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Is There a Central European Energy Market in the Making?

Summary: The coming great economic recession and likely depression afterwards, is to set energy prices at a relatively low level for the next 5-7 years. However, this might be the last chance to prepare for an era of extreme energy prices. With a growing gap of investments into the industry and tight market situation might couple the economic recovery with scarce supplies and high energy prices. All this promises a high price volatility for the next decade, when Western and particularly European instruments to exert influence on the global energy landscape will be rather few. All this means, that even if energy does not seem to be the most urgent task to be solved now, it is a high time to reconsider Europe's energy future and our perception of dependence. Understandably, this also raises the questions related to common energy policies. New Eastern EU members brought new aspects for common EU energy policy. The patchwork of Central European energy and Russian policies, however, is only a slightly less colourful, than attitudes in the EU. We have witnessed very few common positions in these regards. Thus, energy policy co-operation is possible only in cases of win-win situations and by bringing these problems, rather to the technical, not to the political level. Common EU policies, regulation and liberalization directives impacted these energy policies much more, than autonomous Central European co-operation.

European Perceptions and the Global Energy Landscape

Since oil and gas became industrial products 150 years ago, Europe has been an energy importer. Unlike the US, Russia or China, Great Britain, Germany or France nor had significant domestic reserves neither they could find sufficient

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export capacities on the old continent. Romanian oil since the late 19th century, Dutch gas in the 1960's or North Sea oil and gas modified this landscape considerably, but only temporarily. Thus, it was not an easy decision to switch from coal to oil and later to natural gas. Churchill had to fight for oil combustion for the Navy for more than a decade. For Germany, the desperate search for oil-substitute fuels had been a high priority governmental policy till the end of WWII. However, Europe always had a much more relaxed stance towards energy imports than other great powers. For the US losing its traditional spare capacities in 1970 and firstly experiencing dependence on imports in 1973 was a huge psychological shock, setting this question relatively high-level on the political agenda. China's assertive political stance in Africa and the Middle East is very much related to the fact, that since 1995 the country has been an importer of energy with dramatic speed. But for most of the European states energy imports are a 150 year-old fact, a natural phenomenon.

Natural gas has occupied the second rank after oil in the EU's primary energy balance.

Nevertheless, the environment of this dependence has changed several times since 1859. Oil was not a strategic product until the beginning of the 20th century. Huge reserves on the colonies and mandated territories also promised a tolerable level of conformity between energy dependence and political control of sources. British influence in Iran, Iraq and at the Suez Canal, ensured Great Britain the feeling of reliability and security in this regard. After WWII the postwar petroleum order aimed at conserving US reserves and securing Middle East supplies for Europe. Postwar oil regime, when the US could provide its excess capacities during transit or supply crises, the Seven Sisters controlled Middle East fields and Anglo-Saxon political and military dominance was undisputable in the Persian Gulf, was a key element in the bi-polar Transatlantic system. It is not an accident, that this period is still considered to be the 'Golden Era' of energy security in consumer countries.

The year 1973 symbolized a threshold in this regard. Consumer's control on oil prices has been lost, coupled with nationalized Middle East concessions. The US and Europe had to find other solutions and sources of secure supplies. Creating strategic reserves and the 'anti-OPEC' International Energy Agency were promising attempts with relative success in this regard. Fuel change and energy efficiency measures on the basis of extremely high oil prices contributed to easing and diversifying this dependence on a much larger scale. However, this crisis also brought the first disagreements between US and European

allies over energy policies. Germany and Italy opted for higher import levels from the Soviet Union, France and Mediterranean states had to engage much more actively the Maghreb-countries. Washington mostly opposed stronger co-operation with the Soviet Union on the basis of security considerations. But even among these debates, a wide field for co-operation remained. With the help of US technology the developing of North Sea reserves could have been accelerated, offsetting some Soviet imports. Normalizing US-Saudi relations in the Gulf after the Iranian revolution and the Iran-Iraq war, helped in finding a modus vivendi with key producers and stabilizing the market. Transatlantic oil regime lost its hegemonic status, but has not ceased to exist.

Today, 1973 seems to be far away. North Sea production is about to flat, and no other new global producer regions have been developed yet. Incremental supplies from technological or geographical pioneer regions are at their historical low. Natural gas has occupied the second rank after oil in the EU's primary energy balance. While offering some sort of diversification in the mid-1970's, recently natural gas with its present share and technical characteristics is much less a contribution to the nations' energy security. OPEC has consolidated its 35% share in the world's oil production and there is a significant call on further increases. Non-OPEC producers are increasingly non-Western countries and producer's co-operation is not limited to OPEC any more. The price leadership position has been strengthened on the producers' side. At the same time other consumers have emerged. The US is running out of domestic gas supplies, China and Asian importers are searching for new energy engagements.

From the quantitative point of view, the situation does not seem to be extremely serious. OECD countries are not more dependent on imports of hydrocarbons, than in 1973. Domestic production accounted for a little bit more than one quarter of total gas and oil consumption, slightly less than in 2007! But the landscape has been modifying with great speed, and not to the favour of Europe. In 2008, oil prices had reached 150 USD in a geopolitically peaceful environment, without any supply or transit crises. At the beginning of one of the biggest global economic slumps, prices are still at the level of 40 USD, demonstrating the tight supply-demand energy situation.

The coming great economic recession and likely depression afterwards is to set energy prices at a relatively low level for the next 5-7 years. However, this might be the last chance to prepare for an era of extreme energy prices. With a growing gap of investments into the industry and tight market situation might

¹ "BP Statistical Review of World Energy, Historical Records", <http://www.bp.com/statisticalreview>.

couple the economic recovery with scarce supplies and high energy prices. All this promises a high price volatility for the next decade, when Western and particularly European instruments to exert influence on the global energy landscape will be rather few. All this means, that even if energy does not seem to be the most urgent task to be solved now, it is a high time to reconsider Europe's energy future and our perception of dependence. Europe and European states will have to manage their energy dependence in a much more direct manner, if they want to preserve their status and reliability of imports in the future. Understandably, this also raises the questions related to common energy policies.

Regional Challenges and Common Responses

European energy landscape is historically segmented. All the nation states evolved their basic supply strategies much earlier, than the EU itself or the EU's common energy policies have been created. As far as hydrocarbons are concerned, the present EU consist of three bigger regions with specific supply characteristics. In the North-West, mainly covering the big EU powers like Great Britain, France and Germany a tolerable number of different supply options are present. The North Sea, Netherlands imports from the Atlantic Basin and in the Middle East or Russia sources are available at reasonable costs. Diversification and supply risk management is a realistic option. Competitive and liberalized market patterns are attainable on these fundamentals. Price risks and global disruptions are still the basic challenges for these countries, requiring global presence, energy efficient economies and smart diversification strategies. For the Mediterranean region, for Spain and Italy, the Maghreb production combined with closer Middle East supplies seem to be logical choices. Algeria has a dominant status in this relationship, even if dependence on its supplies are to be lessened at the expense of other countries, like Lybia, Egypt, Russia or imports through the Suez Canal. Oligopol producer landscape and relaxed sea transit routes are typical for this region with a diversity of historically complex bilateral relations and some multilateral instruments. The consequences of few supply options is moderated by a relatively peaceful security environment. For a small but growing number of Eastern EU members, monopolistic Russian supplies, coupled with tangible transit patterns set the problem of physical energy supplies as a rather eminent security issue. A historically complex and still psychologically and politically difficult landscape on the EU's Eastern flank and an evolving Russian role on the global and particularly on the European energy markets raise a great number of challenges. Competitive energy markets would

require new supply sources and routes, without which making a real liberalization on gas markets is almost impossible. Physical security of supplies competes with price risks on the business and political agenda of these countries.

The EU's common energy policy must take into account these factors. They offer a common ground for integration, as well as disagreements and conflicts on many other issues. The EU common energy policy has been accumulating a significant number of instruments since the early 1990's. These consist of a huge number of regulatory measures, mainly directives, setting the rules for governmental and business actors operating in the EU and selectively outside of it. Secondly, there is a strong competition law element, that gives the right for the Commission and the EU's juridical powers a high level of authority in these matters. Thirdly, the emerging climate policy with ambitious targets but still non-sufficient instruments are at hand. The fourth pillar of a common energy policy could be a focused development policy with clear priorities and significant funds.

All these instruments make the EU a significant, even if not a dominant player in common energy matters. In the centre of EU's common action is still energy efficiency. Europe has a very good historical record of efficiency policies, unlike other Western countries, but Japan. EU countries produce approximately the same volume of GDP (on purchasing parity power basis) as the United States² by using 25% less energy than the US. The share of hydrocarbons in the fuel mix has been constantly about 65% for the last 40 years, unlike the US, which had to decrease this share from 77% in 1973. This high level of energy efficiency is partly a historical legacy of import dependence. Excessive taxation of oil products is a very typical 'importer feature', while it is always difficult to find enough public and business support for similar raises in producer or former producer countries. But it is also a conscious policy in order to manage dependency. In the EU's understanding efficiency is a result of competition, which requires the making of a common market, decreasing the still existing national barriers and border bottlenecks, erasing the privileges of national champion companies. The whole EU activity on the field of energy has been traditionally based on this perception. Regulation has been aiming at

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² EU25 – 23.10%, US – 21.93% of global GDP2006. IMF Econstats; <http://www.econstats.com/weo/VO12.htm>.

creating a single market where competitive market forces prevail. The fruits of such a policy should be less consumption, presumably less imports and dependence.

This policy was elaborated by EU12 and very well fitted into the era of the 1990's. It was a mix of North-Western EU market imprints, the progressive American anti-trust policy and EU liberalization efforts, and of course Brussels' attempts to create a single gas and electricity market. It has a considerable success in setting the common *acquis* in the field of energy and establishing a common basis for interaction. However, there are some significant question marks about the perspectives of these policies.

First of all, EU common energy policy is rather based on a number of general notions, represented by different actors on different levels. Single market, higher energy efficiency, competition, most recently security of supplies and climate policy are targets, that cannot be represented coherently. The basic catchword for the EU so often quoted publicly: sustainability, competitiveness and security of supplies³ are simply inconsistent goals, these priorities cannot be represented equally at the same time. Tackling climate change assumes one of the most aggressive interferences into market rules by governments, that could only be done at the expense of competitiveness. Emission trading schemes and strict environmental legislation are definitely at the odds of international competitiveness of the European economies, setting very tough limits for such policies recently. Security of supplies does not unconditionally go along with sustainability either. As the case of biofuels showed, price and weather volatility pose a huge competitive and security risk for such enterprises. A drastic increase in solar energy even at the European level would mean additional pressure on some markets of rare minerals, almost only produced in two-three developing countries – among others in Russia. It would mean a much higher level of dependency, than in the case of oil and gas. We still do not have the critical amount of efficient green technologies to create a secure and cheap renewables component in the European fuel mix. Security considerations and competitiveness are still more or less consistent. National administrative pricing of energy in the past was one of the main factors contributing to 'overuse' of some fuels in Western Europe and underinvestment in the industry, a tradition still alive in the Eastern part of the EU. In this respect there is still much to do. However, it is worth making some qualifying remarks even here. Strategic oil reservation in the US is one of the most unpopular policies among the majors. Establishing strategic reserves of natural gas or increasing the

³ "Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy"; <http://europa.eu/scadplus/leg/en/lvb/l27062.htm>.

number of infrastructure connections for emergency purposes are usually not profitable undertakings. As the EU's most recent experiences show, these are expensive policies and governmental contribution, in the regulatory and financial regards, are essential.

Therefore the critical task for the EU is not to set these goals, but to put these targets into a coherent framework and find the synergies. Hardly anything is to be found in EU documents about these tasks. Without setting an appropriate balance between these aspects we simply risk to cause a lot of harm for ourselves. And this is much more complicated. Energy policy is still a very national one. We have 27+1 energy policies in Europe and there is a strong opposition to reduce the number. At the same time, the EU has an asymmetric system of instruments. Regulation and competition policies are very well integrated and institutionalized on the EU level. Climate policies are much less represented by common bodies. European emission trading is in the phase of elaboration yet, national industrial lobbies freely propagate their own interests. Danes and Germans are for wind, Spaniards are for solar energy, states with agricultural potential support biofuels, France understandably nuclear energy. But it is difficult to identify the EU institutions that could not only harmonize, but regulate and cut back these ambitions. It is even more difficult if it comes to foreign energy policies, where the domestic normative pull is even weaker. It is almost impossible to combine Russian policies in the case of energy relations. All this means that traditional EU energy targets, the common internal market and liberalization policies still have the upperhand, mainly because these are much more deeply integrated into the EU's institutional and ideological framework. Security and sustainability components are much less represented.

Another important element is the foreign environment. The US liberalization efforts were successful on two basic preconditions. In America more than 500 producers are present on the national gas market, providing a real competition pattern. Secondly, domestic liberal regulation was always coupled with a strong and highly represented foreign energy policy component. American anti-trust rules were never really in force outside the US, all attempts to act so was blocked by major national security considerations. Cartellization was the normal way for US majors everywhere, but in the US. Having less problem with electricity markets in this regard, natural gas supplies patterns in Europe are much more oligopolistic. Even in the North-Western part of Europe no more

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the 20-30 significant companies are present. If we look at imports, the picture is even more disappointing, with Russia and Algeria accounting for 70% of all imports. It is obvious, that bringing some Central Asian and Middle Eastern actors into the pool, would not change the situation drastically. After having created the single market and optimized the networks, we still would have to ask ourselves: what to do with the producers? EU officials traditionally try to extend the scope of their liberalization policies by offering the Energy Charter for these countries and setting some conditions at every possible occasion. Even having some humble successes, they cannot change the basic patterns and interests of producer behaviour.

Producer-consumer dialogue is one of the most complex issues of energy politics. OECD's share in global primary energy demand has shrunk from 68% in 1973 to 50% in 2007. The EU's share in global GDP PPP has decreased from 30% to 23% during less than 30 years. Incremental growth is not coming from

The EU's energy policy was based on the assumption of abundance of sources, experiences on close fields and lack of transit considerations.

developed economies anymore. China alone accounts for more than half of incremental growth of oil demand on the market. The global oil regime, established after 1973, has been questioned in several respects. Transatlantic energy relations will not be exempted from these consequences. One of the key problems of US-EU relations, that former 'hard' economic co-operation has lost its impetus. The US is less responsible for security of European supplies, while

introduction of pioneer US technologies on the European fields has lost much of its significance. Proposals like common climate policies and emission trading regimes, harmonization of environmental standards are in an embryonic stage. Thus, deep interdependence on the oil products market is accompanied only with 'soft' foreign energy policies. At the same time the stakeholders' sets are less and less overlapping. The US has absolutely no imports from key European suppliers, namely Russia, Algeria or Iran, while European dependence on traditional US exporters has been decreasing or absent. Except the Middle East, accounting only for 15-20% of total imports in both cases, the diversification pools differ almost absolutely. This is a new phenomenon, that might influence common US-EU policies considerably in the future.

In such circumstances the European actors will have to increase their efforts to establish a new set of foreign energy policies. This process has been launched and its magnitude will be further increased by growing dependence on some selected suppliers. Growing supplies from Russia on the gas, oil

and coal markets geared European co-operation relatively fastly to a new level in the previous years. New common thinking has broadened the horizon for Brussels. Some years ago common energy policies were limited to the internal market and relatively small scale issues. The regulatory framework definitely made the accomplishment of large scale, multilateral import projects more difficult. Common management of political risks has been an unknown term on the corridors of the Commission. The EU's energy policy was based on the assumption of abundance of sources, experiences on close fields and lack of transit considerations. For example, in the EU regulatory and political framework no room was provided for large scale pipeline projects, like Nabucco, not even speaking about such complex issues, as management of Post Soviet energy transit. This has been changing now, opening up more EU support and development opportunities for these difficult projects.

Is There a Common Energy Policy for Central Europe in the Making?

New Eastern EU members brought new aspects for a common EU energy policy. First of all Eastern Europe consists of half a dozen small, fragmented energy markets. This was not the case in Western Europe. The 1982 enlargement round, when only Spain and Portugal joined the Union has 'brought in' the same market size as the four 'big' Visegrad countries represent altogether. New members' energy demand equals the British one, and much less than that of Germany. This opens up a huge potential for traditional EU internal market policies. Opening up the borders, increasing interconnectivity, optimizing the network, improving energy efficiency and benefiting from a larger scale of economies are self-evident targets. Decreasing the barriers is a difficult, but slowly progressing process, resulting in more synergies especially on the electricity markets in the future. As far as the mainstream EU energy policies regarded, following the norms will bring dividends for most of the actors even in the short run.

Nevertheless a great variety of different national energy policies are present. In the case of EU emission trading, most of these countries could form a joint position. Maybe with the relative exception of Hungary, these industries have a significant potential of efficiency improvement measures. Most of the generation capacities are relatively old, opening up the way for change of technology, efficient natural gas consumption is also growing in the region. At the same time unlike in the West, these countries lack 'green industries' that would benefit from such policy inventions. Except some enthusiasm among the agricultural lobbies in connection with biofuels, only excessive governmental subsidies make

these efforts popular. Moreover, most of these economies have been growing at a relatively high speed, putting some additional constraints on their willingness to co-operate. Therefore the present climate policy patterns reflect much more the situation in the EU15, than in the new members. Usually new members would make the system more flexible, for example allowing trade-offs between efficiency improvement and the renewables' share. Adjusting the climate targets by GDP growth numbers is also a popular idea among political actors.

However the really new element, what has been brought to the EU is Russian dependence coupled with East European Russia-policies. Russia's almost monopolistic supply position is an uncomfortable historical and geographical legacy for most of these countries. It is almost certain, that Moscow is going to remain the basic supplier of energy for most of these states at least for the next two-three decades. However, Russian dependence is perceived and handled partly differently in each country. As several surveys show, national foreign policy attitudes usually do not correlate with the levels of energy dependence in Europe. Thus the key question is how to manage this dependence and whether anything could be done better together, than separated.

Looking back to the 1990's, a great variety of different national solutions can be observed. Polish energy policy could be described as 'energy realpolitik', where Russia has a distinguished position. The leitmotives are minimizing imports from Russia and preserving national authority on energy supplies. Keeping gas imports as low as they can, usually at the expense of coal, preserving governmental control over domestic energy industry referring mainly to security reasons is very similar to Western sentiments till the 1960's, 1970's. 60% coal component in a primary energy balance could be described as extraordinary, it is almost the Chinese level. Issues as preserving transit status and diversification of supplies have a great significance, these are the assets ensuring 'energy independence'. Security of supplies together with social and regional considerations have almost hegemonistic status, pushing sustainability and competitiveness to the backseat.

Hungary is rather typical in terms of 'mismanaged dependence'. Political support of cheap natural gas imports brought its share almost to the highest level in the EU, above 40%. Domestic production has been decreasing, 85% of imports are coming from Russia through the Ukrainian pipeline network. Transit is almost absent, represented only by minimal volumes towards Serbia. Natural gas dependence became uncomfortable only after the 2003 oil price boom and repeated Ukrainian 'transit wars'. Critical electricity situation on the Balkans puts additional pressure on Hungarian gas and electricity markets. Budapest has hardly any choice, but to go ahead and raise its status by further integration of Eastern and Central European markets. Building up strategic gas reserves

– the first such facility in Europe, expanding and opening up storage capacities before competition, aggressively increasing interconnectivity and locking in as many pipeline projects – Nabucco, South Stream, Adriatic LNG – as possible. Hungary simply does not have those bargaining chips, that other neighboring states have at disposal. The three other Visegrad countries and even Romania and Bulgaria are important transit routes for Russia. Combining co-operation with Russia in order to increase our leverage and diversification efforts on the level of fuels and supplies seem to be some sort of Frankenstein-policy only without understanding the domestic energy patterns. Hungarian activity and domestic debates rest on these fundamentals. Hungarian good performance hence its high level of dependence during the 2009 Russian-Ukrainian transit crisis is the first feedback of successful management of dependency.

