

# Pipeline blues

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EXPLAINING THE GERMAN SUPPORT OF NORD STREAM II

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## Abstract

The German support of Gazprom-owned pipeline project Nord Stream 2 has antagonized many of its long-standing western allies. Opponents of the project are concerned about lost transit revenue and increased import dependency on Russia. Even though international energy policy has become a more salient issue, scholarly attention for the issue remains limited. The research takes two approaches to the puzzle of the German decision: a synthesis of neoclassical realism and mercantilism, and social constructivism. Drawing on process tracing of the three decision-making phases, it finds that the 'neoclassical mercantilist approach' is best fit to explain German support of the project. Key decision-makers largely follow a rational analysis of threats and opportunities, in which domestic energy firms act as intervening variables. Still, the social constructivist variables can also shed light on the underexposed, boundedly rational factors of decision-making: the personal convictions of key decision-makers and historically rooted discourses. As this thesis relied on literature review only, future research on the social constructivist dimension could incorporate interviews and surveys to more specifically examine the German perceptions of Russia. Frame analysis could analyze historical discourses. Additionally, more attention could be devoted to the specific interaction patterns between key-decision makers and domestic societal actors with regards to foreign economic policy.

**Key words:** *Nord Stream 2, energy, foreign policy, Germany, Russia, neoclassical realism, mercantilism, social constructivism*

# 1. Introduction

Behind the scenes of the Munich Security Conference in February 2016, Russian prime-minister Medvedev attended a business breakfast with some 400 participants. While many of the other politicians and diplomats at the Conference were discussing the civil war in Syria, major Russian and German public and business representatives sat down to exchange views on economic and trade relations in times of sanctions, mutual recrimination and political conflict. During the breakfast, Medvedev observed that politics is taking primacy over economics in German-Russian relations. Trade between the countries has substantially declined after Spring 2014, when president Putin annexed Crimea and sent Russian forces to eastern Ukraine. The European Union (hereafter EU) subsequently responded with a sanctions regime against Russia, triggering the latter to impose its own import bans against Europe. The traditional German vision of modernizing Russia through close economic and business ties seems to have faded, a leader of the Association of German Chambers of Commerce and Industry lamented during the Munich meeting (Smale, 2016).

Yet the newest gas pipeline project indicates that Russian and German energy relations are as interwoven as ever - to the dissatisfaction of many of Germany's political allies. At the Eastern Economic Forum in Vladivostok in 2015, Russian energy company Gazprom and five private Western European partners signed the Shareholder Agreement on Nord Stream 2, which will be an addition to the first Nord Stream pipeline running through the Baltic Sea. The idea of an extension is not new. Ever since the construction of its predecessor Gazprom has promoted the idea of a parallel pipeline, with the pace of its activities accelerating or slowing depending on the respective European political context (Nowak, 2015). As Gazprom's current transit contract with Ukraine expires in 2019, some observers assume it is no coincidence that Nord Stream 2 is scheduled to be in operation in the same year (Brüggmann, 2015; Rapoza, 2016). For Germany, the construction of the pipeline would mean that 80% of Russian gas supplies to Europe will be delivered through its territory, turning the country into a main energy hub (Nowak, 2015; Morris, 2017). If the pipeline would run at maximum capacity, Russia's share of the German gas market would increase from about 40 to 60 percent. Given the concerns about European dependency on Russian energy imports, these developments have surprised many observers.

Moreover, it seems to be at odds with Germany's (self-)image as a reinforcer of solidarity and cohesion within the European Union. Often stressing its willingness make sacrifices for the sake of the greater benefit of the EU, Germany traditionally wants to avoid the impression that it single-mindedly pursues national policy objectives. Chancellor Merkel, for instance, has sought to nudge other Member States towards more European solidarity, whether it was regarding the housing of refugees in 2015 or financial assistance to Greece in the debt crisis. Transcending the EU-centered view, the decision to support Nord Stream 2, a project supported by Russia and opposed by several long-

standing allies including the US, risks to collide with Germany's broader foreign policy of *Westbindung*. This concept, originating in West Germany's political integration in western institutions, is still a bedrock of German's foreign and security behavior. Since reunification, however, it has become increasingly clear that this concept tends to conflict with Germany's (energy) relations with Russia. Hence, this research takes a closer look at uneasy partnerships that sometimes cloud cooperation with established partners.

