



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

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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?



1. Lowers transaction costs (Chow: 2008; Hill: 1995)
2. Facilitates co-operation (Fukuyama: 1995; Hardin: 2002; Williamson)
3. Lowers risks of disputes (Fisher, Patton, Ury: 1991)
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 (Kahnemann: 2011)

Shared history, either positive or negative

Ideological legacy

Stereotypes and associations

Cultural affinity/shared norms & values

Reference cases

Perceived social contract

1st System

(Based on associations)

Fast evaluations

Default preference for cognitive process

Fulfilling expectations

Signalling interest (costly signalling)

Previously observed behaviour

Demonstrated expertise

2nd System

(Rational & reflective)

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.”

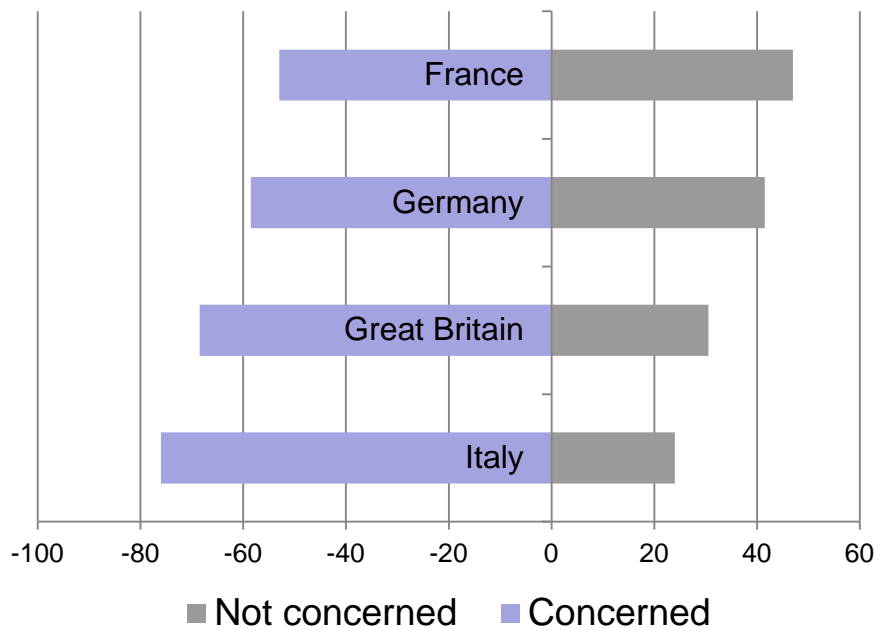
“They’re all thugs.”

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

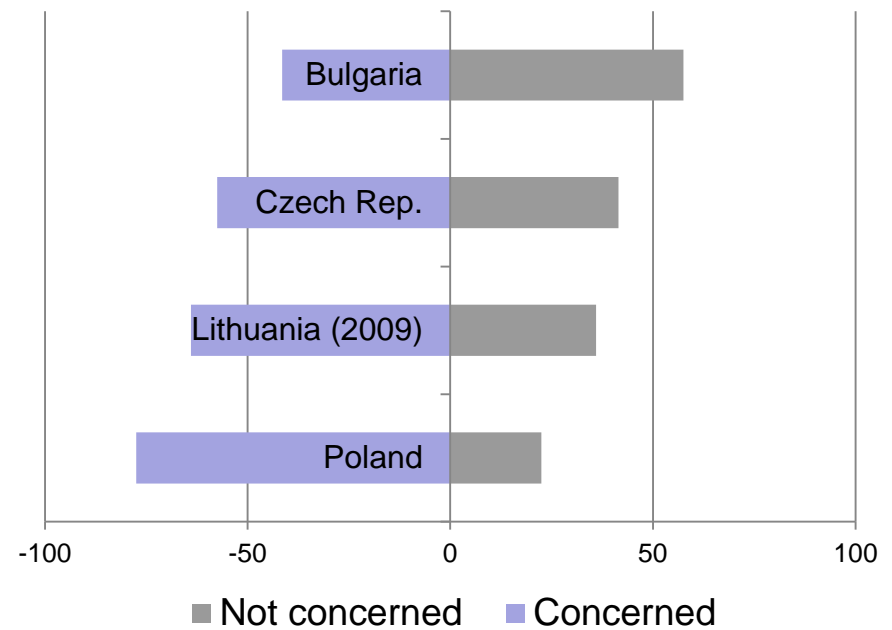
“Nord Stream is tantamount to a Molotov-Ribbentrop pipeline”
(Radek Sikorski)