The Czech Republic and Slovakia have the most balanced energy landscapes combined with some 'lucky' factors and historical legacies. For Prague other suppliers are accessible at reasonable costs because of its geographic location. Proximity to the dense Western European network offer a number of different supply options as Norway or even Mediterranean region. What is more, a formidable 'electricity leg' represented by CEZ, formed on the basis of strong engineering industry provides synergies for nuclear and even coal capacities. Integration into European energy policy and relaxed attitude towards Russian dependence among the industrial, if not the foreign policy actors downplays the role of Russia. Slovakia inherited a similar fuel mix with the highest gas transit/consumption ratio on the Globe and a favourable electricity environment. However, future Russian transit diversification policies might hit Slovakia the most. If Bratislava would like to unbundle its gas supply security from Russian-Ukrainian transit, it has to cooperate with some regional players.

*Future Russian
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Baltic markets are small and liberalized, providing very little room for maneuvering. One example to be followed is the Finnish one, where diversification between fuels, if not between sources proved to be rather efficient. In addition to this integration into the Scandinavian or Central European electricity networks might ease the perception of dependence. However, because of geographical proximity and small scale of these markets, it is hard to imagine any other diversification measures, though the political sensitivity of the issue.

In the light of these different dependency management policies, it is important to make some qualifying remarks on possible Central European cooperation. It is still true, that beside social considerations, security of supplies takes the

leading role from the EU top three priorities. This is a significant difference from Western-European development path, where competitiveness was the main target at the beginning. Security of supply considerations do not only presume a more outward-looking approach and bigger importance for foreign policy instruments, but in many cases mean some controversies with market opening. Liberalization and a near-monopoly supplier status would result not in higher competition, but lessen the instruments of national market control. In many Central European capitals such fears are rather common.

Nevertheless, these Central European dependency management policies differ considerably, making the formation of a common position in the EU pretty difficult. Some countries are quite relaxed, while others still keep this as a main challenge for their energy policy. Depending on the progress of privatization or liberalization, different methods are at the disposal of national governments. A high level of foreign investments in the industry in Slovakia or Hungary assume much more different imprints, than that of Poland. At last, but not at least foreign policy attitudes towards Russia complicate the issue remarkably. Cultural, historical and other foreign policy factors impact the Russia relations at least as deeply, as energy dependence. Typical examples are the Hungarian, Czech or Slovakian domestic policy scenes. In all these countries political parties are divided on the question of Russia, while the nature of dependence would not change after elections. Domestic differences are almost bigger, than those between the countries.

This patchwork of Central European energy and Russia policies only a slight less colourful, than attitudes in the EU. We have witnessed very few common positions in these regards. Thus energy policy co-operation is possible only in cases of win-win situations and by bringing these problems rather to the technical, not to the political level. Common EU policies, regulation and liberalization directives impacted these energy policies much more, than autonomous Central European co-operation. It is no accident, that countries are searching for other partnerships, market integration is pursued less on the Visegrad level. Poland seems to look for Baltic states and form some co-operation on the basis of similar foreign policy considerations. The Czech Republic has almost integrated its network into the Western one. Hungary is turning to the Balkans, where profits and potential environment and reception might bring more dividends.

Ernest Wyciszkievicz

Polish Perspective on the EU's Energy Policy and the Security of External Supply

Summary: Since the very beginning of the EU energy policy building process, Poland has belonged to the most vigorous participants which was a result of several internal and external determinants. Internally, it was a heavy reliance on imported oil and gas from Russia and thus high vulnerability to its energy diplomacy that mattered, especially for the government that took power in 2005. Externally, repeated temporary disruptions of supplies and German-Russian agreement on Nord Stream gas pipeline pushed Poland towards deep involvement into the making of the EU energy policy and into the European energy security discourse. Polish position was determined by a feeling that under current circumstances its energy security was at stake, and second, that an extraordinary opportunity emerged to shape directly the process of making new EU policy since its commencement. Major issues for Poland, such as energy solidarity, crisis management mechanism, diversification of suppliers and common position towards external actors were reflected in several initiatives: failed proposal of European Energy Security Treaty, injection of energy solidarity into the Treaty of Lisbon and recently suggested amendments to EU Security of the Gas Supply Directive. It will not be an overestimation to claim that it is partly due to Polish pressure that the abovementioned issued became an integral part of EU policy papers and proposals. The question now is not whether the EU should bother about energy security at all but how it should respond to oncoming challenges to reduce its vulnerability and to minimize risk exposure.

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EU Energy Policy in the Making

Although the process of European integration was to some extent founded on increased co-operation in energy embodied by the European Coal and Steel Community and Euratom, never in fact had the Community managed to make a step forward from coal and nuclear to oil, gas and electricity. If truth be told, the European Commission did make some efforts to coax member states into formulating common energy policy in response to growing reliance on imported fossil fuels, but no significant successes were achieved. Various obstacles hampered the process. First and foremost, member states had divergent political and business interests because of various energy mixes and resource abundance, as well as of different organization of energy sectors. Even the oil shocks of the 1970s did not change the picture significantly, though they evidently generated more public interest to rising import dependence. Growing confidence in market-driven mechanisms characteristic for the 1980s in the period of cheap oil, the wave of geopolitical optimism after the end of cold war and eased access to new oil and gas deposits eliminated energy security from international discourse. Shortsightedness of such approach was proven just at the beginning of this century. Global energy landscape has changed because of demand pressure from new emerging oil consumers (China, India), rise of resource nationalism, oil price volatility, climate change, and increasing import dependence and new challenges to EU security of natural gas supply stemming from Russian energy policy. It turned out that demand-driven European energy policy based on liberalization and sustainable development only was not sufficient to respond effectively to oncoming external challenges.

In late 2005, under British presidency, the European Council asked the EC to prepare a *Green Paper* on energy policy which in fact marked the launch of the EU energy policy building process. The general aim was to put together elements of energy policy scattered through other policy areas (internal market, environment, trade, competition) and to let them work in a more coherent manner. Equally important was the idea floated in the Commission' paper made public in March 2006 'to speak with one voice' with energy-producing and transit countries which was to complement internal energy framework by external dimension. Since 2005 plenty of documents were released by the EU Council, the Commission, European Parliament and High Representative/Secretary General in the process of establishing EU energy policy.¹ These efforts embraced

¹ Beginning from the Commission's "Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy" (March 2006), Communication from the EC and HR/SG "External Energy relations – from Principles to Action" (October 2006), EC Communication

the whole range of issues related to energy policy such as competitiveness of energy markets, sustainability, climate change, security of supply and external dimension.² Such broad approach was based upon an assumption that the EU needs integrity and coherence between existing components of energy *acquis* supplemented by new instruments related to still underdeveloped security field. Almost immediately the significant legal and institutional problem re-emerged, namely a division of powers between center (Brussels) and governments. Strange as it seems, the majority of governments called for Community solutions to energy challenges while simultaneously the same governments showed deep reluctance to cede any additional powers in energy not only to the supranational level but even to intergovernmental one, preferring unilateral actions instead. This dilemma between the need for establishing the EU-wide security umbrella while preserving full sovereignty over energy mix has not been overcome yet and affects joint undertakings which after spectacular opening often tend to lead to the lowest common denominator solutions, or disappear altogether.

Dilemma between the need for establishing the EU-wide security umbrella while preserving full sovereignty over energy mix has not been overcome yet.

It was not coincidence that a new wave of interest in energy security in the EU came just after the enlargement of 2004. In terms of security of supply enlargement added a new element to the whole picture. Eight new members from the Central Europe and the Baltic region were highly or totally dependent on a single supplier of oil and gas, with whom they shared quite difficult history

"An Energy Policy for Europe" (January 2007 – accompanied by set of detailed documents devoted to climate policy, renewables, interconnections, nuclear energy, internal gas and electricity markets and few others), "3rd Liberalization Package" (September 2007), "Climate Package" (January 2008) and last but not least "Second Strategic Energy Review" (November 2008). All documents are published on the respective institutions web-sites: http://ec.europa.eu/energy/index_en.htm and <http://www.consilium.europa.eu>. For compilation of extracts from EU documents related to external energy policy see "Key Institutional Decisions in the field of External Energy Policy 2006-2007" (DG External Relations, European Communities 2007), http://ec.europa.eu/external_relations/library/publications/29_key_institutional_decisions.pdf.

² The purpose of this paper is to give Polish perspective on the last two issues, but the reader should bear in mind that the separation of abovementioned problems for other than just analytical reasons is artificial due to obvious correlations existing between them. In fact building single competitive markets for gas and electricity would significantly improve energy security by eliminating one of fundamental risk factors which is market fragmentation partly responsible for political divisions.

of political and economic relations. It should not be surprising that Poland, since the very beginning, has vigorously participated in the process of the EU energy policy shaping. Two motives seemed to have been behind it. First, it was a feeling that under current circumstances Polish energy security is at stake, and second, that an extraordinary opportunity emerged to shape directly the process of making new EU policy since its commencement.

Another significant factor that boosted European interests in energy security was resource-based political and economic build-up of Russia and of Gazprom which led to a more assertive foreign policy with energy tools being more and more often used as an instrument of pressure. Windfall revenues fueled the energy expansion of Russia (or Gazprom, to be more precise) on the EU markets. This process started to be perceived as an economic challenge with uncertain political implications not only in Central but also in Western Europe.

Energy Security of Poland – a Never-ending Story?

Although official Polish documents use a broad definition of energy security with diversification, competitiveness, and sustainability as integral parts of it, but as a matter of fact it was definitely security of supply that fueled public debate in Poland. It should not be surprising given the level of dependence on energy imports from or via Russia (98% of oil and 61% of gas demand) and difficult relations between the two neighbors. Poland has tried to diversify its suppliers since the end of the 1990s, but all efforts up to 2004 either were abandoned (gas pipeline link to Norway) or stalled (Odessa-Brody-Płock oil pipeline) for various reasons of political and business nature which are beyond the scope of this paper:

The setting changed in 2005 as a result of internal and external developments. Internally, the process of securitization of energy policy became evident. The new president elected in 2005 and new government established the same year gave new impetus to energy security debate. Abovementioned diversification projects were reinvigorated and supplemented by a new plan to build an LNG terminal on Polish coast. Energy security became one of top foreign priorities of Polish authorities.³ Externally, several events served as wake-up calls. Already in 2004, the Yamal-Europe gas pipeline was shut for a day without prior notice as a result of a dispute between Russia and Belarus. Then, in September 2005,

³ "Address Given by the Minister of Foreign Affairs Anna Fotyga to the Sejm with Information about Polish Foreign Policy in 2007" (May 11, 2007); http://www.msz.gov.pl/files/file_library/expose2007/expose70511AF.pdf (in Polish).

a Russian-German agreement was concluded about the North European Gas Pipeline under the Baltic Sea (now Nord Stream) by-passing some new EU members. This undertaking has been interpreted in Poland as detrimental to security of supply because it would definitely increase Polish vulnerability to the dominant supplier's good will, it would make mutual dependence even more asymmetrical, and would make more difficult to pursue diversification initiatives. Last but not least, a gas dispute between Russia and Ukraine which resulted in temporary reduction of supplies to several EU countries at the beginning of 2006 led Poland towards taking a more proactive position in EU energy discourse.

European Energy Security Treaty

At the beginning of 2006 Poland faced a difficult dilemma. On one hand, the Russian-Ukrainian gas dispute showed that the Community had actually no preventive and responsive measures to influence the course of action before and after the crisis. So, it made for Poland even more necessary to move as quickly as possible towards a common EU energy policy. On the other hand, a recent case of Nord Stream agreement demonstrated fundamental differences of interests existing between member states in relation to energy security. Generally, in Poland's view, that project proved illusionary character of any calls for Europeanization of energy field and of EU-Russia energy dialogue which transformed itself in a set of bilateral initiatives between Moscow and the largest consumers of Russian gas (Germany, Italy and France). These observations led Polish authorities to float the idea of energy solidarity formalized in the form of the draft of the European Energy Security Treaty (EEST). Since the proposal was addressed not just to the EU countries but to all willing EU and NATO members (and alluded to some elements of the Washington treaty establishing NATO), it received an unfortunate label of 'energy NATO' which effectively made it 'dead on arrival'. After its introduction the initiators were more often forced to explain what the idea was not to be instead of what it was aiming at.

Yet, despite its ultimate failure the EEST proposal is worth analysis since, first, some elements of it were subsequently developed in the Commission's documents, and second, it says much about the then Polish attitude to EU energy security.⁴ The EEST was to some extent rooted in Polish doubts that

⁴ For detailed presentation of main elements of EEST proposal see. L. Jesień, "Poland's Proposal for the European Energy Security Treaty", L. Jesień (ed.) *The Future of European Energy Security*. (Kraków: Tischner European University, 2006), pp. 89-100.

common EU energy security policy would be developed fast enough to respond to immediate risks. As the Community method seemed to be not very promising the proposal was based on an intergovernmental approach trespassing rigid EU legal and institutional limitations. The assumption was that there was a need for a sort of interim measure formalized institutionally with the expectation that it would finally be accepted by all EU (or EEA) countries.

The EEST was supposed to gather countries willing to grant themselves security guarantees in case of a supply crisis and willing to develop capabilities (legal, technical) for mutual help. It was to replace the current 'self-help system' founded on a politically and economically fragmented European energy landscape. Basically, the EEST was to alleviate vulnerability of European importers to supply crises which might happen for political, economic or technical reasons. The idea was also based on the assumption that a market-oriented approach would not be sufficient in the current situation of limited trans-border trade and interconnections between relatively isolated national markets. The market will not produce enough incentives for private sector to invest heavily into intra-EU infrastructure which is fundamental to any functional crisis mechanism. Thus robust legal and political framework must be established to improve energy security and to ease financial risks.

Polish proposal emphasized the significance of diversification as a means to ensuring long-term security of supply. It was not just about diversification of suppliers but also about diversification of fuels in primary energy mix and of import routes. Such solution was also aimed at enhancing internal cohesion of the EU and at producing solidarity in the energy field under the principle of 'one for all, all for one'. The would-be parties to the Treaty were obliged to consider any threat to energy security of one of them as a threat to them. The ideal result of the EEST proposal would be to have "two things linked inextricably: full and unconstrained operation of the energy markets, also across the EU external borders; plus an additional transmission infrastructure capacity combined with a political agreement that would allow the whole system to respond properly in a moment of increased demand"⁵. As already mentioned, on the whole the EEST failed and the concept was soon abandoned by Polish government. Nonetheless, it fulfilled at least one important task, which was to bring into European debate in more explicit way such issues as energy solidarity, crisis management mechanism or regional energy specifics of Central Europe.⁶ Constant pressure

⁵ L. Jesień, op. cit., p. 92.

⁶ After enlargement of 2004 and 2007 the EU gas market is characterized by concentration of demand in well-diversified Western Europe (Germany, Italy, and France) while new members from Central Europe consume less but are highly or totally dependent on imports

exerted by Poland at least partially contributed to the fact that these issues started to be treated by the EC as an integral part of future EU energy policy.

Energy Solidarity

Polish activities in the field of the EU energy policy have always been based on the assumption that the principle of solidarity should be a cornerstone of any future EU energy security. For Poland solidarity meant that in times of crisis, no matter of its origin, any member of the Community should fully count on unequivocal political and economic support from other members. In other words, any kind of threat to energy security of a single member of the EU automatically would be treated as a threat to other members and to the Community as a whole. Solidarity should also mean that a member state should avoid undertaking unilateral actions that would enhance its energy security while posing a threat to other members (free-riding). That is why Poland accepted the Presidency Conclusions of the European Council of June 2006 only after the statement on "full support to infrastructure projects aimed at opening up new supply routes with a view of diversifying energy imports of sources" was complemented with the final phrase: "which would benefit all Member States"⁷. This extension was to prevent the EU from providing any financial support to projects that contravene security interests of any individual member (like Nord Stream). Such a position stemmed from a belief that the level of security of the Community as a whole cannot be separated from the security of any single member state.

Polish efforts were at first concentrated on introducing as much solidarity as possible into the EU primary legislation. During negotiations on the *Treaty of Lisbon* Poland supported incorporating a separate energy chapter and

Polish activities in the field of the EU energy policy have always been based on the assumption that the principle of solidarity should be a cornerstone of any future EU energy security.

and single supplier (Russia). For more detailed analysis of this division see: P. Noel, "Beyond Dependence – How to deal with Russian Gas", European Council for Foreign Relations, *Policy Brief* (November 2008), www.ecfr.eu.

⁷ "Presidency Conclusions of the Brussels European Council of 15-16 June 2006"; http://europa.eu/european-council/index_en.htm, p. 11.

proposed some supplements to its version imported from the failed *Treaty establishing a Constitution for Europe* (TEC) which originally was expected to be approved without changes. Poland proposed extension of Art. III-256 of TEC of 'energy chapter' by a phrase 'in a spirit of solidarity' and add one more aim to be achieved under EU policy which was a development of interconnections between energy networks.⁸

At the outset Poland was in favor of modifying the so called 'solidarity clause' by obliging the Union and Member States to act jointly and to mobilize all available resources to support a member being a victim of an energy crisis (no matter of what origin). It was supposed to supplement an existing list of events triggering a common response such as a terrorist attack and a natural or man-made disaster. The agreement on changing this clause was not reached, so Poland suggested extending art. 100(1) TEC related to difficulties in supply of certain products. Its request was reflected in the text which reads as follows (Polish additions in italics): "Without prejudice to any other procedures provided for in the Treaties, the Council, on a proposal from the Commission, may decide, *in a spirit of solidarity between Member States*, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, *notably in the area of energy*." Although this new formula seems to be very broad and general, it was not easy to reach the consensus due to German objections. Still, due to the simple fact that the fate of the *Treaty of Lisbon* is still uncertain; it is difficult to predict when this provision will be finally binding.

The abovementioned efforts to influence EU primary law ended up with signing the *Treaty of Lisbon* in December 2007. The new Polish government formed in autumn 2007 supported in general the policy pursued in energy by its predecessors, at least in terms of strategic goals. However, it changed the tactics. Poland ceased to propose measures going beyond EU regulations and institutions and instead concentrated on improving those already existing. Such a move may have been driven by a belief that it might facilitate gaining support from the Commission or European Parliament.

Throughout the heavy negotiations on the Climate Package in the second half of 2008 the Polish government insisted on inserting some modifications into EU secondary law related to energy security. The climate package as proposed by the Commission was seen in Poland as detrimental to the competitiveness of

⁸ "Information for the Sejm and Senate [two Chambers of Polish parliament] about participation of Republic of Poland in the works of the EU from January to June 2007 (under German presidency) adopted by the Government on October 3, 2007" (in Polish); [http://orka.sejm.gov.pl/Druki5ka.nsf/0/3EBC99C62903FD5CC1257378004D4ECO/\\$file/2119.pdf](http://orka.sejm.gov.pl/Druki5ka.nsf/0/3EBC99C62903FD5CC1257378004D4ECO/$file/2119.pdf), p. 12.

Polish economy as well as to energy security. It was clear that introducing tough climate requirements would make Poland decrease the share of coal in power generation while promoting less carbon-intensive sources including natural gas. This forced fuel-switch would make Poland increase gas consumption and import reliance on Russia which is the major security concern in the light of repeating regularly from 2004 problems with supplies. Furthermore, necessary prolongation of long-term gas contracts would make impossible any hypothetical return to coal when clean-coal technologies be ready. Bearing this in mind, the Polish government proposed amendments to the Council directive of 2004 about measures to safeguard security of gas supply⁹. Under this law member states and the Community are obliged to intervene when over 20% of gas supplies to the whole EU are threatened. Since gas consumption is highly concentrated in Western Europe while dependence and risk exposure is characteristic for Central Europe such measure misses the point completely. In practice it links directly the mechanism with disruption to Western consumers only. Under Polish plans EU reaction to supply crisis should be obligatory if any member state faced 50% disruption¹⁰. Such alteration would reflect the uneven distribution of import dependence inside the EU. Currently cutting-off gas supplies to the whole Central Europe would not trigger the mechanism as the quantity of gas consumed in the region is below 20% of the EU demand. Additionally, Poland wanted to modify the definition of serious disruption as the one that lasts longer than four weeks in winter and six weeks in summer (under current regulation it is eight weeks irrespective of the season). Polish pressure was partly responsible for the fact the EC put into its Second Energy Review the plan to revise 'gas security directive' in 2010.¹¹

The climate package as proposed by the Commission was seen in Poland as detrimental to the competitiveness of Polish economy as well as to energy security.

⁹ "Council Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply", OJ L127/93; http://eur-lex.europa.eu/LexUriServ/site/en/oj/2004/L_127/L_12720040429en00920096.pdf.