Given the diplomatic minefield the plans for Nord Stream 2 have created, the question can be raised why exactly German government persists on its realization. What are the reasons for German key decision-makers to remain committed to the continuation of Nord Stream 2, a project that has faced strong resistance of many other long-standing allies? This question, however, is relatively empirical and specific. Abstraction can render a study more relevant, since research with a narrow empirical focus is often considered essentially ahistorical in nature and therefore not sufficiently academic (George & Bennett, 2005). A more general question can remedy this issue and thus add more explanatory strength to this thesis. The central research question is therefore:

*Why does a state act directly against the interests of its long-standing allies?*

Even though Nord Stream 2 – and gas pipelines in general - is often analyzed against the background of market-based liberalism<sup>1</sup>, Germany's decision to disregard its allies in the Europe and the US is at odds with basic liberalist premises. Emphasizing the legal, economic and institutional means that facilitate foreign energy cooperation, liberalism sees long-term cooperation and integration as ways to overcome international anarchy. Against this background, states participating in the international bargaining process strive for absolute gains: a win-win result that benefits all parties. Liberalism can therefore not account for Germany's decision to support Nord Stream 2, since the policy choice seems to obstruct long-term cooperation with several of its important partners rather than reinforcing it.

Therefore, the thesis will first draw from insights of the neoclassical realist approach in combination with elements of mercantilism. In contrast to the liberal approach, realist and mercantilist theory points out that states would prefer independence from cooperative agreements if they can afford this. As energy supplies are considered highly strategic resources that can enhance a state's material capabilities, realist approaches would expect states to primarily focus on securing these supplies. Their self-interested objective of survival would supersede partnerships with long-standing allies, because

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<sup>1</sup> See for example Goldthau (2016), Westphal (2016) or Fischer (2016).

possibilities for cooperation are limited. To this analysis, neoclassical realism adds domestic factors as intervening variable that mediate the response of the state to its environment.

Still, especially journalist interpretations of Germany’s decision to support Nord Stream point to more personal and historical aspects that might shape Germany’s general attitude to Russia. They see it as an example of modern *Ostpolitik*, the tried and time-tested foreign policy approach that has its origins in the 1970s. *Ostpolitik* describes West Germany’s cooperative approach to the Soviet Union and the Warsaw Pact countries, initiated by Chancellor Willy Brandt (Forsberg, 2016). As formulated by Brandt’s political secretary Egon Bahr, the key of the ‘new eastern policy’ was to achieve positive ‘change through rapprochement’ (*Wandel durch Annäherung*). In the context of the Cold War, the primary example of this *Ostpolitik* was West Germany’s willingness to engage with the Soviet Union through energy cooperation including gas supply, but also pipeline and nuclear projects. In modern reunified Germany, the Social Democrats still partly uphold this policy, and stress the importance of Russia’s wishes and positions.

However, this view is not limited to merely the political elite. Hoffmann describes the Russian-German relationship as emotional and contradictory, that is set somewhere between affection and aversion (2014). She writes: “We disdain the Russians’ primitiveness, while treasuring their culture and the ‘Russian soul.’” According to a representative study of the Körber Stiftung, a German political discussion forum, both Russian and German respondents to the survey would like their countries to cooperate more (2016). 81% of the German participants argue for closer cooperation with Russia; only the bilateral relationship to France is deemed more important (89% of the respondents is in favor of more cooperation). The United States takes the third place, with 59% supporting closer ties between Germany and the US. It is striking how participants do not believe that Russia and Germany share the same values, but still support a stronger bilateral relationship.

Russia is a . . .	Agree	Disagree
country with a rich tradition and culture	69%	26%
strange country to me	25%	32%
country with a leadership role in the international community	26%	30%
threatening country	17%	31%
country with a strong economy	14%	26%
country that currently shares the same values with Germany	2%	9%

**Figure 1: results of a survey by the Körber Stiftung, 2016**

The ambivalence of the German perception of Russia and German-Russian relations cannot be explained by material considerations only. Therefore, the second part of the theoretical section will focus on the social constructivist approach. Stressing the historically grounded, boundedly rational decision-making of political agents, this approach takes into account individual and non-material aspects of Germany's foreign policy with regards to Russian energy.

