Trust and International Energy Co-operation –
Case Studies from Europe, Russia and beyond

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Acknowledgements
What is trust?

• Most common International Relations conception – trust is the belief that others are willing to reciprocate co-operation in the future (Bacharach and Gambetta: 2001; Kydd: 2005)

• Trust is linked to risk – ‘Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another” (Rousseau et al.: 1998)

• In practice, trust implies confidence but also references to individual and/or collective character
Why is trust important?


2. Facilitates co-operation (Fukuyama: 1995; Hardin: 2002; Williamson)


4. Facilitates conflict resolution (ibid.)

5. Single meetings can have significant political and economic ramifications (Hoffman: 2002; Keating and Ruzicka: 2014; Kydd: 2005; Möllering: 2008)
Research overview

Comparative case study of bilateral European-Russian trade agreements, long-term contracts and joint ventures

1. Interviews with decision makers
1. Trust as levels of co-operation
1. Survey data
1. Trust as hedging strategies – companies and governments
1. Discourse analysis – public statements, energy policies, reports, memoirs

Countries surveyed

Bulgaria
Finland
France
Germany
Great Britain
Japan
Kazakhstan
Latvia
Lithuania
Norway
Poland
Russia
United States
Findings from European cases – clash of cultures?

- Russian actors emphasised relationships (*bumaga terpit’ vsye*) and social interaction over contracts whereas British and Norwegian focus was on contracts and process.

- German actors appeared comfortable in both environments. (Helmut Schmidt’s ‘*Saunapolitik*’ (Schmidt: 2010))

- In East, relational trust appears to function as a trade institution in offering more security than just formal contracts alone – historical legacies
Trusting, Fast & Slow

Trust formation in Kahneman’s framework - evaluating trustworthiness (Kahneman: 2011)

1st System
(Based on associations)

Shared history, either positive or negative
I ideological legacy
Stereotypes and associations
Cultural affinity/shared norms & values
Reference cases
Perceived social contract

2nd System
(Rational & reflective)

Fulfilling expectations
Signalling interest (costly signalling)
Previously observed behaviour
Demonstrated expertise

Fast evaluations
Default preference for cognitive process

Slow evaluations
More effort required for cognitive process
Memories and associations

“It all started with Peter the Great and then Catherine the Great.”

“The war was an anomaly, a deviation from the natural state. We knew we would eventually return to our old trading arrangements.”

“They’re all thugs.”

“Our orientation has always been to look to the East.”

“Nord Stream is tantamount to a Molotov-Ribbentrop pipeline” (Radek Sikorski)
Concern over Russian energy dependence

Western European concern over Russian energy dependence

- France
- Germany
- Great Britain
- Italy

Not concerned
Concerned

Eastern European concern over Russian energy dependence

- Bulgaria
- Czech Rep.
- Lithuania (2009)
- Poland

Not concerned
Concerned

Source: Data from Pew Research Centre Global Attitudes Index
European publics’ attitudes of Russia

Source: Data from Pew Research Centre Global Attitudes Index

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Ostpolitik - a model for building trust?

- Policy of rapprochement between the FRG (West Germany) and USSR
- Informal back channel of communication was critical to building trust
- Driven by mutual interest in trade and political stability – original policy was conceived and lobbied by industrial firms – oil shock of 1973 gave greater urgency to alternatives to the Middle East
- Breakthrough in negotiations occurred between the chancellor’s advisor, Egon Bahr, and Soviet negotiators – FRG had to balance concerns in Washington for a gas trade deal. (visceral moments)
- Outcome – ‘pipelines-for-gas’ – barter structure for first LTC between German consortium headed by Ruhrgas and the Soviet Ministry of Petroleum & Minerals

FRG’S CHOICE - WHOM TO TRUST?

- FRG (W. Germany)
- USSR (Russia)
- Middle East
- U.S. as guarantor

Most trusted
Least trusted
Building trust requires risk taking

In the absence of direct experience, actors will typically defer to stereotypes and other references in making decisions on trustworthiness.

Although there are general aspects to building trust, actions are interpreted through a cultural and historical lens. One needs to know what they are in order to send the right signals.

Stereotypes and associations of those surveyed were based on experiences of war, geopolitics, and national images.
Conclusions

The expectations shaping trust are culturally and linguistically contextual - trust, doveriye, se faire confiance, shinrai, Vertrauen

When there is more coherence in shared norms and values, trust becomes embedded and more durable over time - there is no need to think about it or question the counterparty

Trust can emerge from discord and often does because parties get to know each other better in the process – the experience is authentic
* One more point *

Two levels of trust

Stage 1

Stage 2

To be continued...
Bibliography


Thank you for listening

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