¹⁰ "Poland Wants EU Energy Solidarity Pact Tightened", *Spiegel Online International* (August 10, 2008); <http://www.spiegel.de/international/europe/0,1518,582926,00.html>; "Kryzys gazowy przyspieszy unijną solidarność", interview with Mikołaj Dowgielewicz, Secretary of State for EU Affairs, *Gazeta Wyborcza* (January 8, 2009).

¹¹ "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second

The Polish government insisted also that the EU should co-finance development of energy infrastructure (trans-border interconnections and import corridors to new suppliers) as well as establish common European natural gas reserves. The first idea was touched upon by the EC in the *Second Energy Review* in November 2008, but it gained impetus immediately after the Russia-Ukraine gas dispute in January 2009. The Commission submitted a proposal of 1.75 billion euro support from the *European Economic Recovery Plan* (endorsed by the European Council in December 2008) to put into strategic interconnections and other energy projects including import gas pipeline *Nabucco* and Polish LNG terminal in Świnoujście. Due to some political and legal problems the fate of this proposal is still uncertain but at least it showed significant change in the attitude of the Commission, which earlier was rather reluctant for investing EU money in such projects. The second idea of obligatory gas storage has been pushed aside by the EC because of excessive costs of such investments. The decisions about developing or extending gas storage facilities will be fully dependent on national governments.

External Energy Policy

Poland has been a staunch supporter of creating EU external energy policy which would enhance the bargaining power of the whole Community and individual members in talks with energy exporting countries. Poland called for Europeanization of EU-Russia dialogue to prevent bilateralism from flourishing. Following the European Commission's demands Poland wanted Russia to ratify the Energy Charter Treaty and to sign the Transit Protocol as basic instruments for setting a level playing field for energy producers and consumers. Since Russia refused to accept these demands Poland started to see EU-Russia talks about new partnership agreement as a window of opportunity which could be used to smuggle key provisions from the ECT into the new document.

External energy policy attracted a lot of attention from Polish policy makers and public opinion due to the very simple reason that Poland's major concerns about security were tightly linked to risks emanating from excessive import dependence on Russia's oil and gas. Despite a wide array of various national plans to improve energy security (gas link to Norway, LNG terminal, clean-coal technologies, nuclear power plants) Polish activity was still driven by

observation that it will be difficult to defend its interests on its own. Probably the best reflection of Polish attitude can be found in the report of the European Parliament of September 2007 *Towards a Common European Foreign Policy on Energy* prepared by the Committee on Foreign Affairs headed by the Polish MEP Jacek Saryusz-Wolski who was also a rapporteur generally responsible for triggering works on the paper.¹² Although the document was referring to a wide range of issues many of which went far beyond Polish agenda, but at the same time it mirrored, to some extent, the Polish standpoint due to the role of its Polish author.

EP's report is based on the assumption shared by many in Poland that mounting reliance on imported fuels might restrict the EU's and member states' autonomy in foreign and security actions. Hence the EU needs coherent external energy policy that should be based on diversification of suppliers and unity as a necessary precondition for real solidarity. Poland strongly supported the view that there was a need for regular exchange of information and consultations between member states and the Commission about bilateral agreements with third-countries which could affect interests of any other member or the EU as a whole. Such EU-level screening of major projects would enhance transparency and be helpful in avoiding more clashes (such as the one about the Nord Stream gas pipeline) which only magnify political divisions inside the Community and hamper the process of EU energy policy building. The report called for including a special 'energy security clause' with code of conduct and dispute settlement mechanism into trade, association and partnership agreements with producing and transit countries.

Also in correspondence to the Polish position was the proposal of closer cooperation between the Presidency, European Commission and High Representative/Secretary General through establishing missing institutional links in the form broadening powers of EC and EP and nomination of 'double-hatted' High Official for Foreign Energy Policy who would be anchored both in the Council and the Commission. It must be noted that though the report gained majority support in the EP it is not legally binding.

The EU needs coherent external energy policy that should be based on diversification of suppliers and unity as a necessary precondition for real solidarity.

Strategic Energy Review: an EU Energy Security and Solidarity Action Plan", COM(2008) 781 final, Brussels (November 13, 2008); <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>.

¹² "Report on towards a Common European Foreign Policy on Energy", Committee on Foreign Affairs, European Parliament, A6-0312/2007 (September 11, 2007).

Conclusion

Energy security is produced at home – this common phrase could sum up the basics of Polish energy policy up to joining the EU in 2004. Naturally this approach has not been rejected afterwards, but modified to adapt to new realities of the EU membership. To this day, Polish energy debate has been dominated by issues like diversification of suppliers, increasing indigenous production and enlarging storage capabilities, but since 2006 more and more attention has been drawn to improving an underdeveloped European energy toolbox. Along with entering the EU new opportunities arose that started to be seen as useful for achieving national goals.

Polish involvement in shaping EU energy policy brought some significant results, though obviously not each and every expected goal has been achieved. Modifications inserted into the *Treaty of Lisbon* were rather just recognition of growing significance of energy as a political issue in the EU and not an attempt to increase the powers of the EU in this area. It symbolically reflected mounting concerns about dependence on external suppliers and the need for joint action in case of emergency. Yet, it is difficult to assess what practical consequences these changes might have in the future. In particular, explicit statement (Art. 4) that energy belongs to the sphere of shared competences between members and the Community can be seen as a part of foot-in-the-door tactics, which lacks substance now but can bring benefits in the future.

It appears to be a paradox that while most of the EU members strongly support common EU energy policy and unity in external affairs, at the same time the same countries remain highly reluctant to cede any additional powers to supranational and intergovernmental levels. Status quo has been reaffirmed in the *Treaty of Lisbon* which states in Art. 194 (2) that “measures [undertaken under EU energy policy] shall not affect a Member State’s right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply”¹³. Poland was not an exception in this case having been in favor of preserving national sovereignty over these issues. Seemingly, most EU members still believe that in case of crisis the responsibility to act should rest upon national authorities. A vicious circle of logic emerged: to make the EU more powerful members should be ready to limit their own autonomy, but since this would weaken their own capabilities to react and at least temporarily make them more exposed to various risks, they prefer to stay where they are. Probably, only when a very serious energy crisis

¹³ “Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community”, OJ C306/42 (December 13, 2007).

occurs, an EU member might find a way out of this logic. Still an open question is now what consequences a recent gas dispute between Russia and Ukraine that resulted in serious supply disruption to some members with close business relations with *Gazprom* and Russia like Bulgaria, Slovakia, Hungary, might have on future division of powers in energy field in the Community.

As already mentioned, for Poland the key issue is energy solidarity meant as a mutual aid scheme triggered automatically in times of need. In general such an approach goes in the right direction since indeed only acting collectively the Community would be able to face the challenges to energy security, no matter of their origin. Poland managed to convince other members of the necessity to include special solidarity provisions into the *Treaty of Lisbon* and recently has started to insist on more concrete but still purely legal measures to be incorporated into secondary law. However, to make solidarity work in practice there is a need for a broad consensus about threat perception and about co-responsibility. As Poland rightly has been emphasizing, solidarity requires political will, but at the same time it requires serious institutional, economic and technical conditions to be met which generally were only slightly touched upon in Polish debates. To put just a few of them, it is necessary to work out a scheme of cost distribution in case of using solidarity mechanism. Any kind of supply-sharing mechanism or common usage of storage facilities are not going to work under administrative measures only, but need market-based foundations creating incentives for major energy companies. Otherwise, no private entity will ever decide to put money into capital-intensive projects and this in turn would have detrimental impact on badly needed development of trans-border interconnectors – a cornerstone of any imaginable solidarity mechanism. What was also missing in Polish debate about energy solidarity was the risk of free-riding stemming from demoralizing effect of security guarantees. There is a danger that such guarantees could make some members put off investments necessary to modernize their own national energy systems or delay energy efficiency programs which are partly stimulated by imminent risk to external supplies.

The Polish approach to the EU energy policy was characterized by a clear hierarchy of objectives with security of supply from diversified sources and solidarity in times of need seen as top priorities. The Polish government insisted on strengthening security dimension as a third pillar as a pre-requisite to establishing competitive energy markets. What is more, in Polish view, without effective diversification and security policy towards external suppliers the process liberalization could lead to gradual monopolization of European markets by dominating suppliers.¹⁴ The problem is, however, that without liberalized and

¹⁴ Information for the Sejm and Senate (2007), op. cit., p. 123.

competitive EU energy market practical implementation and enforcement of solidarity principle is hardly imaginable. Furthermore, fragmented and isolated national markets make it easier for non-EU suppliers to play consumers against each other and to sustain current divisions which obviously impede creation of common external policy. Nonetheless, in the Polish case the order remains crucial; liberalization should follow diversification to minimize exposure to external risks. Yet, still unfinished diversification projects weaken credibility of Polish wavering over liberalization and make it increasingly difficult to achieve real energy solidarity.

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Karel Hirman

The Energy Security of the SR in the Context of the EU and Relations with Russia

Summary: Oil and natural gas have been flowing from Western Siberia to Europe for over 40 years without any significant problems. However, in the past few years serious problems emerged. The last natural gas crisis at the beginning of 2009 fully revealed the grave weaknesses of Slovakia’s energy security. It also raised serious doubts about the energy security of the entire EU and especially about the adequacy of future orientation towards natural gas. The author argues that in the case of Slovakia it is necessary to achieve at least a partial diversification of natural gas import through other routes and possibly from another supplier. On the other hand, it is impossible to realistically solve the challenges that the energy security of Slovakia is facing without the close cooperation between multiple state bodies. This problem is interdepartmental and affects not only the field of economy, but also foreign policy, security, agriculture, transport, and the environment. Therefore cooperation and coordination is necessary. What is, however, most important is to not only talk about energy security but also to act.

The natural gas crisis at the beginning of 2009 fully revealed the grave weaknesses of Slovakia’s energy security. It also raised serious doubts about the energy security of the entire EU and especially about the adequacy of future orientation towards natural gas. However the truth is that the almost two-week supply cut of Russian natural gas flowing to the EU through Ukraine only had

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a significant impact on two EU countries – Slovakia and Bulgaria. The cause is clear. These two countries as the only ones in the EU are fully dependent on the import of natural gas from Russia through only one gas transit corridor – Ukraine. Slovakia is in a very similar situation when it comes to the import of oil, even though in this case a partial alternative exists in the form of the functional oil pipeline Adria. This one-sided dependency represents a severe security risk which has been proven by the events of the past years.

The Consequence of EU Enlargement

In the past few years serious outages in the import of oil and natural gas from Russia to the EU have been repeated with unprecedented intensity:

- February 2004 (cessation of Russian natural gas supplies to Lithuania, Poland and Germany through the natural gas pipeline Jamal in Belarus);
- January 2006 (cessation of Russian natural gas supplies through Ukraine);
- January 2007 (cessation of Russian oil supplies to Central Europe through Belarus by the oil pipeline Druzhba).

We can add the ongoing cessation of Russian oil supplies to Lithuania through the oil pipeline Druzhba and the significant reduction of oil supplies to the Czech Republic from the summer of 2008 to this list. In the case of Lithuania the official argument of the Russian side for cutting of supplies was in the deteriorating state of the oil pipeline, however Russia made no attempts at repairs. Coincidentally, the Druzhba pipeline branch to Lithuania was cut off at the same time the Vilnius government decided that the Polish concern PKN will become the new owner of the Mazeikiiai refinery instead of the Russian company Lukoil as part of the bankrupt Russian Yukos. Since then the Lithuanian refinery is being supplied by tankers through the terminal on the shore of the Baltic Sea.

In the case of the Czech Republic Moscow officially declared administrative and trade problems in oil export and proposed their solution through an intergovernmental agreement and a direct contract between the Russian oil company and the company Česká rafinářská, also owned by the Polish PKN. The dramatic decrease of Russian oil supplies occurred at the same time the agreement on the deployment of the missile defense system radar between the Czech Republic and the USA was signed. There were also mentions of Russian interests on capital penetration into Czech refineries and possibly into the state oil transit company Mero. From the state budget resources this company built an oil pipeline to the German Ingolstadt in the mid 90-ties which enabled

oil supplies to be delivered from the Italian oil terminal Terst on the shore of the Mediterranean Sea. It is especially thanks to this connection that Czech refineries can function without restrictions despite the significant decrease in supplies from Russia through the oil pipeline Druzhba.

Due to the quantity and the similar scenarios of these events during the past few years it cannot be a coincidence. It is a systemic phenomenon with multiple causes.

Oil and natural gas have been flowing from Western Siberia to Europe for over 40 years without any significant problems. The Soviets, and later the Russians, have rightfully earned the reputation of a reliable and respectable partner. The supplies of energy resources have weathered through all the dramatic and breaking points of the Cold War; the fall of the Berlin wall, the dissolution of the Soviet Union as well as the turbulent Yeltsin era without major consequences. After 1990 the stability of supplies was also upheld thanks to the newly formed transit countries between Germany and Russia, including the Czechs and Slovaks separated after the Velvet revolution or Ukraine. Why have serious problems only emerged in the past few years?

The fact that they have been occurring after 2004 is in my opinion connected to the enlargement of the EU. It is a negative side-effect of this process which significantly altered the geopolitical map of the entire Central and Eastern Europe area. This enlargement was not foreseen by the then valid Agreement on strategic partnership between the EU and Russia or by the energy dialogue which started at the joint summit in Paris in the year 2000. Logically the question arose, how this enlargement would reflect itself in individual relations of Western European capitals with Moscow, as well as Kiev and Minsk or in the relations of Brussels with Moscow and its neighbors, and especially how the new EU member countries, as former political and economic satellites of Soviet Moscow, will join the relations and dialogue between Russia and the “old” EU members. Last but not least the question arose how this enlargement

The gradually deteriorating relations of the EU with Moscow coupled with attempts at exclusive relations of Berlin or Rome with the Russian capital, spiced up by the growing tensions and distrust between the Baltic states, Poland and Russia and stirred with the Orange revolution in Kiev have made an intricate and potentially explosive cocktail of relations.

will practically influence the entire complex of relations between Russia and Ukraine, Belarus or Moldova, which now directly border the EU. The gradually deteriorating relations of the EU with Moscow coupled with attempts at exclusive relations of Berlin or Rome with the Russian capital, spiced up by the growing tensions and distrust between the Baltic states, Poland and Russia and stirred with the Orange revolution in Kiev have made an intricate and potentially explosive cocktail of relations. The recurring conflicts in the field of energy resources transit and supplies are only the proverbial tip of the iceberg or the ventilation of these processes.

The Preservation of the Iron Curtain

To argue in light of the aforementioned events, that these are basically just business conflicts is a confusion of their substance and circumstances. After the enlargement of the EU there were logical expectations that long-term contracts on Russian natural gas supplies will be changed for customers in the EU. There were even questions whether the energy legislation of the EU wouldn't start to slowly extend onto its new Eastern neighbors, who not only expressed an interest in deepening cooperation but also in the potential future membership in the EU. That could also mean that European energy and natural gas corporations would gradually penetrate Ukraine's market which could move the trade with Russian energy resources all the way to the Russian-Ukrainian border.

However the exact opposite became true. Despite the spread of the common market and legislation of the EU all the way to the Polish-Belarus or Slovak-Ukrainian border old contract patterns from the era of the Cold War remained valid in the case of Russian natural gas supplies. Even the recently signed new contracts between the largest consumers in Germany (E.ON Ruhrgas), France (Gaz de France-Suez), Italy (Eni-Snam) and the Russian Gazprom, which prolonged their validity up to the year 2030, have just preserved the status quo. The essence of this status is that these companies only become the owners of the Russian natural gas at the Slovak-Austrian or Czech-German borders. So just as 20 years ago – on the same border that divided the former Soviet block from the democratic West and which became appropriately known as the Iron curtain. Today we can say that it is still some sort of energy gas curtain within the enlarged EU. Thus in the export of Russian natural gas to Europe we are continually maintaining trade conditions from the era before the fall of the Berlin wall. This status is a great paradox from the point of view of the deepening liberalization of the Union's natural gas market and the related regulations and

conditions of the effective legislation and corresponding natural gas directive. This directive states that the business entities active in the EU market must legally unbundle production, international transit, distribution and natural gas sales. However Gazprom, which is not subject to this legislation, can directly influence the flow of its natural gas and thus the natural gas trade within the internal market of the EU thanks to the current definition of the trade parity. What consequences and results this can lead to can be documented on the planned construction of the natural gas pipeline Nord Stream through the Baltic Sea.

More Pipelines for the Same Natural Gas

The construction of new pipelines which would bypass the allegedly unreliable transit countries is proposed as one of the effective recipes against the aforementioned increase in conflicts in the field of oil and natural gas transit from Russia to the EU. It is worth noting that transit disputes increased just after the unveiling of the construction plans. Be that for the natural gas pipeline Nord Stream or South Stream (from Russia through the Black Sea into Bulgaria), or the oil pipelines Burgas (Bulgaria) – Alexandropolis (Greece) and BTS-2 from Unechi (a hub on the oil pipeline Družba on the Russian-Belarus border) – Primorsk (Russian terminal on the Baltic shore). The proposed projects are not only extremely financially expensive but they do not solve the issue of sufficient accessible sources to fill them in the short-term horizon from the Russian Western Siberia or the Arctic regions. What is equally important is the fact that from a look at the current oil and natural gas consumption development in the EU and the newest predictions of their future development also from the European Commission we can see that no radical increase can be expected. In fact the opposite is true. The planned and implemented EU provisions in the field of energy efficiency, the development of renewable sources, or the anticipated reevaluation of the decisions of Germany and other countries on the early shutdown of nuclear energy plants and their future construction are causing and will cause significant changes in consumption trends and their coverage.

A question thus emerges what is the meaning from the view of energy interests and the economy of the project of building two pipes of the natural gas pipeline Nord Stream from Russia through the Baltic Sea into Germany in the planned schedule (2011-2013) and volume (2 x 27.5 billion cubic meters per year). Currently there is a contract reservation on the transit capacity of only 22.5 billion cubic meters yearly, half of which represents the volume for the German company Wingas, which is a joint enterprise of Gazprom and the

BASF Group. No contracts have yet been signed on the transit and sale of the natural gas onwards into the Netherlands and Great Britain which were to be – according to original declarations – the main terminal markets for Russian natural gas transported through Nord Stream. On the contrary preparations are running at full speed for the construction of a connecting pipe system between this pipeline and the current main entry hub of Russian natural gas on the Czech-German border in the Bavarian Waidhaus. This is the consequence of the aforementioned preserved trade parity for Russian natural gas from the Cold War era.

The Weakening of the Security of Transit Countries

Until now new transit pipelines were always built after the signing of new long-term contracts. In the case of Nord Stream it's the other way around. A pipeline is to be built first and only then will the search for natural gas to fill it with begin. The plans for the connection with Waidhaus prove that there will not be an increase in Russian natural gas supplies to the EU as was originally announced (new deposits on the Jamal peninsula are not accessible yet) and this gas also

The plans and construction of the new pipelines inevitably weaken the transit position and therefore the energy security of Slovakia and other countries of the V4, as well as Austria to a certain degree.

won't be directed to new markets within the EU (natural gas demand is not rising). Thus we have arrived at a situation where up to today not even the first pipe of the natural gas pipeline Nord Stream has still been filled and at the same time the transit corridor Ukraine-Slovakia still has a free transport capacity of approximately 20 billion cubic meters per year. It is therefore logical that if the natural gas pipeline Nord Stream is constructed according to plans supplies from the Ukraine-Slovakia corridor will automatically be diverted to fill the new pipeline and make it at least somewhat profitable. A very similar situation is arising in relation to the other natural gas pipeline

South Stream which should end in Baumgarten on the Slovak-Austrian border.

The plans and construction of the new pipelines inevitably weaken the transit position and therefore the energy security of Slovakia and other countries of the V4, as well as Austria to a certain degree. In the case of Slovakia it is clear that any pipeline that bypasses Ukraine will also bypass its territory. While

the prior 100% dependency on Russian natural gas and oil was balanced by the strong transit position of the country, this balance will be completely lost. Simultaneously this will mean substantial financial losses, since annually the state budget earned 10 to 15 billion SKK from the taxes and dividends of SPP, whose main source of income came from the transit of Russian natural gas. Its significant decrease will also lead to the loss of hundreds of jobs because at least one of the compressing stations on the transit natural gas pipeline will be shut down. The south region of Eastern Slovakia, which is already very problematic in terms of employment today, will be affected the most.