From a scientific point of view, this thesis can be relevant in several ways. First of all, not much scholarly attention has been devoted to Nord Stream 2 (yet). Many publications on the topic remain limited to policy briefs or opinion pieces. Moreover, sources on foreign energy policy in general often focus on realist or liberalist explanations, discarding social constructivist perspectives. This research combines insights of both realist and constructivist approaches to build a well-founded exploratory narrative. Besides giving more insight in international energy cooperation, the research can also contribute to knowledge about international cooperation in general. Under which circumstances do states follow - allegedly self-interested - policies that are obstructed by their close international partners? This ties in closely with the political relevance of this research: investigating Germany's foreign policy behavior, the research can offer more insight into what extent Germany is willing to submit itself to western powers and institutions, and when it prefers a more assertive expression of its individual interests. Especially against the background of gas trade it is interesting to research more carefully how states shape their foreign energy policy in "a world of energy that seems to have turned more realist" (Goldthau & Sitter, 2015).

### **Research outline**

The research will be divided as follows: first, the theoretical framework will discuss a synthesis of neoclassical realism and neomercantilism on the one hand, and social constructivism on the other as possible theoretical avenues. From these two opposing approaches, two sets of two competing hypotheses will be derived. As this research is inductive in nature, a limited number of tentative hypotheses suffices. The empirical section then explores the evidence for each relevant theoretical approach in a sequence of the three decision-making phases, starting in 2014 and ending in 2016. It will draw on a wide range of literature, ranging from government documents to scholarly resources and newspaper articles. Finally, the conclusion will summarize the main findings and answer the research question, and end with research limitations and possible avenues for further research.

## 2. Theoretical framework

First, a synthesis of neoclassical realism and neo-mercantilism will be discussed. Although they have slightly different points of departure, they are based on the same rationalist ontological underpinnings. Whereas neoclassical realism assumes that states are primarily seeking security or influence, neomercantilism focuses on national economic power as the main means to pursue this end. As the subject of energy relations can be situated in the realm between security and economy, both theories need to be taken into consideration when analyzing the realist approach. According to these theories, the pipeline mostly serves security and economic objectives. In the past years, mercantilism has been derided as an outdated approach. However, Ziegler points out that even states that formally pledge alliance to economic liberalism undertake efforts to making asymmetric economic gains at the expense of other states (2014). Especially in times where the importance of military power has become subordinate to a nation's economic position on the global market, neomercantilism can prove its relevance. Access to raw materials already is a major factor in the security policy of all nations, and will likely become even more relevant in the future. In an influential report by the CNA Military Board, an American defense advisory group composed of retired generals and admirals, observes that population growth and a growing middle class will increase competition for natural resources (Mogelgaard, 2014). States that themselves do not possess critical natural resources will naturally be impelled to gain control over transit routes. By advancing the Nord Stream 2 project, Germany can assert control over important energy assets while at the same time supporting its main energy firms.

On the other hand, a constructivist approach moves beyond these purely material considerations and would emphasize the non-material origins of the still strong "Russo-German affiliation" (Gressel, 2016). Relations between Germany and Russia have been close due to a history of *Ostpolitik* and the reconciliation with a violent past. According to Lucas, the German-Russian relationship is "the most puzzling and troubling feature of modern European politics." (2009). It has often created friction with other states, particularly their Central and Eastern European neighbors. Polish Foreign Minister Waszczykowski, for example, argued that Germany "is more concerned about the interests of Russia than the security interests of Eastern Europe. So, we should ask the Germans: where is your solidarity towards your partners next door?" (Opielka, 2015). Strong cooperation between Russia and Germany is therefore not only the result of a rational calculation of costs and benefits, but also rooted in the meaning the actors involved ascribe to their relationship. Stressing the importance of ideas, shared knowledge and social interaction, constructivists focus on the subjective understanding and normative and emotional evaluations of the main actors in international politics. Along these lines, policy formation also depends on the domestic historical, cultural and political identity of a nation-state. From these different theoretical approaches, working hypotheses will be derived that will be confirmed or disconfirmed in the empirical analysis.