Concern over Russian energy dependence

Western European concern over Russian energy dependence



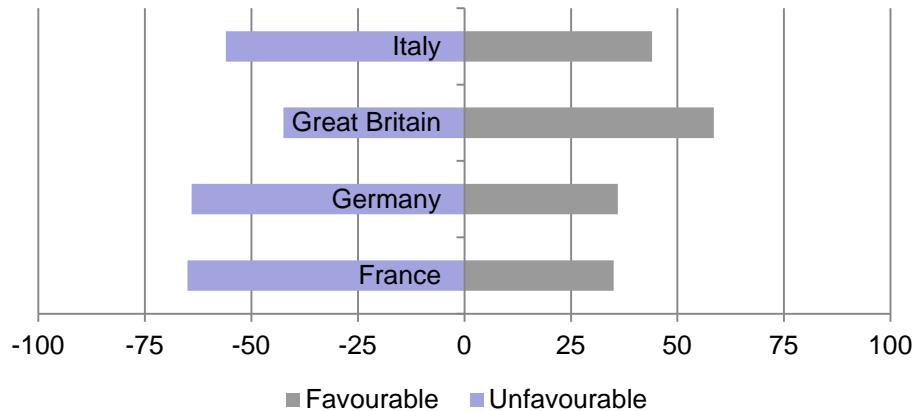
Eastern European concern over Russian energy dependence



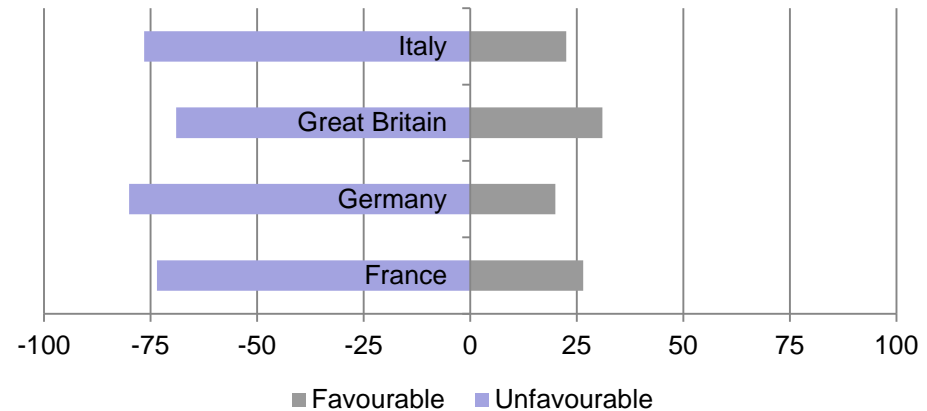
Source: Data from Pew Research Centre Global Attitudes Index