In Slovakia's case natural gas thus loses its prior advantages as secure, reliable and economically relatively accessible fuel.

Diversification, Efficiency and Renewable Sources

After the natural gas outage in January it is necessary in the interest of ensuring energy security to achieve at least a partial diversification of natural gas import through other routes and possibly from another supplier. Due to prior experience the import of natural gas from the German market through Czech transit seems as economically and technically most viable. The possibility of realizing this option has been confirmed during the crisis in January, when the companies E.ON Ruhrgas, Gaz de France-Suez and RWE Transgas were able to supply sufficient volumes of natural gas through this route which prevented the collapse of the Slovak natural gas distribution network. To prevent the recurrence of negative impacts on the economy when the flow of natural gas from Russia through Ukraine is null, it would suffice to diversify approximately 15% of our annual natural gas consumption in this manner. The construction of a LNG terminal in the Croatian Omisalj on the shore of the Adriatic Sea is an interesting project in the mid-term horizon. In the long-term horizon the project of the natural gas pipeline Nabucco leading from Middle Asia to Central Europe is an option.

The oil pipeline Adria leading from the aforementioned Croatian coastal terminal Omisalj represents a similar diversification backup in the case of oil. Another option is the cooperation with the Czech Mero in transit through Ingolstadt or a pipeline connection with the Austrian refinery in Schwechat.

However due to the listed trends as well as with regard to the obligatory plans of the EU, the decreasing of natural gas ratio in meeting the energy needs of Slovakia is becoming a necessity. It would not be adequate if the consumption of natural gas increased for the production of electricity. Its current share is around 10% mainly in connection to the co-generation production of heat

and electricity. This is why the finalization of the construction of the Mochovce nuclear power plant is important.

Natural gas is primarily the main fuel in the heating industry. That means that in Slovakia natural gas is energetically speaking primarily consumed for heating. A significant decrease in the consumption of natural gas in heating is mainly possible through economic measures on the part of the consumer, such as the insulation of buildings. Substantial reserves can be found in this sector not only in the residential buildings, but also administrative and production venues.

Due to the listed trends as well as with regard to the obligatory plans of the EU, the decreasing of natural gas ratio in meeting the energy needs of Slovakia is becoming a necessity.

Another option lays in the exchange of natural gas for renewable sources. Centralized systems of heat distribution in cities are a great advantage in this case, because they allow for the effective exchange of natural gas in city heating stations for regionally accessible sources of wood or farmland biomass. Already implemented projects show that this solution is also economically profitable since biomass fuel can compete in prices with gas.

It is impossible to realistically solve the challenges that the energy security of Slovakia is facing without the close cooperation between multiple state bodies.

This problem is interdepartmental and affects not only the field of economy, but also foreign policy, security, agriculture, transport, and the environment. Therefore cooperation and coordination is necessary. What is most important is not only to talk about energy security, but also to act. The "Kapušany null" – i.e. the state when no natural gas is flowing to our country from Russia through Ukraine in the middle of winter is no longer a theory, but a reality.

Diversification routes of oil

Oil transit system Oil pipeline connections	Maximal volume of transit (mil. T oil/y)	Note
Basic alternatives of transit routes		
Družba 1	6,0	volume is set by the intergovernmental agreement with the RF to the year 2014 – the current state of oil supplies to the SR
Options of oil supplies replacement (including oil emergency state) through alternative transit routes		
Adria/ Družba 1	3,4	an intergovernmental agreement must be signed on the existing alternative source of oil supplies to the SR + construction of storage capacities for oil
TAL/ AWP/ Družba 1 (Bratislava – Schwechat, Import to the SR is limited by the capacity of the AWP)	3,2 to Austria 1,2 do SR	construction of the oil pipeline connection necessary, followed by an intergovernmental agreement on oil supplies to the SR + construction of storage capacities for oil
IKL/ Družba 1	2,0	reverse transit method of oil supply from the ČR to the SR – requires technical modification on the system in the ČR and SR, as well as an intergovernmental agreement on oil supplies to the SR

Natural gas consumption prognosis until 2030

	2008	2010	2020	2030
Consumption [bill. m ³]	6.2	6.5	7.1	7.4

Source: The energy security strategy of the Slovak Republic until 2030, www.economy.gov.sk.

Michael Gonchar
Vitalii Martyniuk

Evolution of Energy Wars: from the Oil Embargo 1973 Till Gas Aggression 2009

Summary: *Since the first serious gas conflict between Ukraine and Russia at the edge of 2005-2006 the European Union has stably demonstrated a "position of neutrality" towards Russian – Ukrainian gas relations, in despite of these relations had and continue to have direct influence on the energy security of the Community. Such behavior was taken by Russia as 'policy of pacification' and even silent consent and assisted to appearance of a serious energy conflict in the beginning of 2009. The last one forced the EU to think about the situation in the gas triangle 'EU – Russia – Ukraine'. According to the authors, the Russian Federation will not stop in its expansionist actions and in the regions of world oil production and energy transportation, such as Central and Eastern Europe, Central Asia or South Caucasus, Russia will work to increase a degree of political temperature up to the armed conflicts. Europe is expected to face the new skillfully disguised confrontation steps of Moscow, too. The EU should therefore concentrate its attention on neutralization of vulnerabilities and get more involved in securing Russian gas supply via Ukraine's territory instead of removing itself from this procedure.*

Historical Excursion in the Period of 'Cold War'

The term *energy war* is accepted as a vivid expression for conflict relations description between countries and corporations in the sphere of energy resources trading. However, realities both of far 1973 and recent events of 2009

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make it necessary to evaluate otherways dramatic problems arising through last years in the sphere of energy relations with more frequent periodicity.

The classical war is usually market by armed seizure of the territory with the aim to receive tangible assets – industrial facilities, infrastructure, movable and immovable property etc.. Usually during military activities most assets could be damaged or destroyed. Energy was doesn't foresee any distruction and tangible assets pass into other hands through market capture or/and its infrastructure. In conjunction with certain information and propaganda campaigns this war does not have an adequate form and is not estimated as a war. It could be presented by some special interest groups, including state apparatus of victim-country through a formed system of corruption and lobbying contacts, as a business case, *aggressive style* of management, sectoral oprimisation of transnational character etc.

The first systematic usage of a CH-weapon was the Arabic oil embargo 1973 (see definitions – in Annex 1). After confirmation of facts granting mass military assistance to Israel by the USA and problems, which appeared by Syrian and Egyptian troops during offensive, Arabic oil exporting states headed by Saudi Arabia on October 21, 1973 declared the limitation of oil supply to the USA and a range of western countries, which supported Israel.

Actual restraint was not large-scale. Daniel Ergin noted: "Taking into account oil production increase in other regions, the net losses made in December.. nearly 9% from 5 million barrel per day, which Western countries got two months ago – not so great on the first point of view, loss in proportional ratio"¹. According to Inter-Arabian arrangements, oil export had to be cut by 5% monthly. During the embargo peak period, in December 1973, supply volume made 4,4 million barrel oil per day contrary to 5 million barrel before embargo. The cut made only 9%. Nevertheless these percents appeared to be critical on the background of reserves lacking in Western countries and mass panic, cased both by deficiency of objective information and widespread in mass media invalid data.

Energy resources in Europe had played an important role in the policy of the detente period. Although they were one of the instruments to maintain strategic dependence of satellite countries from the USSR, for Western Europe they acted as a business communicator with the Soviet regime and that had limited risks of tranforming a 'cold' war into a 'hot' war with nuclear exchange. There are still reasons to expect that exactly to that period of time, building up a system of energy sources relations with the western world, the USSR

¹ D. Ergin *Production, World History of Struggle for Oil, Money and Power*: (Moscow: „DeNovo", 1999), p. 648.

contemplated more far-reaching plans of their usage, overrunning simple trade relations. And, an example of an Arabian oil embargo in October 73 only stimulated Kreml for far-reaching intentions. Confirmation of that fact was the development of infrastructure to bring energy sources to market – building of oil and gas transportation systems.

Energy connectors play the main role in the organization of an energy sources weapon application system. Energy sources receive weapon features only by availability of appropriate infrastructure to their delivery, moreover with significant capacity surplus. In particular infrastructure surplus provides necessary maneuverability of energy resources export directions and diversification of sales markets. The last issue, in turn, enable to affect pricing. Control over energy connector is the main background for its use. The connector with controlling stake property and/or own management as well as energy source of the exporter obtains features of energy penetrator – mechanism for market penetration and dominance securement by resource owner. In terms of low prices and diversified energy supply system it doesn't work. But under high prices and monopolistic or dominant influence it works infallibly for market capture.

One more small excursion in history. Offered 1969 on traditional Hanoverian fair a contract 'gas in exchange for pipelines', the USSR set a goal to develop energy resource relations with German Federal Republic – leading country of European Economic Community. And since 1. February 1970 in Essen a package of three agreements was signed that had legalised this idea. Only the USA estimated threats from Soviet-European business cooperation and addressed hardly against Soviet-German deal 'gas – pipelines'. But what the USA managed to achieve and only 1981, it was establishment of 16 percentage share limitation in the total volume of Russian gas exports to Germany.

It is quite difficult to make single-valued conclusions, if such a fast-moving negotiation process for making a deal between the USSR and Germany were motivated only by political considerations to appease the Soviet regime through economical cooperation or there were also another considerations, provided by Moscow per non-official communications. The march of further history allows to suggest that there was a serious component of business interests of persons taking decisions in the hierarchy of leadership in some Western Europe capitals. It is a phenomena that in modern political and business realities could be entitled an Amerongen effect – by name of Otto Wolf von Amerongen, chief of Eastern Committee of German economics 1952-2000. He appeared in Bonn not only as a lobbyist for this arrangement, but also over a period of decades he cared and developed it. Gas imports exceeded during his time more than twice the volume of a 16-percentage barrier, concerted with the USA in

1981. Amerongen effect was also demonstrated by the 'Romano Prodi plan' of 2000, foreseeing an increase of Russian gas supply to the EU, as well as joining, in 2005, Gerhard Schroeder to the project 'Nord Stream'.

The breakdown of the Warsaw pact, Council of Mutual Economic Assistance, and then the USSR, crucial oil price downturn in 90th, left in a virtual dimension the possibility of energy weapon usage, the USSR had been prepared for, taking into account the Arabian oil embargo of 1973. As a result, the Soviet energy weapon didn't prove able to 'fire off'. But it was left to 'hang' on in the political arena of a globalising world.

XXI Century as 'Renaissance' Period of Energy Wars

The situation went to change in nearly one and a half decade after the period of the cold war was over. High oil prices stimulated not only the economical development of Russia, but also dangerous processes in the consciousness of political establishment, suffered from a complex defeat in the cold war. The appetite of global revenge in conjunction with ideas of dominance on the post-soviet space, stimulated a search of ways and instruments to adjust this disbalance. If in a Soviet period of time it seemed to be reached through military potential building-up, then in terms of world economics globalisation oil, gas and electricity could replace tanks, aircraft and nuclear missiles. In Russia under cover of necessity to build up technical reserve of pipeline capacities is in development and realisation system of generation energy deficits on external markets.

The main political and economical goal of Russia is direct and/or concealed purchase by Russian energy companies assets on the territory of the EU, Gazprom involvement in gas networks of the EU member states, realization of politically motivated pipeline projects. The mechanism is the corruption of the bureaucracy and politicum in Brussels and capitals of leading EU countries (Germany, Italy, France, Benelux countries) with the aim to achieve invisible preferences and concessions on the territory of the EU, as well as blocking unwanted Russian decisions.

The tools to meet the goal objectives are energy monopolies, state and private companies – Gazprom, Transneft, Rosneft, Lukoil and etc. Universal mechanism to meet goal objectives is energy resources export volumes and directions variation with the purpose to achieve one or other political or economic preferences as well as effective influence on international politics. Having assets in production, keeping gas and oil transportation monopoly and having received access to a distribution network and transit pipelines, Russia

aims to achieve de-facto immediate control over markets and to build closed energy cycles – energy sources extraction– transportation – processing – energy products distribution on the principle of vertical integration under Russian companies financial management and Kremlin political supervision. Consequently ‘global presence’ of gas monopoly on EU countries markets could affect not only their redistribution not in favor of European operators but also create severe, hardly compensationable risks in the case of its (gas monopoly) default.

The main effort of Russia is to put under its own systematic control main energy connectors and distribution networks of the EU. This effort is swept under the carpet of private interests several Russian companies to purchase these or other assets in EU countries according to their corporate business

The main effort of Russia is to put under its own systematic control main energy connectors and distribution networks of the EU.

plans. One demonstrative example of control is blocking, beginning since 2003, through owning of 49-percentage stockholding in the company ‘Transpetrol’ attempts of Ukrainian, Slovakian and Czech Republic governments to begin with regular delivery of Caspian oil through the pipeline Odessa – Brody – ‘Southern Druzhba’ to Kralupy nad Vltavou.

If several years ago the meter was only control over pipelines, which during the USSR period represented a transport link of energy resource supply process flow to Europa, then now this problem is broader.

Especially the Russian activities regarding two underlying for the EU energy connectors – North Africa and North Sea – has to be taken into account. The strategic plan of Russia is to enter into an alliance with Algeria and Libya so that will assure control over more than 40% of the EU gas market, and that already allows to dictate its own terms. And not only regarding prices. Russia tries to concentrate in its own hands influence on countries, important for the EU from energy point of view, with the purpose to make them an influence instrument on Community, and European Commission more amenable by decision making in favor of Moscow. Russia also tries to provoke competition among member states to get privileged relations with Moscow in the energy sphere. A spectacular example is the position of Germany and Italy regarding cooperation with Russia in the gas sector.

Russian behavior analysis of the last years shows, that it consequentially went to use of energy resources as energy weapons, carefully sweeping it under the carpet of commercial conflicts. Not many experts take notice of the official

document *Russian Energy Strategy till 2020*, adopted in 2003, where it is fixed: “Russia has significant reserves of energy sources and powerful fuel and energy complex that forms a background for the development of the economics and instruments of internal and foreign policies realization”².

Putin’s logical chain ‘gas monopolism – financial surplus profits – political dominance’, built up in the period of oil price growth, failed on the part of financial surplus profits since the beginning of the world financial crisis. Consequently it created a threat for Russian dominance on post-soviet area, expansion plans on the EU market and in regions of energy sources production, which are important for the whole world. It ought to note several factors, which assert direct or indirect influence and became the reasons for gas crisis on the European continent at the beginning of 2009.

Deep Reasons and Motives of the Gas Crisis 2009

Unprecedented in the world history of the gas industry gas supply cut off for customers on the part of monopolist-supplier took place on the background of a legal mechanisms existence for the arrangement of conflicts with transit the country through the Arbitration Institute of the Stockholm Chamber of Commerce. It was initially specified in the contract between NAK Naftogas Ukraine and the company RosUkrEnergo. This fact shows that Gazprom was in need of just one conflict – large-scale and public. Probable this conflict was only one possible option to escape from a complex situation, although it threatened to turn back in form of serious damage and financial losses.

1. Backgrounds. Analysis of occurred events shows two main non-articulated and carefully hidden backgrounds of events in gas relations on the line Russia – Ukraine – European Union of January 2009.

1.1. *Necessity to sweep under the carpet of external business conflict the corporative problem of current gas deficit for contemporary satisfaction of internal demand and export commitments during consumption peak due to low temperatures of this season.* The fragment from Gazprom’s official presentation on the international conference of energy security the EU and Slovakia in Bratislava on October 27, 2008 sets clear: “Consider also that Gazprom’s long-term contracts are structured so that the company is subject to severe penalties and fines if it does not meet its obligations to

² “Energy Strategy of Russia till 2020” (Moscow: May 2003), p. 4.

ship gas under these contracts”³. Therefore it could be suggested that a Russian monopolist tried to escape the situation that threatens with serious financial losses on the back of a deteriorating situation with corporate finances in the whole.

1.2. *Factor of monopolist resource insufficiency.* Russia has the largest gas reserves in the world that is a proven fact and stays out of dispute. But already during several years an intensive gas production downfall was observed on main minefields Urengoy, Yamburg, Medvezhye, Nadim and Pur-Tasovskoe. The hardest downfall is on first two minefields, which together bring 2/3 of Gazprom production. It could be also observed that considerable underrun on development of new minefields on Yamal peninsula and Shtokman field on the shelf of Barents Sea, which field production had to begin still in the middle of 90th. Developers of one of the projects new to Russian Energy Strategy till 2030 emphasized especially on the importance of Yamal and Stockman for gas production: “In terms of gas production downfall on the

Table 1. Dynamics of gas extraction and growth of reserves of ‘Gazprom’ in current decade

Year	Volume of extraction (V) billions m ³	Growth of reserves (G), billions m ³	G/V, %
2000	523.2	81.70	15.6
2001	512.0	162.2	31.7
2002	521.9	514.4	98.5
2003	540.2	426.8	79.0
2004	545.1	378.1	69.4
2005	547.9	583.4	106.5
2006	556.0	590.9	106.3
2007	548.6	592.1	107.9
2008	-	-	109.5*

Sources: Report of head of Gazprom board A. Miller on the meeting of shareholders (June, 24 2005, June 30, 2006, June, 27, 2008, information of head deputy A. Anenkov from June 14, 2007 about the situation in development mineral-rough base and gas extraction, information from www.gazprom.ru.

*For 2008 – preliminary information of Gazprom.

³ S. Komlev, “Is Gazprom a Threat to European Energy Security? Myths, Assertions and Facts”, presentation, Bratislava (October 27, 2008), slide 23.

main minefields... without development of gas deposits on Yamal peninsula the country doesn’t be able to assure itself with this energy source and balance its demands in fuel and energy complex”⁴. Therefore, an original «scissors effect» appears – growing disbalance between produced and refilled gas resource.

2. Estimation of appeared current resource deficit of Gazprom during consume peak in the period of 1-20 January 2009.

Russian Prime Minister V. Putin in the midpoint of the gas conflict said: “Gazprom had to abandon work of over 100 boreholes...”⁵. In view of above described problems of Russian gas production this statement could be interpreted as shutting-in of more than 100 boreholes with low-pressure gas, which don’t provide the necessary production gas yield.

According to an official yearly report for 2007, production facilities of the Group Gazprom make 6640 gas exploitation boreholes with annual total production volumes – 548.6 bcm⁶. Therefore we could define relative average gas yield of one borehole – 0.082620 bcm annually or 82.620 mln. cubic meters. If we make a recalculation on above mentioned 100 boreholes, it gives ~8.3 bcm. of current gas deficit of annual spectrum. If we compare it with an annual production level, it is a quite small figure, but if we compare it with export volumes, it seems to be significant. This volume is to be compared with total annual exports into 5 Balkan states – Bulgaria, Greece, Serbia, Bosnia, Croatia (8.6 bcm in 2007) or Hungary (8.8) or Great Britain (8.7).

The volume of accumulated gas during the period of export lack to the EU could be estimated, if we take as unit of account last years’ daily average transit volume through Ukraine to Europe. It made 388 mln. cubic meters. During 13 days of supply absence (January 7-20) it means 5.04 bcm. Regarding daily average supply volumes to Ukraine, so it had to make 160 mcm. With calculation of 19 days (01-20 January) delivery lack it means 3,04 bcm. Altogether the total amount of shortfall in delivery or *economized* gas made ~8.1 bcm.

Therefore it is approximately equal to the volume of the above calculated deficit that came up due to the shutdown of 100 boreholes. We can conclude that 20-days ‘gas interval’ concerning supplies to Ukraine and the EU allowed Gazprom to go through winter consumption peak, while it had concealed

⁴ “Conception of Russia’s Energy Strategy for the period till 2030” (project). (Moscow: Ministry of Industry and Energy of Russia, Institute of Energy Strategy, 2007), p. 85.

⁵ “Gazprom lost \$800 million because of cutoff of supplies through Ukraine”, *RIA Novosti, Economy* (January 11, 2009).