## 2.1 Neoclassical mercantilism

Energy politics lies at the heart of the international relations discipline, as it can be situated at the interface between security and economic interests. Over the last year, the renewed political focus on energy policy has led some to speak of a “new cold war” over increasingly scarce commodities (Solum Whist, 2008). Still, even when salience of international energy politics has grown, the topic of energy foreign policy has been relatively under-researched (Stoddard, 2013; Dyson, 2016). Most of the existing literature remains mainly focused on a strong dichotomy between geopolitical/realist approaches and market-based explanations of energy affairs. While both approaches can certainly be relevant, they tend to reduce energy relations to either interstate competition or transnational economic cooperation. Furthermore, this limited scope risks to lose sight of the broader background against which state interaction takes place. This means that the influence of domestic factors is often neglected or even overlooked. Therefore, this part will examine the disciplinary “no man’s land”<sup>2</sup> of international energy affairs in more detail by presenting a comprehensive overview of the neoclassical and neomercantilism perspective.

Realist and mercantilist thought share the same overarching assumptions. First, nation-states are unitary and rational actors, operating in a global structure. As there is no central authority or power that can pose its will upon states, this structure is characterized by anarchy. The unitary actor assumption entails that states are treated as a single collectivity, meaning that it acts and speaks with one voice. With regards to function, states are undifferentiated from each other. Moreover, non-state actors are considered relatively unimportant. Since these cannot act independently, realists assume that their actions tend to merely reflect the distribution of power in the international system (Mearsheimer, 2002). More specifically, this distribution of power is interpreted as the distribution of militaristic and economic capabilities among the units (i.e. the states), and the subsequent power relations between these units. States need power to, at the very minimum, survive in a security-scarce environment; they rely on self-help to achieve this aim. Mercantilists and realists tend to emphasize different aspects of the global distribution of power: whereas realists prioritize security, mercantilists focus on the economic structure. Irrespective of this specific focus, both theories assume states to interpret the structure in terms of threats and opportunities.

The mercantilist approach considers economic affairs subordinate to the ultimate objective of state power. Although the origins of mercantilist thought trace back to at least the 14<sup>th</sup> century, the neo-variant of the concept pays due regard to modern-day highly globalized economy. Neo-mercantilist objectives the export of technologically advanced products, which require the import of raw materials. Hence, states tend to shape the contours of the global economic system with a close view to national economic security concerns over the supply of resources. This is in line with Gilpin’s argument, who

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<sup>2</sup> This description was given by Strange (1994).

argues that “in a highly integrated global economy, states continue to use their power and to implement policies to channel economic forces in ways favorable to their own national interest and the interests of their citizenry” (2001). He further assumes that firms can only fully prosper if they act consistently with the political interests of the state they operate in (2004). Daniel Drezner, too, stresses the importance of a state-centric, power-oriented approach when analyzing global political economy. Pointing to the realist assumption that national economic power gives states the power to wield influence in the global economy, he states that the interests and capabilities of nation-states continue to define international cooperation (2007).

Divergent strands of realism focus on different logics of state interaction, and thus result in different assessments of the extent of international competition and the likelihood of cooperation. Offensive realism holds that anarchy can impel states to improve their relative power position through expansion. According to this variant, great powers do not hesitate to launch wars against their adversaries when the benefits of doing so outweigh the costs (Mearsheimer, 2002). The search for power and security is insatiable. The alternative approach, defensive realism, agrees that the international structure provides incentives for expansion, but only under specific conditions (Waltz, 1979). Expansionist policies are based on the premise that aggressive behavior is the most effective way to maintain security. As the security-seeking strategy of one state often means the detriment of the security situation of other states, offensive behavior may (unintentionally) generate spirals of mutual hostility and conflict. Defensive realists therefore believe that states are best served to pursue moderate security policies, even though aggression might be inevitable in some instances. If a state does engage in overexpansion and becomes a hegemon, other states will respond to this power shift with balancing behavior. Critics point out, however, that in today’s international structure, there is only limited space for expansionist behavior. Many large powers choose to rely on cooperative mechanisms instead of seeking absolute hegemony. Moreover, if all states are expansionist, they would not have to be uncertain about other states’ intentions – which renders the concept of offensive realism illogical.