European publics' attitudes of Russia

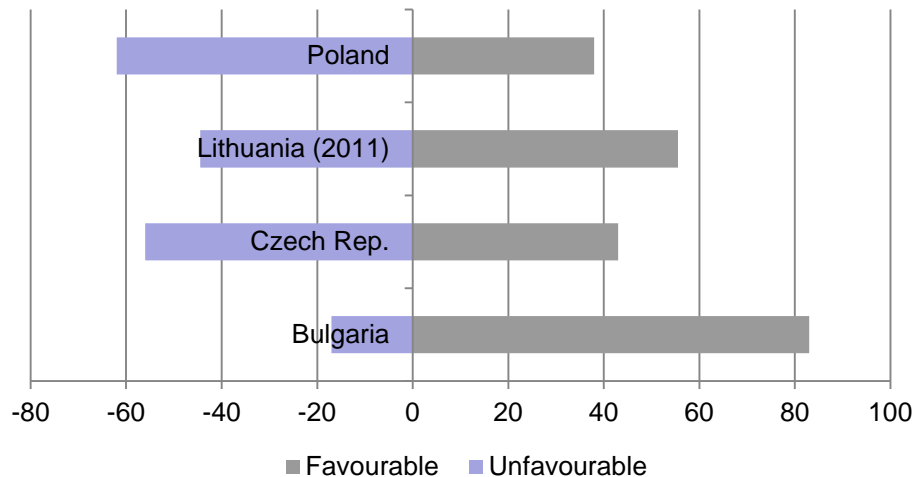
Western Europe (2007)



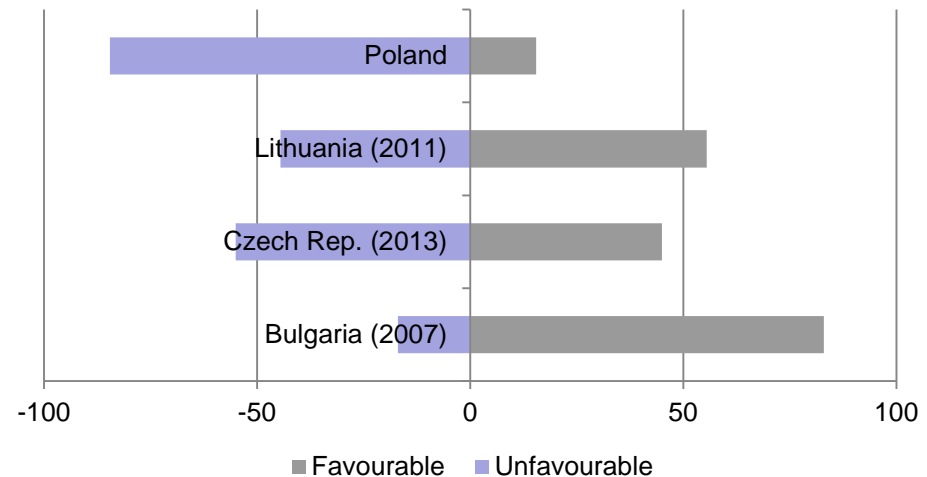
Western Europe (2014)



Eastern Europe (2007)



Eastern Europe (2014)

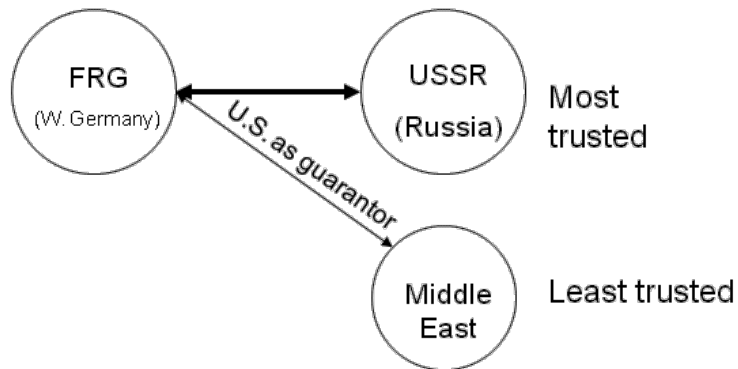


Source: Data from Pew Research Centre Global Attitudes Index

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?