⁶ *Annual Report of Gazprom Ltd. for 2007*. (Moscow: Gazprom, 2008), pp. 37-40.

appeared deficit under 'problem of gas transit through Ukraine'. Therefore the hypothesis of existing problems with current resource deficits will be indirectly confirmed. It is clear that it will appear also in the future during peaks of demand on gas on the part of consumers. In this context it should be mentioned that the gas crisis in the beginning of January 2006 took place also during the peak period in terms of an enormously cold winter in Europe and Russia. The two winters of 2007 and 2008 were very warm and it was the reason that this problem didn't appear.

3. Near-critical financial status of Gazprom is caused by debts and a price downfall on the main market in the EU. It provoked a confrontational course regarding Ukraine with the aim to maximize gas prices and to increase returns. It allows partly compensating short-received profits on the EU market. According to evaluation of East European Gas Analyses (USA), Gazprom gas earnings in 2009 will make nearly \$72 bln. – on \$30 bln. less, as in 2008. Earnings from export to the EU and Turkey will fall on 40-45% due to simultaneous price and gas demand downfalls. Earnings reduction will take place also on the internal market of Russia, where V. Putin's government had decided temporarily to refuse putting the internal gas prices to market pricing. The single market, where earnings are taken to increase, is the CIS market. According to estimations it may increase on 15-20%⁷.

Among CIS countries there is one market, where it is possible to get significant earnings increase, it is the market of Ukraine – 50 bcm of imports. To receive maximum effect it was a need of conflict with Ukraine, and that by use of internal political not-consolidated position of Ukrainian authorities could provide a high price by means of separate agreements with one of the main players on the authorities' Olympus.

4. Motives and goals of energy aggression 2009. It should be noted that there are at least three powerful private motives. Two of them concern the non-official translational political and gas combination of Putin – Miller – RUE – Firtash:

4.1. Intention to keep or transform private incomes, generating and taking out through an intermediary RUE (according to long-term contract till 2028) in canton Zug (Switzerland) in the Central Asian gas trade scheme, if it would succeed to get favorable gas price by Turkmenistan and Uzbekistan;

⁷ M. Korchemkin, "Till the End of 2009 the Average Price on Gazprom's Export in Europe will Drop down \$180 per 1000 cm", *East European Gas Analysis* (January 4, 2009), p. 1.

4.2. To keep political binding of Ukrainian leaders to Russia through corruption channels of RUE scheme, to provide conditions for non-transparent preferences for Russian business, controlled by *Petersburg's Group* in the buying up industrial assets in Ukraine.

4.3. The third motive concerns traditional desire of Ukrainian establishment's personalities independent from their political color, «to sit down on the pipe» with the aim to get control over financial flows of the gas sector in Ukraine.

Finally RUE appeared to be 'overboard', in so far as difference between selling price on the EU market and purchasing price in Central Asia appeared to be unattractive (2008 before oil price downfall it was superprofitable: gas purchasing price – \$130 (I half year) \$150 (II half year), selling price in the EU over \$500). Furthermore a great amount of negative information about RUE obliged Russia and Gazprom to distance them from non-transparent scheme, as it was 2004 with the predecessor Eural Trans Gas.

Demonstrated goals:

1. Complete discrediting of Ukraine as a transit state that could not provide stability, reliability and transit preservation, as well as payments for consumed gas.
2. Getting control over Ukrainian GTS and UGSF (agreement on privatization or building gas transportation consortium in the Russian variant) or approach to solve this problem through the creation of more severe conditions for functioning of the NAC Naftogas Ukraine, which could lead to its bankruptcy.

It should be remembered, that the Energy Strategy of Russia officially proclaimed the goal "to strengthen its presence on internal energy markets of foreign states, joint ownership over distribution network of energy sources and objects of energy infrastructure in these countries"⁸.

It should be remembered, that the Energy Strategy of Russia officially proclaimed the goal "to strengthen its presence on internal energy markets of foreign states, joint ownership over distribution network of energy sources and objects of energy infrastructure in these countries".

⁸ "Energy Strategy of Russia till 2020" (Moscow: May 2003), p. 45.

3. Encouragement of the EU to make speedy decisions regarding the realization of Nord Stream and South Stream projects (possible convergence with Nabucco), using lobbying potential in Germany, Italy and non-transparent schemes like RUE. The RUE scheme is cloned by Gazprom in projects of Nord and South Stream as well as development of Stockman field (offices of developer-companies are registered in canton Zug, Switzerland).

Non-articulated goals:

1. 'Gas provocation' of political conflict in Ukraine on the line East – West. It was supposed, that in case of full gas supply cut off (for internal consumption + transit to EU), the authorities could not be able to provide gas from located in the western part of the country main UGSF to the eastern part of the country in the main industrial centres and they will be cut off from the heat. Therefore it might provoke according to the conception of Russian strategists social explosion in the Eastern and in the South Ukraine. It was not accidental during that period of time that the Russian mass media had published articles on the theme of 'territorial changes' in CIS and statements of some Russian politicians: "Russia State Duma deputy Konstantin Zatulin excepts, that Russia "in the fullness of time will give a sign» to south and eastern regions of Ukraine for affiliation to Russia"⁹.
2. Second sondage of the EU and NATO after the conflict in the South Caucasus taking into account the change of the American administration and loyalty to Russia on the part of some European countries leadership (Germany, Italy, and Holland).
3. Validation through elaboration of energy war technology (CH-war) in Europe in conjunction with mass information and a psychological campaign and PR-accompaniment by respected international PR-agencies (Gavin Anderson, GPlus Europe, Ketchum).

5. Concealment through stereotypes of gas relations (subsidies, stealing).

"Beginning since the collapse of the Soviet Union and till now Russia has been subsidizing countries of former Soviet Union through low market prices on gas. The amount of those subsidies consists from the difference between the European gas price and the price under market level, set by Gazprom for customers in those countries" – this is a fragment from the already mentioned Gazprom presentation, illustrated subsidy assistance of Russian monopoly to Ukrainian economics due to lower gas prices. The amount of subsidies according

⁹ "Zatulin: Russia will Give a Sign to the South-Eastern Part of Ukraine to Join in Appropriate Time", *Korrespondent* (January 12, 2009), p. 1.

to Gazprom official information made for Ukraine \$34.23 bln. during 1994-2007¹⁰. The fact that this figure has manipulative characteristics is confirmed by another figure mentioned by V. Putin in the heat of gas crisis – \$47 bln. In fact, those circumstances were highly profitable for Russia, because it was supported by counter subsidy assistance – low transit costs and tariffs on gas storage in UGSF. For example, even current tariff rate on gas storage makes 4% of average European level (estimation of Eastern Europe Gas Analyses, USA)¹¹.

The next thesis is about gas stealing. It concerns only to the propaganda sphere and has emotional character. In the history of Ukrainian-Russian gas relations there are no one example of legal confirmation for this thesis by international judicial authorities. Moreover there is only one unsuccessful case when Gazprom went officially to the court to establish a fact of the 'theft' in a judicial proceeding. It was the case No. 185/2000 in International Commerce Common Court of Arbitration by Chamber of Commerce and Industry of RUSSIA at the Gazprom suit to NAC Naftogas Ukraine for quasi unsanctioned siphoning of gas on the territory of Ukraine. On 30 May 2001 the Court dismissed this suit on the authority that the contract between Naftogas and Gazprom has an article regulating over contract gas taking and this issue could not be legal considered as unsanctioned siphoning.

During the current gas crisis Gazprom, using the thesis of gas 'theft' on the territory of Ukraine, tried to show the situation with fuel gas takeoff, performed by an automated system of gas pipelines control automatically, as the fact of theft confirmation. It was not confirmed by the monitoring group. And the Russian party after signing the contracts said that it doesn't have any pretensions to the Ukrainian party.

6. Vulnerabilities of the UE to energy aggressions. Since the first serious gas conflict between Ukraine and Russia at the edge of 2005-2006 the European Union has stably demonstrated a "position of neutrality" towards Russian – Ukrainian gas relations, in despite of these relations had and continue to have direct influence on energy security of the Community. Such behavior was taken by Russia as "policy of pacification" and even silent consent and assisted in the appearance of a serious conflict in the beginning of 2009. The last one forced the EU to think about the situation in the gas triangle "EU – Russia – Ukraine".

¹⁰ S. Komlev, "Is Gazprom a Threat to European Energy Security? Myths, Assertions and Facts", presentation, Bratislava (October 27, 2008), slide 7.

¹¹ M. Korchemkin, "Gas Prices for Ukraine and Future Problems", *East European Gas Analysis* (January 21, 2009), p. 1.

It is expedient to scrutinize deeply the problem for the European Union which showed itself clearly during the latest gas conflict. Since the very beginning it was declared in the EU that the conflict had only commercial character. Nevertheless, it became evident that the conflict could not be solved without political intervention. Given the absence of an effective European Energy Policy, the EU did not have other means to affect the situation. This is the first vulnerability of the EU, when one of the parties (in this case, it is Russia) applies commercial means to attain political goals and another party cannot counteract effectively. The European Union does not have commercial energy relations with Russia on a bilateral level. All gas supplies are determined by Gazprom and a concrete European energy company on commercial level. That is why the EU has no real capabilities to organize common coherent counteraction to Russian aggressive behavior on commercial level.

The second vulnerability is that Russia as a major supplier of oil and gas for the EU, what is mentioned in the Second Strategic Energy Review, has no official agreement with the EU which could give possibilities for the EU to have a grudge against Russia. Russia signed but did not ratify the Energy Charter Treaty. This fact helps Russia to avoid international and bilateral responsibilities for actions the same as the latest gas crisis of 2009. In light of this crisis Russia, manipulating data on Ukraine's actions to fulfill its gas obligations, threw doubts on the ability of the Energy Charter as it is.

Last year the European Union and Russia started negotiating a new agreement on strategic partnership. Russian authorities decisively threw off intentions of the EU to include all bilateral energy issues to this new agreement. Russia even insisted on elimination of gas and oil from responsibilities on export tariffs in the framework of a future Free Trade Agreement with the EU. It was officially declared by Russia during the visit of the European Commissioner for Trade Peter Mandelson in Moscow on February 13-14, 2008. The difficulties between the EU and Russia to negotiate energy issues of a future Free Trade Area are mentioned in the *Second Strategic Energy Review*.¹²

According to the 'energy - climate' package adopted by the European Council in December 2008 the EU is going to develop energy relations with producers and transit states for ensuring stable supplies and diversification of energy sources and routes of transport.¹³ Though, there is neither a complex approach nor real achievements in this sphere.

¹² "Second Strategic Energy Review, EU Energy Security and Solidarity Action Plan SEC(2008) 2794, 2795" (November 2008), pp. 8-9.

¹³ "Presidency Conclusions of the Brussels European Council of 11-12 December, 2008", Brussels, 2008CONCL 5, 17271/08" (December 12, 2008), pp. 9-10.

The third vulnerability is the diversification of energy interests of the EU member states that impeded a high level of the European solidarity. During the gas conflict, the EU tried to demonstrate cohesion and spoke in one voice on behalf of the Czech Presidency and the European Commission. The EU made a lot to accelerate urgent resumption of gas supply from Russia through Ukraine to member states. At the same time, Bulgaria's call to higher solidarity in the EU was not accidental. Bulgarian Prime Minister Sergei Stanishev stated he counts on European solidarity, which is not mutual for the time being.¹⁴ There are several reasons for this. First, Western European countries are less dependent than Eastern, which suffered the most. Second, there are differences in consumption volumes of different energies, in the share of renewable energies, in the structure and openness of energy markets as well as in geographic proximity to energy resources. Third, Russian pressure is not that strong in Western Europe. Hence, it is important for leaders of these countries to understand problems faced by newly admitted Member States neighboring Russia. Fourth, the EU member states differ in the level of economic and energy cooperation with Russia.

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The diversification of energy interests of the EU has recently become more apparent in attitudes to the Nord Stream project. The Baltic States and Poland, historically dependent on Russia's energy, actively oppose this gas pipeline and suggest it shall run not under the Baltic Sea but across their territories. Meanwhile, Germany, Russia's main partner in this Project, says that it is not a German but a European one. The Minister of State at the Federal Foreign Office of Germany Gernot Erler during the IFRI energy conference *The External Energy Policy of the European Union* (January 31 - February 1, 2008 in Brussels) said: "It is a European, not a German project that many EU member states will be able to profit from; already today, French, Dutch, British, Danish and German companies have ordered big quantities of gas which will be delivered by the Nord Stream pipeline"¹⁵. However, Gernot

¹⁴ "Sergei Stanishev: It is Unacceptable that Entire Europe Becomes a Hostage of the Gas Dispute between Russia and Ukraine", Council of Ministers of Bulgaria, *Leading News* (January 14, 2009).

¹⁵ G. Erler, "European Energy Relations with Russia and Central Asia", IFRI conference, Brussels (February 1, 2008), p. 9.

Erler said nothing about absence of these gas quantities and problems in developing new gas fields to fill the pipeline.

The fourth vulnerability is that the level of cooperation between European energy companies and Russian ones is different. This concerns, for example, a close cooperation of German companies EON-RuhrGas and BASF and Italian company Eni with Gazprom. The same stands true about French company Gaz de France, Danish company DONG Energy and Bulgarian Bulgargaz. Besides, gas supply to the suffered Member States is controlled by either companies with Russian capital or lead European corporations that have close ties with Gazprom, such as ENI and EON-RuhrGas, or companies that did not have serious problems with gas deliveries for their national consumers, such as GDF Suez. Russia skillfully uses European internal competition and, manipulating different propositions for one or another company tries to unbalance their actions and obtain support in favor of Russian interests and projects. That is why during the gas conflict the European companies did not make enough efforts for immediate resumption of gas supplies from Russia.

The absence of a real domestic energy market especially in the gas sphere is one of causes of the EU energy misbalance. It is *the fifth vulnerability* for the EU. The gas market is absent in the European space and there is no common approach to gas prices forming.

The absence of the common price policy helps Russian Gazprom to sign gas contracts separately with each European state or more precisely with each energy company of a separate national market, by proposing different conditions. This results into the interest of a European state to create its own gas relations with Russia which are not coherent with others in the European scope and helps Russia to use gas price policy in its own favor.

The sixth vulnerability lies in absence of a Trans-European gas transport network. The existing in the EU gas pipelines system is mainly directed from the East to the West, especially for the Central and Eastern European states. The absence of gas interconnections between states inside the EU results into the situation that the EU is tightly bound to gas supplies coming from the Russian Federation (Figure 1).

The proposed by Russia Nord Stream and South Stream projects just help deepening dependence of the EU from Russian supplies and pull the EU's financial resources away from the development of energy infrastructure. These resources could be used for building up a system of gas interconnections.

The Second Strategic Energy Review and the 'energy - climate' package foresee to strengthen energy infrastructure especially a Trans-European

Table 2. Gas Prices in the European Union

	For household			For industry consumers		
	2005	2006	2007	2005	2006	2007
The European Union (EU-27)	318.9	376.9	440.2	226.5	305.7	335.1
Belgium	333.6	405.2	389.3	198.6	266.1	259.7
Bulgaria	211.4	242	277.4	142.5	169.6	196.7
Czech Republic	237.4	317.7	299.2	192.6	276.6	247.2
Denmark	474.1	497.1	512.6	226.5	232.5	217.5
Germany	382.9	461.7	526.5	292.5	394.6	457.9
Estonia	147.7	148.1	188.1	103.6	107.0	139.1
Ireland	331.7	415.3	555.6	-	-	-
Spain	386.3	442.9	462.5	176.4	272.9	266.5
France	339.2	407.4	430.4	234.4	303.8	287.6
Italy	338.5	393.1	444.4	229.5	265.3	318.9
Latvia	145.1	171.1	239.3	131.2	152.6	199.4
Lithuania	172.6	199.4	225	136.1	167.7	226.9
Luxemburg	289.5	367.1	403.3	261.9	339.6	371.2
Hungary	167.0	173.0	225.0	219.0	299.6	357.3
Netherlands	363.3	418	463.6	240.8	306.8	316.6
Austria	335.8	404	413.8	231.4	314.3	335.8
Poland	233.3	292.5	330.2	199.8	255.2	284.2
Portugal	442.9	521.3	49.3	227.3	287.6	292.5
Romania	151.9	242.7	286.4	138.7	234.8	275.9
Slovenia	294.7	378	405.2	192.2	270.2	276.3
Slovakia	257.8	343.7	363.3	191.5	288.3	276.3
Finland	-	-	-	242.3	275.9	286.8
Sweden	441.7	557.8	568.7	304.5	420.2	416.9
Great Britain	260.4	295.5	422.1	219.0	336.2	397.6

Note: Gas prices in Euro for 1000 cm including transport expenses but without taxes, on the 1st of January. Source: Eurostat.

Figure 1. Eastern Gas pipelines of the EU

Source: Jamestown Foundation.

energy transport network and to fill gaps in it.¹⁶ A special attention should be paid to interconnections between the EU member-states and especially to support of remote states and connection of European networks with producing infrastructures. The European Commission has already declared to give € 5 bln from the EU budget for realization of the infrastructure projects, including € 3.5 bln planned for the EU energy security. Though, the most suffered states will receive less: Bulgaria – € 25 mln for Bulgaria – Greece pipeline, Slovakia – € 25 mln to connect its energy infrastructure with Hungary's networks, the Czech Republic – € 25 mln for building additional gas storages. At the same time, Poland will receive € 80 mln for building its own LNG terminals, € 250 mln for building underground storages for energy waste of carbonic acid gas. Such states as France, Germany, Great Britain and Spain will also receive at least € 100 mln for realizing regional projects to develop gas and electricity networks.

The above mentioned vulnerabilities shall be viewed rather as factors, which might hamper the prevention of such crises like the latest one in the future,

¹⁶ "Second Strategic Energy Review, EU Energy Security and Solidarity Action Plan, SEC(2008) 2794, 2795" (November 2008), pp. 4-6.

when it is advantageous for the monopoly supplier of energies. For this reason, the EU must concentrate its attention on neutralization of vulnerabilities and get more involved in securing Russian gas supply via Ukraine's territory instead of removing itself from this procedure. In fact Ukraine is and will be the largest gas transit corridor between Russia and the EU for the nearest future.

7. Perspectives for gas transit via Ukraine. The transit role of Ukraine's GTS is defined not only by pipeline routes through the Ukrainian territory. The underground gas storages with a total volume of 32 bcm are important. They have a special role to provide supplies during the peak winter months when the EU consumes more gas. Interconnections and convertibility of Ukrainian pipelines ensure uninterrupted of gas supplies in case of breakdowns or other accidents. Other transit routes called by Gazprom as bypassing Ukraine (Yamal – Europe, Blue Stream, Nord Stream, South Stream) do not have such parameters. A breakdown on one of these routes automatically results into supply cut off.

For example, in 2007 there were two serious technical accidents on the pipeline Urengoy-Pomary-Uzhhorod in Ukraine. The repair process took less than 2 weeks in both cases. However, gas supply towards the EU was not stopped at all. Two other parallel pipelines Progress and Soyuz were used instead of a damaged pipeline. There is a contrary example; on September 2/3, 2008 Russia declared the necessity of technological maintenance on the Yamal – Europe pipeline bypassing Ukraine through Belarus. Gas supply to Poland and Germany through Belarus was temporarily stopped.¹⁷

As for transit volumes, the transit to the EU via Ukraine did not decrease considerably after the Yamal – Europe gas pipeline came into force in 2005 (see the table below).

Only Ukraine's GTS with its underground gas storages will guarantee stable gas supplies to the EU even if the Nord Stream and South Stream projects without such storages are realized. The Ukrainian gas storage capacities close to the EU borders (Slovakia) are able to ensure reliability of supplies from the East to the West if Ukraine is integrated into the European Energy Community.

The issue of creating a gas-transport consortium (GTC) with the participation of the EU, Ukraine and Russia will be urgent if the Russian Federation gives guarantees of additional transit volumes of Russian gas to the EU and the EU gives guarantees of consuming them. Russia has insistently denied giving these guarantees while the idea of GTC has been discussed since 2002. It proves

¹⁷ "Moscow Reassures Europe: Supplies through the Yamal – Europe Gas Pipeline will be Stopped only for 30 Hours", *NewsRu, Economic news* (September 2, 2008), p. 1.