On the contrary, the defensive realist assumption that states can misevaluate the international environment addresses the important problem of sub-optimality in decision-making. As structural realism is based on rational-choice analysis, it tends to neglect the possibility of flawed decision-making and its consequence for specific variances in foreign policy. According the rational-choice perspective, national decision-makers rely on a cost-benefit analysis to choose the optimal outcome. A cost-benefit analysis is a logical way of decision-making, based on the estimated outcomes of various possible courses of action. The decision-maker analyzes costs and benefits by ranking his preferences in order by importance, balancing them against the expected costs, examining the means that are available to pursue the end and calculating the likelihood of their respective success. Often a cost-benefit analysis will also include opportunity costs, which reflect the alternative course of action that

is given up when a decision is made. Although opportunity costs are an economic concept, they have also gained relevance in foreign policy analysis. Hans Morgenthau describes a cost-benefit analysis as follows: “we ask ourselves what the rational alternatives are from which a statesman may choose who must meet this problem under this circumstance (presuming always that he acts in a rational manner), and which of these rational alternatives this particular statesman, acting under these circumstances, is likely to choose” (Allison, 1971, 26).

Empirical cases, however, have shown that states can vary substantially in their assessments of threats and opportunities, as well as their ability to extract domestic resources for the employment of military capabilities. New strands of realism aim to account for the influence of domestic variables on a state’s assessment of the international environment (Taliaferro, Lobell & Ripsman, 2009). As mentioned before, traditional realists employ the unitary actor model as their level of analysis. Also called the black box assumption, the model presumes that a nation-state is a single, integrated actor. Regardless its internal workings, the state will always pursue a coherent, power-seeking strategy in reaction to its environmental costs and opportunities. Any politics within the state, such as form of government or leadership styles, does not change the fundamental situation of international anarchy, and are therefore not relevant to understand state behavior. Neoclassical realists, however, disagree. In order to gain a more specific view of a state’s foreign policy, they believe it is important to open up the ‘black box’ and take a closer look at the variables within the state (Taliaferro, p.20).

A purely structural approach has already been described as “unsatisfactory” by Peter Gourevitch in the 1970s. Examining the relationship between international and domestic politics, he has attempted to examine the influence of the international level on domestic structure (1978). Gourevitch’s main argument is that system pressures are translated through domestic variables, meaning that states always have some degree of choice in their reaction to their external environment. This is in line with the later strand of neoclassical realism, which still focuses on structural factors but incorporates domestic political processes as intervening variables. Kitchen believes that the inclusion of appropriate unit-level variables can better account for the complexity of the world, boosting the explanatory richness of the structural variant of realism (2010:108).

First coined by Gideon Rose, the neoclassical variant of realism is a synthesis of classical realism and neorealism. Unlike their neorealist counterparts, neoclassical thinkers are prepared to incorporate domestic and ideational factors, or unit-level variables, into their analysis. Instead of reacting to the demands of the international environment directly, the agent’s response is mediated by a variable between him and the system. As Zakaria has already stated, “a good account of a nation’s foreign policy should include systemic, domestic, and other influences, specifying what aspects of the policy can be explained by what factors”. This means that not only structural constraints, but also domestic politics, state processes, leaders’ perceptions and ideational factors can explain state behavior in the

international system (Kitchen 2010). Realist theories have notoriously failed to capture the impact of these lower-level variables in either the making of foreign policy or the nature of the international system.

Neoclassical realists therefore seek to explain the specific foreign policy of states, instead of reoccurring systemic patterns. The system is still considered as the foundation upon which core foreign policy objectives are based. As anarchy defines the global structure, leading to a certain distribution of power, it acts as the main constraint on state action. States engage in cost-benefit analyses to assess their specific threats and opportunities, playing strategic games to maximize their interest. Neoclassical realism attempts to add some nuance to this state interest by pointing out that it does not merely revolve around security. Rather than merely maximizing their safety, states are thought to react to the insecurity of anarchy by “aiming to control and mold (or influence) their exterior surroundings” (Rose, 1998). This means that a state’s behavior does not have to be either cooperative or non-cooperative, but is defined as “adaptive” (Taliaferro, Lobell & Ripsman: 30).

