, evidence in this case suggests that the background understanding that informs practice doesn't necessarily move in lockstep with preferences or rational interests. A set of practices continued to 'make sense' to both actors through the course of this process, despite the fact that they ill-suited to attaining a cooperative solution given the preferences each party — Russia in particular — had over the outcome. This case suggests that political actors can willingly and consciously make choices and deploy practices that won't and can't bring about

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Kiev To Make Reasonable Decision Over Gas." ITAR-TASS. December 31, 2008 Retrieved: April 21, 2011. "Russia' s Gazprom: Gas Supplies To Ukraine To Stop 1 January." Vesti TV. December 31, 2008 Retrieved: April 21, 2011.

the ends they have in mind. Here, both actors had an interest in working out a contractual agreement, but weren't equipped to locate one given the repertoire of practices they continued to think was appropriate.

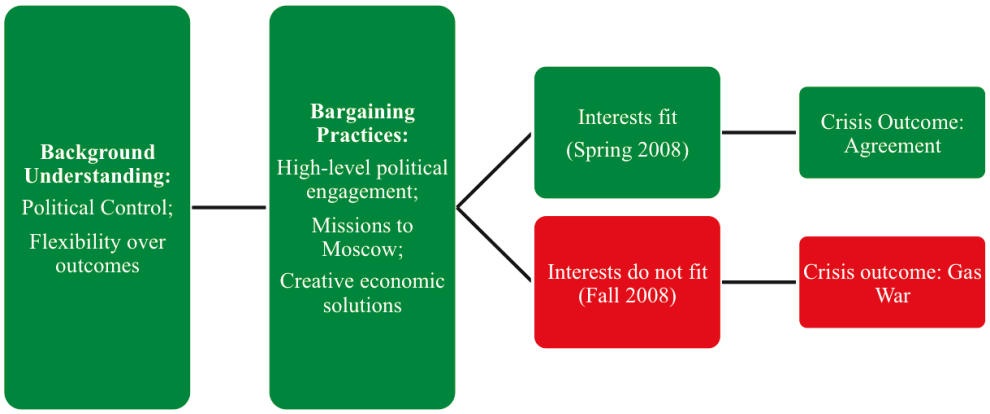
Conclusion

The argument developed in this paper integrates two very different IR theories. On one hand, the bargaining model of war is a key touchstone for understanding the Russia-Ukraine interaction. It helps us identify the situation as one of incomplete information where both parties have at the same time an interest in a cooperative outcome as well as incentives to misrepresent that interest and their willingness to engage in conflict. The logic of the bargaining model is unsatisfying, however, when we look closely at the specific actions taken by Russia and Ukraine in the course of their negotiations. They seem to be engaging in practices designed to meet very different ends than communicating costly signals. In order to establish a firm theoretical ground for understanding the basis on which practices are engaged, I turn to practice theory. Practices make sense for the practitioner against a background understanding that is tacit and most often not reflected upon: the things done make sense, but in terms of a logic that underlies the specific choices made in a way that isn’t articulated or strategic in nature. This alternative theoretical basis provides me with the conceptual apparatus to makes sense of the way Russia and Ukraine conduct their gas affairs. They have, over time, developed a repertoire of bargaining practices that make sense against a very specific but tacit set of logics: the bargaining practices Russia

and Ukraine employ allow them to maintain political control over the interaction and flexibility over a range of possible outcomes.

Bringing the bargaining model of war together with practice theory allows me to offer a compelling explanation of the variation at the heart of the 2008 case. Russia and Ukraine were able to use the repertoire of bargaining practices at hand successfully in the Spring because these fit with the broader, tacit logic of the gas trade: high-level political intervention, face-to-face meetings, and creative solutions allowed them to locate and secure a mutually acceptable interest that satisfied, first and foremost, their broad interest in maintaining political control over the process and flexibility over a range of outcomes. What changed in the fall negotiations? Russia's background understanding of the nature of the gas trade was replaced by an interest in extracting immediate value from the interaction. The bargaining practices that it continued to deploy, however, made sense within a very different logic. At the same time, Ukraine continued to use a repertoire of practices that weren't suited to determining how to meet Russia's demands because the Ukrainian leaders continued until the end to believe that Russia still had flexibility and political control as the primary logics of the interaction. Both states used a set of bargaining practices that continued to 'make sense' in the context of their gas relationship, but that were ill-suited to the change in interests that emerged in the latter half of 2008 (Figure 2).