Table 3. Volumes of Gas Transit via Ukraine's GTS

Year	Total transit	Transit to EU+ *	Transit to CIS
2001	124.4	105.3	19.1
2002	121.4	106.1	15.3
2003	129.2	112.4	16.8
2004	137.1	120.4	16.7
2005	136.4	121.5	14.9
2006	128.5	113.8	14.7
2007	115.2	112.1	3.7**
2008	119.6	-	-

Note: * EU+ – The EU member-states + Turkey; ** – the only transit to Moldova (the transit rout from Russia to Russia through Ukraine does not work after the bypassing gas pipeline Sohranovka – Oktiabrskaya was built).

once again that nobody in Russia is sure there are enough gas resources in Gazprom. A corresponding position of the transit contract for 2009 – 2019 signed by Russia and Ukraine that fixes 110 bcm (not more and not less) proves this concern.

The transit role of Ukraine will remain the same for the next century except three scenarios: 'Crisis of production' – collapse of production in Russia (existing gas fields in the Western Siberia are empty, Yamal and Stockman project are not realized as in 90-s); 'Recession of import' – the EU denies to increase gas import from Russia and even decreases it; 'More pipelines than gas resources' – Russia has more gas pipelines than gas resources to fill them after the Nord Stream and South Stream pipelines are built together with Germany and Italy; gas production in Siberia decreases.

If the Nord Stream and South Stream pipelines are built, gas consumption in the EU increases and Russia is able to supply the demand, the role of Ukraine as a transit chain will remain.

8. Protection against energy weapon and problems of diversification projects. The universal formula of protecting against energy weapon application remains unchangeable – the integrated infrastructure + strategic supplies + diversification = energy security. It is possible by creation of the European gas contour (European Integrated Gas Supplying System – EIGSS), integrated system of gas-supplying of the EU, which would be technically able to provide

necessary circulations of gas resources from the storage places to the regions of deficit. The underground gas storages (UGS), which must be connected to the contour, must become the base component of EIGSS. In the marked context the Ukrainian system of UGS can play a base role for EIGSS on the East of the EU, for the countries of the Central Europe, which are most dependent on gas supplies from the East. At one time, the EU protected itself from an «oil weapon» by creating the system of strategic oil reserves. Now it is time to establish the same system in the gas sector. It is possible to state that the Czech Presidency in the EU adequately transforms the issue into realization of the idea of EIGSS.

As for diversification, the EU does not have, unfortunately, a single voice that the recent *Nabucco* forum in Budapest showed once again. Nevertheless, the EU will be forced to decide a dilemma with the Nord Stream and South Stream projects, which are positioned by the Russian Federation and some member-states (Germany, Holland, Italy) as diversification routes. Indeed, these projects are diversification routes only in sense of transport routes but they are not them in regard to the source of gas supplies. From the point of view of technology to conduct CH-wars, these gas pipelines can be classified as energy-penetrating tools.

Taking into account that energy-penetrating tools play the role of CH-weapon offensive component, it is possible to explain active realization in the Russian Federation of a row of large infrastructural projects in the field of oil and gas transportation, in spite of the threat of designated serious deficits in producing resources. Creating an excess of infrastructure, Russia counts in the future on a price dictate, by varying the volumes of deliveries to the different markets, firstly the European ones, artificially provoking the current deficits of energy resources on them and achieving maximization of prices. Probably, it is the way that Russia plans to minimize the falling of receipts from the export of energy resources in the conditions of physical reduction of its volumes.

Propositions and Recommendations

It is expedient to consider the European Energy Transparency Initiative (EETI) for providing transparency of the whole technological chain *Upstream – Midstream – Downstream*. As for gas, mutual access of users, suppliers and transit states to information in of all parts of the technological chain from the mouth of a borehole to a consumer must be guaranteed. The users have the right to know how many energy resources are produced and how many of them are provided into the pipeline of a supplier for transporting, how many go out from the transit system, how many are supplied to a consumer, and also what are

prices, tariffs, free power capacities of pipelines etc. An initiative like this would possibly become part already functioning Extractive Industries Transparency Initiative (EITI), initiated by Tony Blair in 2002 in Johannesburg. The question of EITI expansion on the transporting sphere is examined in a current year within the framework of 4th ETI Global Conference in Doha (Qatar).

The EU and USA must jointly incline the Russian Federation to adopt new conditions and, more precisely, to go back to the conditions of 90th, taking into consideration new realities:

- Ratification of the Energy Charter by Russia and only after that the negotiations on its transformation could be held;
- Breaking up the monopoly of Russia's gas sector;
- Admittance of independent gas producers of the Russian Federation to the foreign markets;
- Abolition of positions of the Russian legislation which discriminate foreign investors in the field of hydrocarbon production on the territory of Russia.

Propositions for strengthening immunity of the EU against Russian energy aggressions are:

- The EU must not delay with interference into settlement of gas transit issue via Ukraine. In the other case, it can stimulate further Russia's actions, directed on violation of stability in energy supplies to the EU, when Russia will need it for achieving political and economic goals;
- The European Union should not join the idea of international consortium creation for management of Ukrainian GTS that Russia offers. For the EU this consortium is not the decision of the main issue that is diminishing of dependence on gas supplies from Russia. On the contrary, the consortium can result in increasing this dependence, diminishing the role of Ukraine as the main transit mediator and a certain buffer between Russia and the EU;
- The EU must support the recommendation of the European Parliament made on 2 February 2009, which foresees conclusion of a tripartite agreement between the EU, Russia and Ukraine on the transit of Russian gas to the EU. This agreement would provide guarantees and transparency of Russian gas supply.
- Procedures to create the internal European gas market with the rules of coordination of actions of the European energy corporations must be accelerated.

The package of propositions within the framework of realization of Memorandum on collaboration in the energy sphere (December 1, 2005) must be refreshed for the Ukrainian side:

- The main gas pipelines in the points of crossing the Ukrainian-Russian border must be equipped by measuring stations, in accordance with a project developed in 2005-2006 and approved by the European Commission, EBRD and EIB;
- Reformation of Ukraine's gas sector with help of consultants from the EU, restructuring of NAK Naftogaz Ukraine, passing to the chart of transferring of Russian gas to the European consumers under the conditions of DAF East border of Ukraine should be carried out;
- Broadening the possibilities of UGSs in the Western Ukraine to store gas for the European consumers and further including them to the system of strategic gas reserves, if such will be created in the EU must be done.

Modernization of Ukrainian GTS within the framework of joint the EU-Ukraine cooperation will be important if the EU appears to be able to collect a necessary fund.

The Conference on March 23, 2009 in Brussels will become an indicator of ability/inability of the European Commission to create this fund. The European Commission should also initiate creating an operative system for on-line connections between control centers of Gazprom, Naftogaz Ukraine and the European companies (SPP in Slovakia, PGNiG in Poland, MOL in Hungary, Transgas in Romania). The system should provide real-time information about the entrance of gas into the United Gas Supply System of Russia, movement of gas through the gas pipelines of Russia, Ukraine, Belarus and Moldova and coming of gas to the EU territory at corresponding gas measuring stations. It will be a test of readiness to work on rules of transparency for all participants of the technological chain *Upstream – Midstream – Downstream*.

Attention should be paid to Gazprom's activities in Slovakia. The Russian side offered creation of joint enterprise, the founders of which will be Gazprom and the government of Slovakia. This joint enterprise will be a competitor for SPP in which 49% of stock share are held by Gas de France and E.ON Ruhrgas. This means that Gazprom is not going to stop after the events of January 2009. Gazprom will try to reformat the gas market in the EU by directing main efforts to national segments the most dependent on it, and also to those which have strategic significance from the communication point of view. In this sense it is needed to pay attention to Slovakia by virtue of importance of its GTS, as well as to Bulgaria which has 100% dependence on gas supplies from the Russian Federation and be a key country for the Nabucco project in Europe. A serious significance is also paid to Turkey, where Gazprom offers to the Turkish company Botas to create a gas-transport consortium for management and development of gas projects through the territory of this country towards the EU.

Annex No. 1

Main definitions

energy weapon – complex system of use energy and infrastructure potentials of one country (corporation) with the aim to deliver economical destruction to a potential enemy and/or to get these or other preferences from him and/or cessions political, economical and another character.

energy aggression – declared/undeclared case of energy weapon use in the form of energy supply cut off. Energy weapon could be used as energy resources and infrastructure weapon.

energy expansion – policy of the country (owner, exporter) producing hydrocarbons, directed on direct or indirect capture (procurement, purchase) of energy markets, their infrastructure and assets.

energy embargo – declared energy war, with cut off (limitation) of hydrocarbons supply on the part of producer countries for consumer countries with the aim to receive these or other preferences and/or cessions.

energy infrastructure – total amount of communication tools for hydrocarbons' transportation from upstream to downstream.

energy sources weapon (CH-weapon) – systematic use of hydrocarbons (CH – chemical symbol for hydrocarbons) with irrelevant for merchandise accounts goal to deliver economical destruction to a potential enemy and then to get these or other cessions from him and/or preferences.

infrastructural weapon – systematic use of energy infrastructure by one country (corporation) with the aim of energy flows' reorientation to bypass another country for economical or political pressure and receipt of some preferences and cessions.

energy assets – the whole of producing, transportation, processing and distribution networks, which operate with hydrocarbons, produce and bring energy products to end consumers.

energy connectors – established by producer (owner, exporter) of hydrocarbons communication system together with terminals for energy sources transportation, which connect production regions with consumer market.

energy penetrator – energy connector that connects directly supplier and customer with property controlling stake and/or controlled by management on the part of resource supplier (owner), that serves as mechanism for market access and assurance of dominance over it.

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Who Cares for Carers? Feminization of Labor Migration from Ukraine and its Impact on Social Welfare

Summary: What is understood by 'feminization' of migration and in which broader context can it be conceptualized? How does it effect the dynamics of gender arrangements in the family, community and society? Is there awareness of this issue among Ukrainian scholars, policy-makers, civil society and general public? If so, how can a gender-focused research effect reflections on migration policy-making? This paper tackles these issues and seeks to identify policy options that might contribute to the development of coherent and socially sustainable gender-sensitive strategies for migration management, allowing to better match demand for migrant workers in hosting countries with supply in safe, humane and orderly ways.

The process of transition to free market economy in Ukraine was accompanied by the unprecedented growth of the mobility of the work force and out-migration of the population for external employment, primarily to Russia and EU economies. International scholars speak about an increasing 'ukrainization' of migration taking place in Europe, which in many cases is accompanied by a tendency toward a feminization of the migration stream.¹ Thus, the research problem addressed in the current paper is feminization of Ukrainian migration

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The author expresses her gratitude to administration and faculty of the Department of Political Science at Comenius University, Bratislava, for support in the work over the current project.

Tolstokorova, A., "Who Cares for Carers?: Feminization of Labor Migration from Ukraine and its Impact on Social Welfare", *International Issues & Slovak Foreign Policy Affairs* Vol. XVIII, No. 1/2009, pp. 62-84.

as a component of a new international division of reproductive labor bolstered by globalization. Within this framework 'feminization' refers less to an increase in numbers of migrant women, and more to the qualitative change in their role as providers.² Seen from this perspective, issues referring to the correlation between gender and migration become particularly pertinent, especially when problems of policy making and migration management are in focus.

In this paper the concept of *gender* is understood in compliance with the OECD definition, referring to "economic, social, political and cultural attributes and opportunities, associated with being male and female"³. There is considerable authority to the effect that gender affects every aspect of migration: its causes, patters, process, and impacts at every level, including the subjective personal experience of migrants.⁴ Thereby, a gender-sensitive analysis is indispensable for understanding labor migration as a complex socio-economic phenomenon as well as for efficient policy-making in this domain. Thus, the main goal of the paper is to study gender implications of labor migration in Ukraine in terms of its impact on social welfare and care provision. The key objectives, necessary to reach this goal are as follows:

1. to trace the gender dynamics of migration flows from Ukraine;
2. to conceptualize the process of feminization of Ukrainian labor migration in the context of 'global care chains';
3. to identify the social effect of female out-migration in Ukraine in terms of its impact on care services sector and welfare provision;
4. to identify perspectives and trends in migration flows from Ukraine and to lay out a prognosis regarding their possible scenarios for the future;

*Migration is a both
globally and locally
gendered phenomenon
and as such requires
more sophisticated
theoretical and
analytical tools than
simply studies of sex
roles and sex as a
dichotomous variable.*

¹ J. Chaloff, "Immigrant Women in Italy", paper for the OECD and European Commission Seminar "Migrant Women and the Labor Market: Diversity and Challenges" held in Brussels on September 26-27, 2005; M. Kindler, "Risk and Risk Strategies in Migration: Ukrainian Domestic Workers in Poland", H. Lutz (ed.) *Migration and Domestic Work*. (Ashgate, 2008), pp. 145-159.

² "Gender, Remittances and Development: The Case of Women Migrants from Vicente Noble" (UN-INSTRAW, 2006).

³ "DAC Source Book on Concepts and Approaches Linked to Gender Equality" (Paris: OECD Development Assistance Committee, 1998).

⁴ "Feminization of Migration", UN-INSTRAW *Working Paper 1* (2007).

5. to outline research and policy gaps on Ukrainian scholarship and policy making on migration issues;
6. to offer relevant policy proposals for efficient migration policy and managed with consideration of its gender dimension.

Migration is a both globally and locally gendered phenomenon and as such requires more sophisticated theoretical and analytical tools than simply studies of sex roles and sex as a dichotomous variable. Therefore, a “new relational understanding of gender”⁵ should be applied to the study of migration. A specificity of modern standpoint gender research is that it “aims to create an alternative methodology and epistemology in the framework of social sciences with the emphasis on the importance of the personality as a subject of knowledge and on social mechanisms that empower his/her access to scientific practice”⁶. In reference to *Migration Studies*, it enables a “more fluid and dynamic approach to the individual within the migration process which is particularly helpful in moving away from the more mechanical accounts on migration”⁷. Therefore, methodology, adequate for gender-sensitive research on labor migration should include, together with quantitative study, also qualitative, interpretative, i.e. ‘soft’ methods, which enable a ‘migrant-centrist’ approach to migration process and its more nuanced understanding in terms of gender differentials.

In Ukraine a gender dimension of economic mobility and particularly, its impact on social welfare, is not yet an object of focused research either by migration experts, gender researchers or social scientists. This explains the innovativeness of a current paper, aimed to spotlight the process of feminization of labor migration from Ukraine and trace its impact on social welfare provision. The paper is based on the analysis of 25 expert interviews made in summer 2008 in Kiev and Lviv through the author’s participation in a project *Care-Work and Welfare Internationalization. Transnational Scenarios for the Welfare of the Future*, carried out by Centro Studi di Politica Internazionale (CeSPI), Rome, Italy⁸.

⁵ K.M. Donato, D. Gabaccia, J. Holdaway, M. Manalansan, P.R. Pessar, “A Glass Half Full? Gender in Migration Studies”. *International Migration Review* No 1 (2006), p. 4.

⁶ R. Braidotti, “ATHENA and Gender Studies”, L. Passerini, D. Lyon, L. Borghi (eds.) *Gender Studies in Europe (Studi di genera in Europa)* (2002), p. 44.

⁷ A. Phizacklea, “Gender Actors in Migration”, J. Andall (ed.) *Gender and Ethnicity in Contemporary Europe*. (Oxford: Berg, 2003), p. 29.

⁸ The experts interviewed covered a wide range of specialists, including top officials at the Italian embassy in Kiev; researchers at state research institutions and National Academy of Sciences; representatives of independent analytical think-tanks and research centers; policy-makers at Ministries, local administrations and state employment centers; representatives of international organizations, like IOM, Amnesty International etc.; NGOs activists working in the area of care services, social work, women’s issues and migration policy; journalists, etc.

Additionally, given that the gender dimension of economic mobility represents an under-researched area in the Ukrainian scholarship, the interviews were supplemented by the analysis of information available from disparate secondary sources spotlighting issues of labor migration in gender perspective. The project was financially supported by the *National Scholarship Program of Slovak Academic Information Agency (SAIA)*.

A Gendered Character of Migration Flows from Ukraine and Their Feminization

According to the data of Parliamentary hearings on issues of equal opportunities in Ukraine out of 7 million of the total stock of Ukrainians working abroad women make 5 million. However, expert evaluations of females share in the overall Ukrainian migration flows are more modest: between 35.4 % to 50.5%. At the same time statistics evidence that the female profile of labor migration to some EU countries, especially to Southern Europe, is rather pronounced. For example in Spain women currently make up to 65% of Ukrainian labor migrants, in Greece – 75.5%, in Italy their share reaches as much as 90.2%. Furthermore, by the data as of 2002 females comprised over a half of those involved in petty trade abroad (53.6%). At the same time, migration to some other countries is predominantly male: in 2001 80.6% of Ukrainian migrant workers in Poland were men, in Portugal – 68%, in Russia – 60.4%, in Germany – 60.0%.

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Indeed, gender disparities in migration flows are marked by high dynamism and change over time depending on the economic situation. Thus, a comparison of two research projects on migrants households, made respectively in 1994⁹ and 2002¹⁰ evidenced that a stock of male migrants increased overall from 54% to 66% over this period. At the

⁹ S. Pyrozhkov, O. Malynovska, N. Marchenko *Zovnishnya migracia v Ukraini: prychny, naslidky, strategii*. [*External Migration in Ukraine: Reasons, Consequences, Strategies*] (Kiev, 1997).

¹⁰ V. Susak, “Ukrains’ki gostyovi robitnyky ta immigranty v Portugalii (1997-2000)” (“Ukrainian Guest Workers and Immigrants in Portugal (1997-2000)”), *Ukraina v suchasnomu sviți. Conferencia vypusknivkiv naukovogho stazhyvannya u SSHA (Ukraine in Modern World. Conference of US Research Programs Alumni)*. (Kiev: Stilos, 2003), p. 194.

same time in recent years a feminization of migration has been observed, particularly for the accounts of increased migration of females to domestic and care services to EU countries, mostly from rural regions in Western Ukraine, but from other localities of Ukraine too.

Statistically, in 2001 females constituted 35.4% of the total migrant stock. A presence of gender gap was confirmed in 2001 by the Regional Employment Centre in Ternopil region (Western Ukraine), severely affected by migration.¹¹ By 2004 the stock of male migrants increased but insufficiently – only by 4.8%, whereas the number of female migrants raised up by 47.5%. In rural areas the total of female migrants reached 52.1%, while the total of male migrants dwindled to 47.9%. Feminization of migration over these years was accompanied by acceleration of labor force outflow to Italy and Spain, at the same time the flows of migration to Poland and Portugal had been declining.

Furthermore, migration boosted traditional distribution of gender role models. According to the Ombudsman of Ukraine¹² in many countries Ukrainian men usually work as builders, drivers, mechanics and fitters (Russia, Poland, Portugal, Ireland) while women are more often employed as office cleaners, domestics or factory workers, nurses of the elderly, dancers in restaurants and cafes (Greece, Italy, Portugal, etc.).

Out-migration of Women in the Context of 'Global Care Chains'

There is a growing body of evidence that in CEE there are geo-economic regions, characterized by especially high out-migration of female labor force, required for care economy in Western Europe and USA. An outflow of women is observed in small Slovak towns as, for example, Lučenec¹³, Humenné¹⁴, Slavošovce¹⁵, because they are increasingly employed in au-pair work in wealthier countries, largely in

¹¹ "Trudova migracia naselennya Ternopil'skoi oblasti: kil'kisny ta geografichny aspekty" ("Labor Migration of Population in Ternopil' Region: Quantitative and Regional Aspects") (Ternopil': Lider, 2002).

¹² "Dopovid' pro stan dotrymannya ta zahystu prav ghromadyan Ukrainy za kordonom" ("Report on the Situation of the Protection and Advocacy of Rights of Ukrainian Citizens Internationally"); <http://www.ombudsman.kiev.ua>.

¹³ "S. Eastern Europe is Running out of Women", Report. *Magazine for Arts and Civil Society in Central and Eastern Europe* Print Issue 1, (2007).

¹⁴ J. Andrušová, Z. Bútorová, "Situácia žien v okrese Humenné v kontexte migrácie za prácou do zahraničia", Z. Bútorová (ed.) *Tu a teraz: sondy do života žien 45+*. (Bratislava: Institute for Public Affairs, 2007).

¹⁵ S. Hess, "Au-Pairs. Transmigration of Eastern European Women"; <http://thistuesday.org/node/36>.