As stated before, state-level variables act as an intervening variable in neoclassical realism. An important factor is the perception of the state leader, or the Foreign Policy Executive (FPE). The extent to which structural constraints actually translate into policy’s mediated through leaders’ perceptions, which have a “filtering effect”. Lobell describes how “international imperatives filtered through the medium of state structure and affected how top officials assessed likely threats, identified viable strategies in response to these threats, and ultimately extracted and mobilized the societal resources necessary to implement and sustain these strategies.” Kitchen tries to combine systemic and unit-level variables by exploring the role of grand strategy. Pointing out that grand strategies guide national policies in the long run and are ultimately focused on maximizing security, he analyzes the situations in which ideas can have a larger influence on grand strategy formation. The second intervening variable brought forward by neoclassical realism is the state apparatus and its links to society (Rose). The responsiveness to these societal factors is determined by the domestic structure, or the political make-up of the state. This means that a particular political setup determines to which extent national resources can be translated into foreign policy.

Here it is relevant to take a closer look at the German domestic political structure. Chancellor Merkel operates in a so-called “dual executive system”, in which she shares executive power with the president. Whereas the president has the largely ceremonial function of the head of state, the chancellor controls the government and therefore has the strongest executive competences. This power is constituted by the so-called “Richtlinienkompetenz”, meaning that the chancellor determines the general principles of executive policy (Currie, 1994). Still, article 65 of the German Constitution stresses that “each Federal Minister conducts the business of his department autonomously and on his own responsibility”, assigning specific policies to the appropriate ministries. With regards to the

general political structure, it is important to note that Germany has a multi-party system characterized by coalition governments. This renders the chancellor dependent on key players from other parties. Finally, these parties enjoy a pervasive presence in all the important institutions of the polity (p.64). In conclusion, neoclassical realists argue that although external threats set the parameters of German foreign policy, unit-level variables determine both the character and the venue of that response.

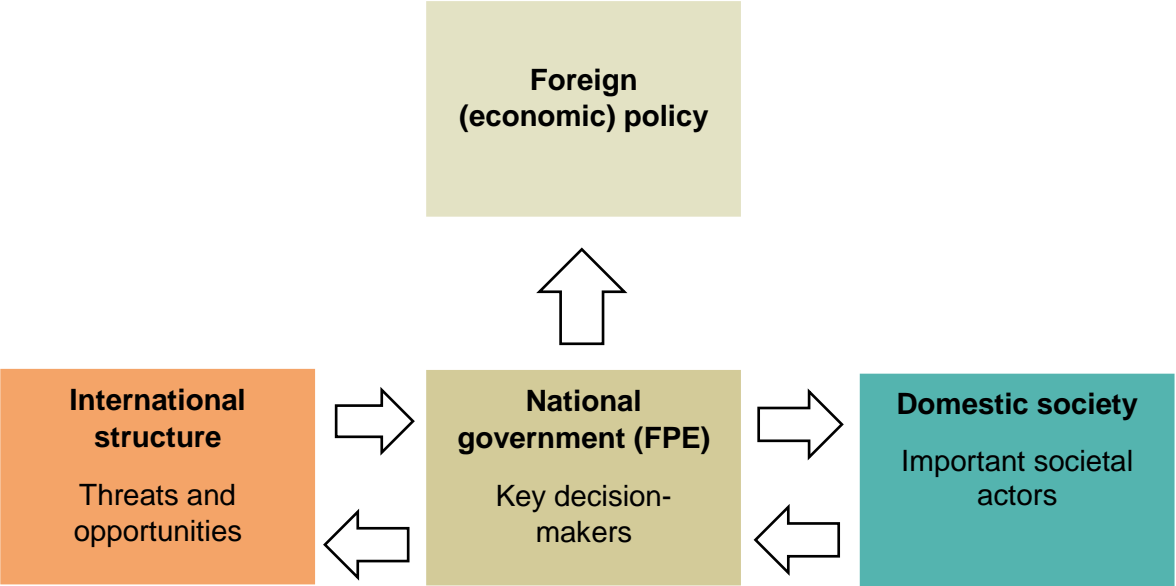
According to Kitchen, the FPE may additionally be influenced in their analysis of the systemic forces by a wide range of domestic actors, such as “policy makers, lobbyists, citizens’ groups and business. This is not a one-way street: FPE’s are constantly engaged in a bargaining process with these domestic actors (133). It is important to note, however, that the neoclassical realism approach is still top-down. The state bears the ultimate responsibility of providing security from external threats. In similar vein, Drezner claims that “domestic factors account for preference formation, but not the outcomes of international bargaining” (5). In order to do so, the state needs to reach into society, extracting and collecting resources that help increase its power (Brawley, 2010). Following from these assumptions, key decision-makers “define the national interests” and follow a foreign policy that rests on the assessment of relative power and other states’ intentions as well as domestic constraints (ibid.). Domestic variables are inversely correlated with systemic imperatives, meaning that when the state is not confronted with an unambiguous and direct threat to its security, domestic variables will have greater impact on foreign decision-making (Ripsman, 2009).

