Margarita M. Balmaceda. *The Politics of Energy Dependency: Ukraine, Belarus, and Lithuania between Domestic Oligarchs and Russian Pressure.* Studies in Comparative Political Economy and Public Policy. Eds. Michael Howlett, David Laycock, and Stephen McBride. Toronto: University of Toronto Press, 2013. xiv, 445 pp. Maps. Appendix. Notes. Bibliography. Index. Cloth.

This book is a masterful work. Dr. Balmaceda provides a key to understanding the continuing dependence on Russian energy of the three countries she examines—Ukraine, Belarus, and Lithuania—and the consequent inability of two of the countries, Ukraine and Belarus, to carry out serious political and economic reforms. The book is recommended for anyone seeking to understand the political and economic evolution of the three countries from the time of their independence in 1991 up until 2013.

Dr. Balmaceda notes that the first two decades of independence were marked by a shift in the economies of the three countries from a situation of virtually free oil and gas stemming from the Soviet period to one where those resources neared world prices by 2013. In spite of this evolution, the countries in question made, until very late in the period, surprisingly modest efforts to overcome their dependency on Russian energy. Between 1991 and 2007, Belarus's energy dependency had gone from 80% to 85%, Ukraine's from 50% to 43%, and Lithuania's from 70% to 62%.

Dr. Balmaceda examines the impact of domestic political systems on energy policy-making. She argues that the lack, to varying degrees, of a proactive energy policy in the three countries is best explained by their political and interest-representation systems and the effect on them of pressures to obtain energy rents.

The author notes that Ukraine's energy dependence on Russia was moderated by elements of asymmetrical interdependence. As of 2010, more than 80% of Russian gas exported to Western Europe went through Ukraine. Ukraine's extensive underground gas storage facilities were important to Russia, as they allowed gas to be parked there until the peak season. However, Ukraine did not make full use of its points of leverage in its negotiations with Russia.

Although Ukraine was formally a democracy from 1994 to 2004 under President Leonid Kuchma, it was characterized by a competitive authoritarianism in which energy policies were only partly democratically controlled, and the president arbitrated between various oligarchic interest groups that were seeking energy rents.

The Orange Revolution of 2004-05 led to a paralysis of relations between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko. De facto control over important areas of energy policy was exercised by "actors,

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either with a clear interest in the maintenance of Ukraine's energy dependency status quo . . . or, in the best of cases, indifferent to it—as long as they could guarantee their own energy-related profits . . ." (147)

Under Yushchenko's successor, President Viktor Yanukovych, Ukraine succeeded in negotiating the removal of a 30% Russian gas export tax in return for its extension of the lease on Russia's Black Sea naval base in Sevastopol in the Crimea. Nevertheless, Ukraine's blatant energy dependency on Russia, its recurring problems in paying for these supplies, together with the government's inability to take a strong and united stance on energy issues, made the country especially vulnerable to price fluctuations and other changes.

Dr. Balmaceda notes that during the period in question, Belarus was especially dependent on Russian gas—its principal source of energy. Eighty percent of Belarus exports consisted of energy-intensive products.

At the same time, Belarus was not without bargaining power. It was an important transit country for Russian gas exports to Western Europe. In addition, President Aleksander Lukashenka's system of top-down control meant that he could present a strong and united energy policy. The oligarchs had very little access to energy income without the president's approval, and they could exert only limited pressure on him. The president also, at times, enjoyed considerable political influence in Moscow. As a result, he played a weak hand well.

However, energy rents were crucial for the survival of the regime. They kept the unreformed economy alive, allowing for GDP growth and a rise in living standards. They also provided the presidential administration with additional resources.

Dr. Balmaceda finds that during the period being studied, Lithuania had both strengths and weaknesses in its energy relationship with Moscow. On the one hand, it had no significant domestic energy resources or gas storage facilities. Nor did it have direct energy connections with the rest of the EU. On the other hand, until 2006, it was the terminus of the Russian Druzhba gas pipeline. The Russian gas pipeline leading to Kaliningrad also traversed Lithuania. The country indirectly exported Russian oil through its oil refinery. Furthermore, its membership in the EU allowed it to multilateralize its relationship with Russia.

Unlike the authoritarian systems of Ukraine and Belarus, the government of Lithuania was highly decentralized, with multiple centres of power and a weak executive. It had a primarily parliamentary form of government. Its coalition politics were unstable much of the time. There was no party of power and, hence, no clientelism or control of large-scale administrative resources. The country enjoyed a national consensus that favoured an open economy and a pro-Western foreign policy.

Since independence, Lithuania's energy policy has been focused on diversification. Early on, it developed the necessary infrastructure. It rapidly moved to European energy prices, which led to energy conservation and industrial restructuring. Lithuania also developed a capacity for self–regulation and controlling lobbyists. The country's cool relationship with Russia meant that there were no concessional prices and few schemes for earning rent. By doing away with mechanisms such as barter, cross-subsidization, inexpensive credits, and, eventually, intermediate companies, Lithuania took away some of the main instruments for acquiring energy rents.

Dr. Balmaceda concludes that how a country manages its energy dependency sets the stage for eventually dealing with the challenges of state-building and energy security. Energy rents to certain groups have an impact on the development of the political system. Governments need transparency and a broad consensus when forming energy policy. Domestic institutions matter. The lack of a well-established mechanism for determining energy policy notably opens the door to informal arrangements, which can undermine or prevent the development of national energy policies.

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