Conclusions

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

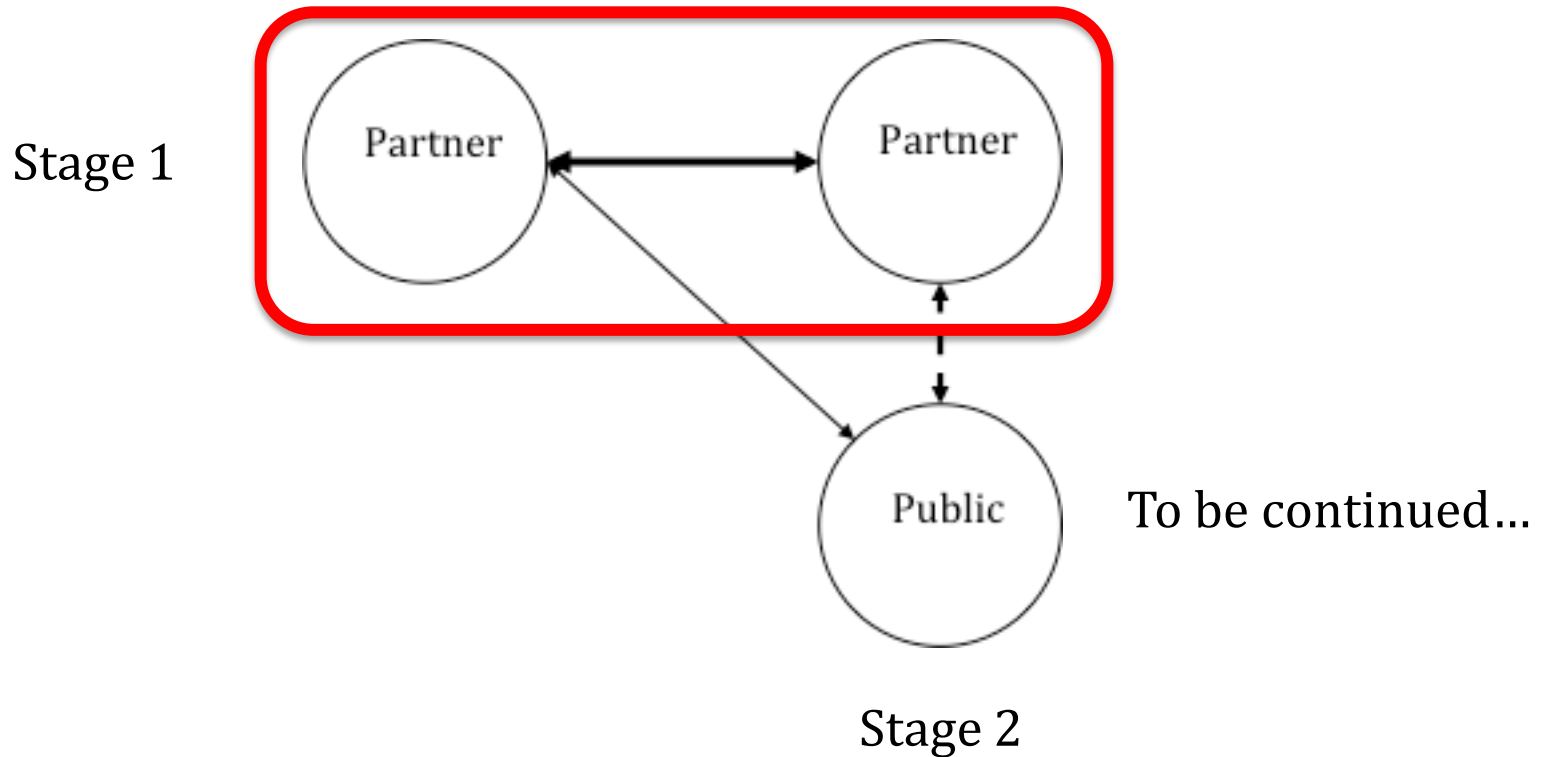
The expectations shaping trust are culturally and linguistically contextual - trust, *doveriye*, *se faire confiance*, *shinrai*, *Vertrauen*

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



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Thank you for listening

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