### **Summary and expectations**

According to the synthesis of neoclassical realism and mercantilism, wealth and power rotate in a positive feedback loop. Economic strength supports the development of the state’s political power, and political power can improve and strengthen the national economic position. As a result, states are engaged in constant competition for (economic) power so as to guarantee security and influence. This competition is per definition a zero-sum game where only relative gains can be made. Beyond any doubt, access to energy is a currency of power. Gaining control over critical energy supplies and diversifying sources both represent national security and economic interest (Wiggel, 2016). Thus, the combination of increased global demand for scarce resources and the concentration of energy reserves in relatively few countries boosts intra-state competition for energy security (Stoddard p.443).

A synthesis of the two approaches thus assumes that a state will exercise political control in tandem with market processes when it is seeking to secure energy resources. Whereas the state is subjected in an anarchical international structure that comes with threats and opportunities to protect its security, national societal actors (in this specific case predominantly energy companies) function as constraints on state behavior. Nevertheless, tend to act in line with the respective political settings. Within this framework, the state is likely to use the governmental apparatus to overcome, or at least constrain,

market outcomes that could undermine the development of critical societal actors – even if such a decision does not produce the most efficient outcome from a purely market-based perspective. This will eventually create a feedback loop in which state executives respond to both the international environment and domestic actors, in which the national political structure functions as an intermediary variable that translates international and domestic influences into the eventual foreign policy outcomes.



**Figure 2: Feedback model of the relation between international structure, key decision-makers and domestic societal actors**

## 2.1 Social Constructivism

The neoclassical and mercantilist framework are set in an international sphere where the nation-state takes calculated action based on a cost-benefit analysis. In this chapter, more attention will be devoted to the non-rational and non-material dimension of foreign policy decision-making. Whereas the previous part of the theoretical analysis takes the state's consideration of benefits and opportunity costs as a starting point, one could say that social constructivism adds 'intangible assets' to the analysis. As Risse explains, social constructivism "is based on a social ontology which insists that human agents do not exist independently from their social environment and its collectively shared systems of meanings" (2005). According to social constructivism, social structures assert a substantial influence on preferences. In this thesis, a constructivist analysis can help to understand how power relations and bilateral cooperation are forged in the process of social interaction between groups and individuals. Additionally, it can explain the connection between the (individual) domestic social and historical identity and foreign policy practice.

Arguing that interests or preferences do not exist prior to certain identities, constructivism presupposes that a choice for a specific policy course moves beyond the materialist explanations of realism and mercantilism. Schonberg describes it as the focus on "how interests are defined rather than defended" (2009). With regard to their attitude towards other states, decision-makers draw, often unconsciously, when choosing and rank-ordering partners, adversaries and more ambiguous actors in the international environment. Hence, cooperation preferences are not always derived from a rational cost-benefit analysis, but can also involve personal conviction, emotion<sup>3</sup> and habit. This ties into the psychological concept of bounded rationality, which assumes that decision-makers (regardless their individual capacities) will inevitably have to do their work under a set of constraints. These include the ambiguousness or incompleteness of information; cognitive limitations to thoroughly evaluate and weigh all possibilities and consequences; and the fact that decisions, especially in international politics, are often taken under considerable time pressure. Psychologists have found out that people therefore have the natural tendency to rely on mental shortcuts and rules of thumb, also known as heuristics (Li et al., 2017). In foreign policy, decision-makers can therefore be expected to rely on quick judgements in their cooperation mechanisms.