Austria and Germany. It is also reported in Eastern Germany, particularly in a dilapidated region of Mecklenburg-Vorpommern on the Baltic, and in Marzahn residential district in Eastern Berlin, where many women had to move from high-skilled technical professions to traditional female occupations, like office or domestic work, because it gave them an opportunity to find decent employment in more affluent places in the German capital.¹⁶ A likewise situation exists in the rural West of Ukraine, where lots of households lack working age women to their increasing out-migration to domestic work and care services in EU economies¹⁷, primarily in Italy, Greece, Spain and Portugal, but also in Germany, Poland, etc.

This tendency may be accounted by a growing demand for female labor resources in post-industrial nations of the 'Global North', caused by the "care crises"¹⁸ in welfare states, predefined by a number of a socio-demographic factors, such as increasing longevity of the population, higher participation of women in the labor market, not accompanied by more equal distribution of domestic responsibilities between the sexes and more equitable care arrangements, and therefore a lack of potential carers in households in conditions of deconstruction of nuclear families which traditionally provided them, health-care and welfare crises as well as declining public provisioning of elderly and child-care. All these factors boosted the demand for care labor and lead to emergence of global 'care economy', based on the "trans-nationalization of care services"¹⁹, or "international division of care"²⁰, exploiting mainly migrant female labor force, increasingly recruited from economically disadvantaged societies. Hence, the 'care crisis' is argued to be "one of the motors of the feminization of migratory processes"²¹ as soon as that it has opened up labor opportunities for women available in the framework of care economy.

'Care economy' is generally defined as the allocation of unpaid labor resources and work within and outside household.²² It implies a package of services which

¹⁶ "S. Eastern Europe is Running out of Women", Report. *Magazine for Arts and Civil Society in Central and Eastern Europe*, Print Issue 1 (2007).

¹⁷ A. Tolstokorova, "Locally Neglected, Globally Engaged: Ukrainian Women on the Move", R. Anderl, B. Arich-Gerz, R. Schmiede (eds.) *Technologies of Globalization*. International conference proceedings. (Darmstadt: Technical University, 2008).

¹⁸ "Feminization of Migration", UN-INSTRAW *Working Paper 1* (2007).

¹⁹ H. Lutz, "Life in the Twilight Zone: Migration, Transnationality and Gender in the Private Household", *Journal of Contemporary European Studies* Vol. 12, No. 1 (April, 2004).

²⁰ R. Parreñas *Servants of Globalization: Women, Migration, and Domestic Work*. (Stanford: Stanford University Press, 2001).

²¹ "Feminization of Migration", UN-INSTRAW *Working Paper 1* (2007), pp. 2-3.

²² N. Folbre, "Holding Hands at Midnight: the Paradox of Caring Labor", *Feminist Economics* No 1 (1), (1995); S. Himmelweit, "Caring Labor", *Annals of the American Academy of Political and Social Science* 561 (0), (1999).

can be summed up as the 'three C's' of work: cooking, cleaning, caring. Care economy is based on the so-called "global commodification of caretaking"²³ or "circuits of care"²⁴ also known as "global care chains"²⁵, called so because in their framework women carers delegate the care for their own dependents to other family members, hired care-givers, or even for self-care, to be able to secure gainful employment in care work outside the household. Global care chains represent networks, aiming to maintain daily life in the so-called "transnational households"²⁶ by transferring care provision from one to another on the basis of power structures, such as gender, ethnicity, social class, and place of origin. By this sort of "gendered and racialized international division of caring labor"²⁷ the global capitalism and neoliberal economic restructuring have enforced a "new world domestic order"²⁸ that requires the emigration of the so-called "new servants"²⁹, i.e. poor women from the "periphery of the world system"³⁰, to provide low-cost care in wealthier 'core countries'. Thereby, global care chains can be defined as a "strategic site where the gender dynamics of the current processes of globalization can be detected, studied and theorized"³¹ and an "intimate political

'Care economy' is generally defined as the allocation of unpaid labor resources and work within and outside household. It implies a package of services which can be summed up as the 'three C's' of work: cooking, cleaning, caring.

²³ R. Parreñas *Servants of Globalization: Women, Migration, and Domestic Work*. (Stanford: Stanford University Press, 2001).

²⁴ K. Datta, C. McIlwaine, Y. Evans, J.a Herbert, J. May, J. Wills *Work, Care and Life among Low-Paid Migrant Workers in London: towards a Migrant Ethic of Care*. (London: Queen Mary University of London, 2006).

²⁵ A.R. Hochschild, "Global Care Chains and Emotional Surplus Value", W. Hutton, A. Giddens (eds.) *On the Edge. Living with Global Capitalism*. (London: Vintage, 2001).

²⁶ "Feminization of Migration", UN-INSTRAW *Working Paper 1* (2007).

²⁷ Sh. Ally, "Caring about Care Workers: Organising in the Female Shadow of Globalisation" (2005); http://www.globaljusticecenter.org/papers2005/ally_eng.htm.

²⁸ P. Hondagneu-Sotelo, *Domestica: Immigrant Workers Cleaning and Caring in the Shadows of Affluence*. (Berkeley CA: University of California Press, 2001).

²⁹ H. Lutz, "Life in the Twilight Zone: Migration, Transnationality and Gender in the Private Household", *Journal of Contemporary European Studies* Vol. 12, No. 1 (April, 2004).

³⁰ I. Wallerstein *The Modern World-System Capitalist Agriculture and the Origins of the European World-Economy in the 16th Century*. (New York: Academic Press, 1974).

³¹ S. Sassen, "Strategic Instantiations of Gendering: Global Cities and Global Survival Circuits", Presentation in International Forum on Remittances 2005, (Washington, June 20,

stage, where transnational racism and exploitation are reiterated, accumulated, nurtured and normalized"³².

In the framework of feminist economics a near-global trend of massive entry into the paid work force and acquisition of financial independence by middle-class women in industrialized nations is interpreted as the cost of freedom of their domestic and care workers, who have to sacrifice their own family life and responsibilities to enable their female employers to reconcile career and family life. This is why the latter are identified as "reconciliators"³³ of work and family life for millions of families in affluent countries. Researchers trace a discernable link between two concomitant processes – a growing demand in female labor in industrialized economies, and a simultaneously emerging female labor supply from transitional societies after the demise of the USSR³⁴. As was noted in a UNIFEM report³⁵, the process of paid jobs acquisition and demand of equal treatment inside and outside the labor force by women from most developed Western capitalist countries in 1980-s 'strikingly' coincided with a reverse tendency in state socialist societies, where women were granted long maternity leaves and started to drop out of paid work for lengthy periods early in their careers. These simultaneous trends converged more pronouncedly in the 1990-s after the collapse of state socialism and the related escalation in economic globalization. Even *more strikingly*, East European women were forced out of the labor force in unprecedented numbers, *exactly at the time* when their Western counterparts started to take up paid employment at the encouragement of national and transitional governments as well as corporate employers. As was emphasized in the report, the connection between these two processes – for example, through the supply of cheap care-workers migrating West – should not be ignored.

2005); <http://www.uninstraw.org/es/index.php?option=content&task=view&id=1006&Itemid=121>.

³² Z. Gregoriou, "Gendering Migration and Integration Policy Frames: Female Migrant Domestic Workers as 'precarious workers' and as 'reconciliators'", *Integration of Female Migrant Domestic Workers: Strategies for Employment and Civic Participation*. (Nicosia: University of Nicosia Press, MIGS, 2008), p. 15.

³³ Ibid.

³⁴ A. Lyberaki, "'Deus ex Machina': Migrant Women, Care Work and Women's Employment in Greece", *GreeSE Paper* No. 20.

³⁵ "The Story Behind the Numbers: Women and Employment in Central and Eastern Europe and the Western Commonwealth of Independent States" (Bratislava: UNIFEM, 2006), p. 6.

Analysis of Field Research Data

Analysis of information received through profound interviewing of Ukrainian experts in migration and women's issues showed that gender implications of labor migration, and particularly a social effect of feminization of migration on welfare provision in society and community is not yet a matter of concern either for the academic community, or for policy-makers. Nearly all the representatives of this group of experts mentioned that they had never dealt with the problem before and for that reason could give but a very personal, subjective opinion, not grounded on any research evidence or reliable statistics. Most experts were answering in kind:

Expert in migration issues from a state research institute: To answer your question it is necessary to know how many women are migrating. And whatever you hear from me is nothing but a suggestion, because there are no reliable data, as the first and the last survey we had was as far back as in 2001 and whatever we refer to comes from this survey.... As for my own subjective opinion, not supported by any research data, unfortunately, women's migration, particularly because it is primarily rural migration, and mainly from Western areas of Ukraine, in a way may be regarded as a 'gender revolution'.

At the same time, there is some awareness and, therefore, attempts to approach the problem, among practitioners – representatives of the media and NGOs, especially those directly working in care services and women's issues.

Director of a shelter for women: 15% of women who go abroad know exactly what they want, they are aware of what is expecting them and are ready to accept it. But 85% go there being sure they will be able to make a lot of money. But hopes of these 85% are hardly met. And many of them, when they come back home, they say that unfortunately what they had there, say, the conditions of work, is not at all what they hoped to have. In many cases their material wellbeing did not improve. Only few women manage to improve financially, at least they accumulate property which allows them to survive further. We made a survey and it showed that if we had an opportunity to supply women with jobs here on the same conditions which they have abroad, then people would not move away.

All the experts agreed that the *core problem* of migration management in Ukraine is that due to predominantly undocumented character of Ukrainian

labor migration there is a void of reliable statistics about migration flows, their developments and trends. Furthermore, there are no comprehensive longitudinal studies on this issue, the last large-scale research project being implemented as far back as in 2001.

Incentives for Migration

All the experts noted that migration motivations of Ukrainians are triggered first of all by low income rates at home. Although currently, unlike in 1990-s, finding a job is no longer a problem, yet an average wage is insufficient to meet basic survival needs of laborers. At the same time for women, especially over 40 years of age, possibilities to secure employment are far more limited. Nonetheless, the prevalent opinion was that the key motivations for economic migration are unfavorable financial and material conditions at home, with three incentives being the priorities:

- a) to find a job to earn for everyday living and to support the family left behind at home,
- b) to make accumulations necessary to cover tuition for children;
- c) to make accumulations to buy housing or to make investments into real property estate.

Director of a think-tank on connections with the Ukrainian Diaspora: I don't agree with those who claim this money is used mostly for everyday consumption, for example for food. Because my personal opinion is that remittances arriving from abroad, and it is around 10% of our GDP, despite not being invested in business development, are invested into higher education for children, because for most people going abroad to make money, the incentive is to provide quality higher education for children. Besides, money is being invested into real estate, to buy housing. And even if money is used, say, for everyday needs, after all, it is invested into our national economy.

These motivations were not recognized as gender-specific, but pertaining to both women and men. Additionally, some mentioned that for women migration was also an opportunity to get rid of excessive parental control or failed marriages- to move away from situations where they lived under traditional, patriarchal authority to situations where they are empowered to exercise greater authority over their own lives"³⁶.

³⁶ "2004 World Survey on the Role of Women in Development. Women and International Migration" (New York: UN 2006), p. 3.

Expert in migration issues from a state research institute: ...A rural woman who works in agriculture here, she works very hard, but she is not paid much. And of course, when the context changes, when she gets into other conditions of work, her attitude changes, it changes her mentality. So, when women get back home, they refuse to accept the same realities as they had before, because their mentality changes and their perceptions change.

However, in contrast to a widely accepted opinion about poverty and economic insecurity as primary push-off factors for potential illegal migrants, particularly victims of trafficking, according to IOM data a more crucial incentive is a desire to escape dysfunctional family setting, which is more pertaining to women than to men. Attempts to escape unfavorable family surrounding often encourage young inexperienced women to seek illegal employment away from home and may result in trafficking.

IOM expert: What's very specific – their young age and a quite specific social background. In childhood they come from dysfunctional families. Interestingly, there is no direct relation to poverty, by the way... Well, most of them ARE poor, but just because you are poor you're not going to become a victim of trafficking. What is MUCH more relevant is dysfunctional family background.

Social Effect of Female Out-migration

It should be emphasized that all the experts agreed in what concerns predominantly negative social effect of labor migration for society. First of all, it was noted that Ukraine loses not only a whole generation of people of reproductive age and labor resources required at the national labor market, but primarily the most active and socio-economically perspective section of society. Secondly, it was unanimously admitted that labor migration makes a negative impact on family and marriage, as it erodes family relationship and leads to social orphanage, anti-social behavior and criminalization of children.

Director of a think-tank on connections with the Ukrainian Diaspora: Why do we deal with this issue? Because unfortunately over last years Ukraine developed a very negative image, a negative stereotype regarding Ukrainian labor migrants working abroad. But we consider that the last wave of migration is an objectives social phenomenon, and it has both positive and negative sides, which should be considered.... Now, negative implications: 1. the outflow of intellect given that 30% of migrants are people with higher

education. Yet, almost 37% of them are deskilled because they work in low-skilled professions. 2. Collapse of families and 3. social orphanage of children.

Director of a shelter for women: When women go away to work...It influences relationships in the family...So, either that the family have to be somewhere together, all of them together, or if not – there will be a very destructive impact on the family. Many marriages end up in divorces. When women come back home, there are lots of cases of divorces.

Thus, experts confirmed the author's earlier finding that "the negative effect of economic migration for family relationship is that it leads to emotional distancing and even aloofness between family members: on the one hand between spouses, on the other hand between generations, i.e. parents and children"³⁷. It was mentioned that this applies both to married couples and to single-parent (mainly female-headed) families as well. It is especially true in terms of feminization of migration, because single mothers are especially economically vulnerable and therefore more prone to migrate abroad to find employment. As a result, their children are more often left behind either unattended, or for the care of siblings, distant relatives or neighbors. This leads to socialization of children outside the family, their deprivation of natural experience of intimate family relationship, lack of pedagogical guidance, emotional and spiritual support of their parents. In such conditions children develop social immaturity and acquire consumerist attitude to their migrant mothers and perceive their dependency on female labor as acceptable. As a result, they often get into the category of the so-called 'problem children'.

Impact of Feminization of Migration on the Care Services Sector and Welfare in Ukraine

For the most part, experts were at pains in providing a gender-sensitive analysis of Ukrainian migration, including specialists in women's issues. Some of them even rejected a gendered character of migration flows as they are. 'Feminization of migration' seemed to be a new and challenging concept for practically all experts who participated in the interviewing. A lack of awareness

³⁷ A. Tolstokorova, "Effect of External Labor Migration on Ukrainian Family: 'Poisoned Gift' or 'Dream Realized'?" Paper presented at an International conference *New Migration Dynamics: Regular and Irregular Activities on the European Labor Market* (Nice, December, 2007); http://www.unice.fr/migractivities/05_EnjeuxOrigine.pdf.

of this process as a part of a new international division of reproductive labor crafted by globalization was obvious. When asked about the impact of female out-migration from Ukraine on the labor market of care services and welfare provision in the country more generally, most interviewees could not give a concrete answer.

Director of a research unit on migration issues from a state research institute: Unfortunately regarding female migration we don't have reliable data to make conclusions. But on the level of theoretical speculation we can make some conclusions. It's a problem of families, social orphanage, birth rates, increasing divorces. But in quantitative analysis we have gaps in information. We use research made by other organizations.

At the same time there was an opinion that actually in Ukraine there is no labor market of care services. A range of factors have been identified as contributing to this:

1. Lack of tradition of external, non-family care for elderly members, especially in highly traditional regions of Western Ukraine as a key donor region of female migrants.
2. Absence of necessary infrastructure, public and private institutions as well as qualified personnel licensed to provide care services.

Director of a state research institute on social issues: We have serious problems in social services for the disabled people, the elderly, those who require care services. We lack public intuitions, while private services are incredibly high. According to my data, they are far more expensive than in Europe... The problem is that they are few. But on the other hand, they are few because they are expensive. My perception is that actually there are monopolists who are not interested in having these services into the labor market. For example, let's take an agency which supplies employers with, say, cleaners. Actually, there are not so many of them, although in principle it's a profitable business. And if there is a demand, but still the offer does not increase, that may signify only that there's somebody who blocks the way.

Expert in migration issues: It's a shadow economy. If you hire someone through an agency you are not sure who you hire. But it's not so if you hire privately. Then you pay extra, but you have a proper person.

1. Lack of legislative framework and adequate state support necessary to provide care services:

Director of an NGO providing care-services: Unfortunately in this country social services exist only on the state level. This is a monopoly of the state. NGOs have no right to provide social services. Charity activity or support to those who need it is allowed, but it is not qualified as social services. There is no law which stipulates which social services can be provided by NGOs. Therefore people who really need care services can not buy them. They can hire a person in a private way, but then they do it unofficially. In this case no one can guarantee professional care-service. If there was a labor market of these services at least partly covered by the state, then women would not go to make money abroad. Because currently there is a huge demand in care services in Ukraine.

1. Chronic economic hardships in the country forced older people to remain active, self-sufficient and capable to take care of themselves till the last days of their lives.
2. In the situation when women as principle careers for elderly and sick family members depart abroad, this function is redistributed among members of extended families and/or among the community. Yet, it is more likely to happen in rural areas, where family and community connections are stronger, rather than in highly alienated urban settlements.

Director of a think-tank on connections with the Ukrainian Diaspora: ...care services here have never reached that high level they reached in the West. It is only a new development that care services employ laborers, who are being paid for. Traditionally they did not exist. It was mainly the function of the family performed within the family.

Interviewer: It's interesting what you say, that a new labor market of care services is being shaped. But who performs this function of careers if women, the major careers, leave the country?

Expert: Of course the family, same as before. The point is that there are lots of vacancies in this kind of services, and if people would like to come back, there is an opportunity for them to find job in the same sector. But it's an extremely complicated issue.

However, at least at this stage of the project, expert interviews did not confirm the opinion of Italian researchers that "care is reorganized through the acquisition of new care services on the private market, especially by resorting to the services of domestic helpers, babysitters, surrogate carers who perform

the role of guardians or basic child-minders, lodgers also entrusted with a caring role or by making renewed use of religious institutions"³⁸. High demand for care-givers in the country as a result of care drain to Western Europe and absence of a regulated labor market of care services leads to their high costs in Ukraine, which by expert estimates may range between 1000 to 1500 Euros per month. Without doubt, Ukrainian women working in care sector in Italy and earning between 700-1000 Euros per month can not afford paying that much to hired carers for their own families left behind at home. Therefore, although it is true that paid care services to children and the elderly exist and are practiced by migrants' families, as a result of inadequate remuneration they are but symbolic both in scale and in efficiency. Same as 'guidance and emotional support from a distance', naively seen as "compensatory strategies which limit the impact of care drain" (Piperno, 2007). It is highly doubtful that this kind of "childrearing tasks ... conducted over great geographical distances"³⁹ may be highly efficient. Neither can they guarantee efficient control and guidance, emotional support and timely advice in the daily life of minors, especially at a complicated age of puberty. Hence the experts' unanimous opinion was that the elderly in migrant families are more likely to be induced to take care of themselves and children are often left behind unguided and unattended, although formally are supposed to be looked after by paid carers. As a result they often get criminalized. In this case there is an obvious gap between 'care investments' (if any) of migrant women into their families at home and 'care efficiency' of these investments. However, many of interviewees agreed that this issue deserves closer attention and is perspective in terms of further research on labor migration in the country.

Perspectives and Trends in Migration Flows

The dominant understanding among experts was that over the last years migration flows from Ukraine settled down and are not likely to increase. The key argument was that most of those who wanted to secure employment abroad have already left the country, while a new generation of migrants did not yet reach a maturity age to be able to exercise freedom of the movement independently.

³⁸ F. Piperno *Welfare for Whom? The Impact of Care Drain in Romania and Ukraine and the Rise of Transnational Welfare*. (2007); <http://www.cespi.it/Curricula/PDF/piperno-welfare.pdf>.

³⁹ Ibid.

Expert in migration issues from a state research institute: I think this statistic survey which we are expecting, will show that migration decreased considerably, because the overall population in Ukraine is decreasing and aging and if the economic situation will develop favorably then the demand for such kind of services in Ukraine also will be increasing and wages will be no lower than in Italy...I think currently there are no grounds to expect any growth of emigration, there are no conditions for that.