Figure 2.



This argument has a few implications worth mentioning. First, the evidence presented in this paper suggests that actors can and do shift their preferences in strategic interaction. This might be fairly commonsensical, but it isn't a type of variation captured well in existing analytic approaches to crisis or war. The bargaining model applied in this paper analyzes interaction given a set of preferences over the dispute; it doesn't leave much analytical space for changes to those preferences. In the case at hand, however, that matters: evidence suggests that Russia shifted what it wanted to get out of the interaction in the middle of the negotiation process.

Second, crisis bargaining can be useful for more than credibly revealing information about resolve; it can also be employed even when it isn't tied all that closely to audience costs. Public disputes are about revealing information and creating costs, but they can have other dimensions. Here, evidence suggests that the goal of making the bargaining process public by employing certain crisis bargaining practices was initially and normally aimed at maintaining political

control and flexibility over outcomes rather than revealing information primarily about their fixed interests at stake.

Third, the argument made here recommends that as researchers we think about the relationship between means and ends rather than assuming a strict or logical continuity between them. Again, this isn't that radical a claim: social actors regularly employ counterproductive means towards perceived or intended ends. At the same time, however, we rarely think about or leave space for this kind of inconsistency in our theoretical models. The evidence presented here suggests that this sort of inconsistency can happen, and can have important effects on the political and social outcomes we are interested in.

Fourth, the argument presented here relies on elements of both the 'rationalist' bargaining model of war and 'constructivist' practice theory. I hope that it makes a small contribution to the growing body of work that thinks seriously about how very different theoretical approaches relate and interact in explanations of political phenomena. There are analytic gains to be made, I believe, in thinking about intersections rather than treating each model as wholly different and only offering competing explanations. In this case, we can't make much sense of the path towards full crisis without considering the strategic and highly rational choices made by actors on both sides of the negotiation table. At the same time, focusing only on these strategic choices leaves us no way to think about the background understandings that constrain those choices, make them seem appropriate where they are not, allow them to be deployed unquestioningly towards ends they don't effectively satisfy.

This research has several clear limitations. The focus on a narrow slice of time maintained here might give us some provisional purchase on how the relevant processes and mechanisms work in relation to the theories we have about them, but it cannot offer strong predictions for other cases of this relationship or other relationships constituted around the trade of strategic resources. While the structure of this argument proposes that the background understanding of 'how to do' gas politics within the Russia-Ukraine context might affect other instances of their interaction, this is a claim that needs to be substantiated by other casework. And while other relationships structured around strategic resources in different contexts might also be affected by the understandings that inform practices, there isn't any reason to think these other relationships aren't conditioned by different backgrounds and involve the deployment of different practices.

The line of inquiry, however, suggests a few important research questions that could build on the initial findings suggested in this empirical work. First, under what conditions do causally important background logics create a substantial constraint on political action and choice? Are there some contexts where these constraints are stronger than others? Second, how do background understandings and the practices they inform change over time? Is their development or modification a process of conscious reconsidering in light of suboptimal outcomes, where actors take specific steps to reconsider their conceptions of 'what makes sense' and update their repertoire of practices accordingly? Or is it an organic, sedimentary process, one that unfolds over time beneath or behind the rational reflection of the agents who sustain it and are constrained by it? The

'practice turn' is one still being made, and it remains to be seen how it is developed and refined over time and through research. This research makes the 'practice turn', not as a competing or wholly different investigative effort but as one that can be integrated and applied together with some of the standard and canonical approaches in the field.

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