Director of a research think-tank on connections with Ukrainian Diaspora abroad: The boom of migration is already in the past. It reached its maximum about 5 years ago. It's identified as an economic type of migration, resulting from economic problems in the country.

Expert in migration issues from a state research institute: ...human resources are limited. Some people will not go there in any case, because they are not willing to go, psychologically. Those who wanted to leave – they have already left, so the pace of migration will go slower and slower, because less people are willing to migrate. You can't move the whole country to another place.

At the same time it was noted that there are no grounds to expect a mass return migration of women home to Ukraine, despite an obvious deficit of labor resources in the national labor market, including care-services sector, and growing average wages in the country. As was emphasized by many experts, currently in Ukraine there are a number of sectors of economy, for example in construction, in domestic work and care services, which enable native workers to earn same wages at home as Ukrainian migrants can make abroad. However, migrants do not hurry up to take these positions. A possible reasoning for this is that the state did not implement necessary socio-economic reforms so that to create an efficient infrastructure which could attract Ukrainian migrants, working in industrially developed economies. Among other reasons are unfavorable conditions for investments in small business, problematic taxation policy and uncertainty in a possibility to obtain social security benefits at the retirement age upon return home.

Director of a research think-tank on connections with Ukrainian Diaspora abroad: Coming back to negative aspects, the money earned abroad is not being invested into the development of either middle or big business here, because the state did not create necessary conditions for that. There is no adequate legislation for it and it is not a priority for the state to create

conditions to make it possible to invest remittances from abroad in the Ukrainian economy. Also, absence of efficient tax policy.

Last but not least, is an attitudinal aspect: Ukrainians do not feel welcome and required in their homeland, they do not feel any attention and respect of the government to their needs as citizens, neither do they see any intention of the state to create conditions to attract them home. Among new trends in migration flows some experts mentioned an increase in the process of family reunification as a result of achieved legislative regulations of this issue with particular countries (Portugal, Italy). Yet, it was mentioned that this process implies mainly reunification of migrant mothers with their children in the destination country. Less often it refers to reunification of migrant wives with their husbands or migrant husbands with their wives, leave alone a reunification with elderly parents.

Interviewer: Also, regarding family reunification, it's a good question, because women are the first to migrate. Who are they bringing with them? Elderly? Children? Husbands? Or all of them together?

Expert in migration issues from a state research institute: They start from children. They go to Italy, they try to find job, to study. And then their husbands go to Italy too. It's a trend of last two years.

Scenarios for the Future

It is alarming that none of the experts mentioned a crucial factor, which is sure to cause the augmentation of migration flows in Ukraine in the nearest future. It concerns recent developments in the educational reform on the level of high school, and particularly the introduction of the system of independent testing for entry into University training, initiated in summer 2008. Results of the first testing campaign announced in May 2008, showed that rural children, who have considerably poorer conditions to acquire quality education, scored significantly worse in the major disciplines compared to their urban coevals. Pupils in West Ukrainian villages (especially in areas densely populated by national minorities, like Romanian settlements in Chernivcy region, where few people speak Ukrainian) scored worse in major school disciplines than school dropouts from other regions of the country. This means that during the next University enrolment campaign they will be less competitive and have fewer chances to enter higher education, than school graduates from towns and big cities, for example, from Kiev, Kharkiv or Crimea. As a result, starting autumn 2008, the rural youth who

in earlier years were engaged in University training, will have to look for a place for themselves in the labor market. Yet, with no professional qualifications and work experience, they are unlikely to succeed in job-hunting and will be forced to get involved in the black market and search for work abroad. Furthermore, if for boys there is an opportunity to find employment in construction sector within Ukraine, for female school-leavers search for external employment will be probably the only option. Thus, there are grounds to expect another wave of unskilled labor migration from rural West of Ukraine as a traditional source area of female labor force to care serviced in the EU, primarily to Italy. However, taking into account that in July 2008 Italian government introduced new security laws, which made 'illegal immigration' a criminal offence, and considering existing restrictions in securing Italian visa for young females under 35, there is a high probability the wave of labor migration will be redirected to other EU countries with high demand for care services, as, for example, Ireland, or such forward-looking countries, as Canada, which is currently more migrant-friendly than many other host societies, and where there exists a demand for carers of Ukrainian origin.

Expert in migration issues from a state research institute: In US and Canada, they have old Diaspora and very often these links serve as channels to move there. People go to work, say, in the families of old Diaspora. It happens, for example, when elderly people want to be taken care of by people who speak their own language, or if families want their children to know their native language, and for some people it is simply cheaper that way.

Interviewer: So, they are going to work in the houses of old migrants?

Expert: It's the first stage of migration. And then they have a possibility to find another work in other villages. Another kind of practice.

It is alarming that none of the experts mentioned a crucial factor, which is sure to cause the augmentation of migration flows in Ukraine in the nearest future. It concerns recent developments in the educational reform on the level of high school, and particularly the introduction of the system of independent testing for entry into University training, initiated in summer 2008.

Conclusions

Analysis of profound expert interviewing allowed for identification of the following *challenging areas* in the Ukrainian migration policy and practice in terms of feminization of migration as one of current trends in migration flows from the country:

1. Lack of awareness at practically all the levels of society of the problem itself, i.e. the impact of feminization of labor migration from Ukraine on welfare and the labor market of care services in Ukraine. As a result – absence of any public discussion in the media, any focused research on the issue or any attempts to approach this obvious problem on the decision-making level.
2. Lack of reliable database of information about both documented and undocumented labor migration from Ukraine.
3. Closed character of work of agencies involved, un-transparency of their outcomes and absence of an integrated approach in sharing data on labor migration. As a result, information generated by different institutions is often contradictory or even incompatible. Thus, there is no efficient system for collecting, processing, and analyzing statistics and socio-demographic data on labor migration.
4. Absence of a socioeconomic and welfare framework for migration policy, management and research on the state level. Migration regulation is restricted to the area of law and legislative issues, but does not cover socio-economic aspects of labor migration.
5. Lack of a tradition and research history in Migration Studies as an academic domain. This field of expertise is but an emerging field in Ukraine and therefore lacks its own methodology, theory and practice. There are no academic institutions which provide teaching or professional upgrading for those involved in migration studies. There are practically no experts in the country who have professional training in this area as a major, most of specialists being qualified as experts in related fields, like sociology, demography, public administration etc.
6. Lack of *qualitative* research on social issues in general and no tradition of both research and teaching in social anthropology as a discipline, especially in connection with migration issues and gender issues.
7. Lack of awareness among experts about labor migration as both globally and locally gendered phenomenon. For this reason there no attempts to mainstream gender either into migration policy-making or into social policy and social work aimed at migrants.
8. Lack of both state and international funding for migration research in general and on its social dimension in particular. Consequently, its unequal, uncompetitive

and un-transparent distribution among different actors involved. As a result – finances for migration scholarship are concentrated in narrow circles of researchers, close to the level of decision-making and state governance.

In order to encourage understanding, research and policy management of gender-related migration issues the following steps should be considered and acknowledged as *policy priorities*:

1. To introduce and strengthen a socioeconomic, and especially gender-based component in current scholarship on migration issues, in view of increasing gender segregation and feminization of Ukrainian migration flows. This will include, together with quantitative study, also qualitative, interpretative, i.e. 'soft' methods in research of social and cultural phenomena, connected with gender aspect of human mobility.
2. To encourage collecting, processing, and analyzing gender-sensitive statistics and other background information on gendered character of Ukrainian labor migration, both nationally and internationally. To fill this gap in national migration research it is necessary to create an efficient resource database to enable further research on gender dimension of economic mobility in Ukraine and to develop gender indicators of the process of labor migration.
3. Research shows that post-socialist East European countries, closest geographical neighbors to Ukraine (for example Poland, Czech Republic, Bulgaria, Russia) where gender disparities in the process of labor migration are as prominent as in Ukraine, already have some experience of gender-sensitive analysis and management of migration flows⁴⁰, albeit more on the theoretical rather than practical level. This is why there is a need to study and conceptualize their experience in this issue and to use it for the purpose of efficient integration of gender component in migration policy and management in Ukraine.

⁴⁰ K. Slany, A. Malek, "Integration of New Female Migrants in Polish Labor Market and Society and Politics Affecting Integration: State of the Art" A Specific Target Research of the 6th Framework Program of the European Commission. *Working paper* No 9, WP-4 (2006); R. Rangelova, "Gender Dimension of the New Bulgaria's Migration: Comments on Empirical Data" Materials of the Workshop *Gender Dimension of new Bulgarian Migration*, www.migrationonline.cz; N. Kosmarskaya, "Post-Soviet Russian Migration from the New Independent States", D.M. Indra (ed.) *Experience of Women Migrants. Engendering Forced Migration. Theory and Practice*. (Oxford and New York: Berghahn Books, 1999).

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Europe's Role In Nation-Building: From the Balkans to the Congo

By James Dobbins, Seth G. Jones, Keith Crane, Christopher S. Chivvis, Andrew Radin, F. Stephen Larrabee, Nora Bensahel, Brooke K. Stearns, Benjamin W. Goldsmith. RAND Corporation, 2008.

Participating in a meeting of an extremely devoted religious group can be an alienating experience not only for non-believers, but even for the moderates. Spending time with RAND's new publication renders similar emotions. It must be easy to read for the insiders from the nation-building community. Unfortunately, harsh for outsiders, though.

Europe's Role In Nation-Building: From the Balkans to the Congo provides a unique insight into the European Union missions of consolidating states outside its borders. The book is impressive by both the depth and the width of information encompassed. Drawing on six case studies from the Balkans and sub-Saharan Africa it exposes the security, humanitarian, governance, democratization, and economic challenges of nation-building European style. Analysis is coupled with evaluation, comparison, and recommendations.

"Despite continuing difficulties, European institutions for the management of civil-military operations have developed to the stage at which they are more than brief, tentative experiments and can be embarked upon with some confidence," reads essence of the comprehensive 300-page volume.

"The greatest challenges faced by the EU do not reside in efficacious employment of armed force, but rather in formulating and applying the broader political-military strategy that must underlie it," adds the concluding chapter (p. 236).

The statement is definitely justified. It is not derived from theory, but a skillful generalization of the experiences from nation-building missions in Albania, Sierra Leone, Macedonia, Côte d'Ivoire, Eastern Congo, and Bosnia.

To divert briefly, but purposefully, RAND's EU volume comes third after the snapshots of US and the UN nation-building efforts. The added value of the closing piece is that it makes a final comparison of US, UN, and EU nation-building missions. There is one more bonus, a native of the Western Hemisphere: Australia's mission in the Solomon Islands which lacked a US, EU or UN involvement. "The Australian government had, however, clearly collected and integrated many of the best practices developed by the international community over the previous decade," reason the authors.

The inductive method the multiple authors used required them to identify the study object very clearly. Nation-building is – according to them – "the

use of armed force in the aftermath of a conflict to promote a durable peace and representative government.” In spite or rather because of that, *Europe's Role In Nation-Building* does not only fall under the European studies, but also the democratization and peacemaking fields. The stretch of both the object and its relevance is exemplified by at least two of reviewers' names: European studies' Joylon Howorth and democratization's Daniel Keohane.

Apart from conceptual inclusivity, authors also pursue conceptual exclusivity. They draw a clear line between nation-building and post/neo-colonialism. The main distinction, they claim, is the intended duration of the mission. While the pre-WWII colonialism avoided time fixation, the post-Cold War nation-building seeks exit strategies and departure deadlines. (This is a justified claim, however, as will be shown further on, the transcendence of national interests turns into a see-no-evil game in certain other aspects of EU deployment that doesn't pay off.)

The bulk of RAND's 2008 volume contains six chapters – six missions led by either the EU or an EU government. According to the hard and fast rule which the authors took also for golden, each chapter is divided to three sections (Challenges, The European and International Roles, and What Happened), of which each is broken down to five sectors (security, humanitarian, civil administration, democratization, and economic reconstruction). Each

chapter is concluded by the essential 'Lessons Learned' section.

The evaluation of a specific mission is based on both qualitative and quantitative inputs. The range is very comprehensive, but military-deaths-to-population ratio and level of democracy can be two examples.

So how did the Union manage in exporting peace and democracy? The result is more logical than surprising. We learn that under the EU banner nation-building draws on consensus decision-making and wide array of civilian assets, and features high expenses as well as governmental micromanagement. And while the EU lacks NATO's leadership style and combat spirit necessary for pacification, its comparative advantage is the strong conditionality.

EU's other major weaknesses are the high risk-adversity level on one hand and low political-military integration level on the other. The funding and capacity problems and missing political-military strategy have been no secret for long.

Still, the book does come up with very striking insights into the European missions outside the given shell, which inspire discussion on the subfields of nation-building. In Albania, for example, it was the psychology of nation-building. A fruitful result of the mission Alba included the belief that 'Europe cared about Albania'. In Eastern Congo, the psychology – embodied in MONUC's willingness to use force – was a factor of success. The economics of nation-building plays a crucial role in

the resourceful African countries. For example, to be in charge of Sierra Leone and Côte d'Ivoire meant to control the diamond mines and cocoa and coffee routes respectively.

In any case, these elements allow readers to comprehend better each of the distinctive cases, unfortunately as more of an anomaly than a rule. And this is merely an illustration of the book's major problem. As indicated above, the structure is extremely rigorous and the language dry. At times, the reader feels trapped in a sea of abbreviations and technical terms used in an unchanging structure.

Europe's Role In Nation-Building is, I fear, an example of content falling victim to style. The arguments introduced are solid and transparent (figures, tables, and graphs are attached). Comparison requires naturally *similarly* structured research and writing. But, to name just one example, does it imply that each chapter begins with *almost the same* words (a specific date)?

The rigid and schematic character of the volume may have also caused some meanings getting lost in translation. The national interest issue, to start with, is kind of present and kind of absent throughout the whole book. How much trouble do the contradicting national interests of various EU governments cause to EU's missions? In other words,

why is the distant Congo a big success, while the results in the close Bosnia remain unclear? The book fails to answer.

Another important development that deserved attention is the adoption of the *Treaty of Lisbon*. If finally ratified and implemented, it will strengthen the European Defense Agency and with it the intra-EU arms production and market, increasing EU's military capacities. The RAND publication, according to my counting, mentions the reform treaty in exactly one (1) sentence. In this light, the ignorance of a simple, but crucial fact that France returns to NATO's military structures after 43 years, seems like a minor error. No excuse will do for ignoring the treaty and Paris' policy. In 2007 (when the research was wrapped up) these were neither formal, nor entirely unexpected tendencies.

The question, I don't want left unanswered, is who in the end can most benefit from RAND's new publication. Next to the CFSP and ESDP people and fans it's a must for the nation-building scholars and policy-makers (which probably didn't catch anyone by surprise). To them it can also perfectly serve as a dictionary of European nation-building efforts they can return to any time. To the others only that.

Pavol Szalai
SME Daily

Labor Market – Migration Nexus in Slovakia: Time to Act in a Comprehensive Way

By Boris Divinský. Bratislava: International Organization for Migration, 2007.

International migration is one of the hottest contemporary issues of our globalized world. However, there are very few studies on the migration processes in Slovakia. The possible reason for this: the limited scope of migration waves towards Slovakia and the marginal percentage of immigrant population (one of the smallest within the EU). On the other hand Slovakia experienced high levels and rates of humanitarian migration (mostly as a transit country) and labor out-migration since the 1990's. The experience of many Western countries also shows that an emigration country could rapidly turn to an immigration one, like Spain or Ireland during the past one and half decades. Considering these facts it is worth it to study the migration processes in Slovakia. Thanks to the systematic and complex work of Boris Divinský, a Slovak expert, now we have a comprehensive book on migration. It's been written in English and freely downloadable from the internet. This is important especially to foreigners interested in this topic. While the Slovaks already face a limited number of sources dealing with migration, the foreigners would be left without any actual work not having Divinský's book (and other publications).

The complexity and the multidisciplinary character of the topic require a holistic approach, demographic, economic (mainly labor market) and policy factors, migration statistics should be analyzed. You will find all of it in the book, but the author didn't stop at the descriptive level, he also evaluated the weaknesses of the migration system, notably the lack of accurate and reliable statistical data in many areas and the still missing or inadequate basic strategic conceptions, plans and other documents on migration (let alone the implemented policies). Recommendations for the decision makers are added to improve the situation.

After the introduction, the second and third chapters describe the demographic and economic development of Slovakia with regard to conditions on the labor market. This could be well known for domestic readers and they might think the chapters are too detailed, on the other hand foreigners not familiar with the development in these areas will find them helpful. The demographic and economic data also provide a solid framework for the interpretation and better understanding of migration statistics. The quite intensive academic and public debate on major population

trends, namely the rapid ageing with its all economic consequences lead to a reasonable awareness of these problems, nevertheless the data are still shocking. According to some estimates in 2010-2050 the number of elderly persons (over 65) will grow by 730 thousand (an astonishing 111% growth) from 12,3% to 29,3 % of overall population, this will increase the mean age from 37 to 51 years making Slovakia's population the 11th oldest in the world (p. 28). On the other hand many of the similar catastrophic scenarios in other developed countries have been already overwritten by real development – mostly due to high immigration. So the author could be more critical toward these estimates, questioning them on the basis of underestimated future migration flows for example. This is not to say, that he missed a more detailed look on expected migration, you can find it in subchapter 4.5.

Chapter four gives a detailed view on the development of immigration to Slovakia: the composition of migrants based on country of origin, immigration status, social and demographic structure. The author here confronts one of the basic prevailing problems: the lack of reliable, accurate and up to date official data on immigration. The statistics are often inaccurate, inconsistent and incomparable. This is especially true in the case of labor migration. To illustrate the magnitude of this problem we can compare the existing estimates on the number of migrant workers. These ranged in 2006 from 3 to 15-

20 thousand (p. 94). When a 'realistic' estimate of a migration expert is three fold the highest official data available, then something is really wrong with the Slovak statistics. The registration of out-migration is even worse. As Divinský argues in the following chapter, the vast majority (approximately 90%) of Slovak emigrants do not fulfill their obligation to de-register at respective authorities, so they leave the country without being documented and counted. If Divinský is right, this means that the "presented positive net migration in Slovakia is thus just a myth" (p. 101). The situation is much better when trying to count the – mostly temporary – labor migrants from Slovakia. Divinský provides a detailed picture about their composition, distribution among the major destination countries as well as some effects on the sending state (brain drain, remittances).

The sixth chapter evaluates the labor migration policy in Slovakia but also describes the major immigrant associations in the country and the perception of immigration in political discussions, the media and the public. While some conceptions and other documents and laws do exist and Slovakia implemented the EU's common legislation related to immigration, the strategic thinking with comprehensive plans is still missing and the system of institutions dealing with migration is incomplete, fragmented and subject to frequent organizational modifications. This is especially true in the sphere of labor migration: "De facto, no strategy,

conception, plan, prognosis or any other type of documents analyzing the heterogeneity of labor migration (its various forms, causes, consequences, manifestations, trends, effects on society, predictions, etc.) in a complex way are available in Slovakia... Simply said, no rudiments of labor migration policy exist in Slovakia at present" (p. 145).

The concluding part summarizes the main findings and gives recommendations to improve the situation. The decision makers should consider these, especially in the following areas: fundamentally improve the quality of statistics, create a universal framework of migration policies (conceptions, priorities, legislative acts) with related adequate financial sources, and prepare for the larger influx of immigrants approximately after 2015. The author is putting these recommendations to a wider framework when he mentions task in many related fields, notably the labor market and the education system. The rising of the employment rate, further reforms of the social security system and the adjustment of the education system to the needs of the labor market could serve as a substitute of immigration

but also as a complement of it (because even the best immigration policies can fail without these steps). To put it simply, they're needed anyway. That's why it is good that Divinský is connecting these issues to the main topic, avoiding the mistake of analyzing the immigration rived off from its social context.

To conclude, the main achievement is that we finally have a comprehensive work analyzing the migration in Slovakia. It has already become a basic book for those who are interested in Slovak migration issues, both natives and foreigners. Thanks to the systematic work of the author we can recognize the various aspects of migration in their complexity. The inspiring recommendations should be taken seriously by decision makers. I hope they will also give an impulse for a more intensive academic and public debate on one of nowadays most important processes, the international migration which has been much neglected till now in Slovakia.

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