Their "short-cut" preferences are rooted in personal beliefs and relationships, but also in perceptions that are based on collective historical discourse. The analysis of these boundedly rational or sometimes even non-rational elements can influence a bilateral relationship to such an extent that it becomes 'special'. A less abstract perspective will be used in the next parts to give due attention to the specific underlying mechanism of the special relationship. As most of the literature focused on the special relationship is concerned with UK-US relations, most of the empirical examples used in the next

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<sup>3</sup> As a more substantial discussion about the definition of emotion and ratio is outside the scope of this thesis, emotional behavior as used in this research can be defined the opposite of rational reasoning.

sections to this bilateral relationship. Still, this thesis makes use of the relevant insights from this literature.

### **The special relationship as a concept**

The bilateral relationship between Germany and Russia has been characterized as special, both from a scholarly and a journalist perspective (Rahr 2007; Hoffmann 2014; Forsberg 2016). German policymakers, on the other hand, prefer to label the relationship with Moscow a “strategic partnership”. Regardless of this semantic difference, it is often argued that the German-Russian relationship has a unique character that is rooted in historical, political and economic ties. Overall, this “specialness” has rendered bilateral cooperation relatively immune to periodic differences and international systemic change.

Winston Churchill has been cited as the founder of the term ‘special relationship’, referring to the strong Anglo-American ties. He coined the concept in a 1946 speech to refer to the relationship between the “English-speaking peoples”. Prevailing academic literature on special bilateral relationships has focused on the uncommonly close, unique and significant bond between two state actors (Harris 2012). If the Russian-German relationship can indeed be considered special, however, it is not by reference to some idealized standard of international amity. Historically, German-Russian relations have suffered from multiple instances of war and rivalry. Recently, the crisis in Ukraine and the subsequent European sanctions regime against Russia has again brought, albeit a peaceful, deterioration of the relationship. Its “specialness” is therefore not necessarily characterized by friendship or alliance, but by subtler, more ambiguous social mechanisms.

This theoretical chapter will define the special relationship as a bilateral relationship that is rooted in historical experiences on the one hand and good personal elite contacts on the other. These elements can influence a bilateral relationship to such an extent that it survives when pragmatic interests would have dictated otherwise. Consequently, the special relationship can supersede relations with other partners, and is hence able to transcend the soberer and more rational practice of cost-benefit calculation. Empirically oriented literature on the subject is often focused on the ‘classic’ special relationship between the United Kingdom and the United States. Still, the definition often lacks academic clarity, and does not always distinguish between a primarily utility-based partnership and a more emotional relationship. Marsh & Baylis discuss the “Lazarus quality” of cooperation between these two states, referring to the ongoing discussion about its specialness (2006).

Constructivist accounts of the special relationship tend to emphasize shared norms and values (Oppermann & Hansel, 2016). The significance of norms and values in this case is relatively low;



German and Russian policymakers do not, in many respects, share the same normative outlook.<sup>4</sup> Therefore, attention in this chapter will be devoted to other elements that are considered essential to special relationships. With reference to other case studies, the non-rational stimuli of cooperation will be further explained below.

### **Personal ties: transcending formal bilateral cooperation**

The role of personality and personal interaction foreign policy making has covered a wide spectrum of factors, ranging from cognitive processes to personal background, characteristics, motives and beliefs. Underlying the personal aspect is the fundamental assumption that foreign policy decision-making can be impacted by individual human agency. This means that ultimately, it is individuals that make decisions, not states. Jensen, for example, denounced the state-centered approach of many foreign policy scholars as a “legal abstraction.” (1982) Likewise, Maoz and Synder argue that personal ideas and actions of key leaders should not be underestimated. Especially when information about an issue is ambiguous, or bureaucratic forces are not very strong, personal relations have more impact on cooperation behavior. This does not mean, however, that it is a purely actor-centric analysis; it also takes into consideration structural and historical constraints decision-makers are confronted with.

In addition, the empirically-focused literature reveals more information about this personal element of international politics. Rooted in everyday practices and contacts between the most important decision-makers, these rather informal ties stimulate closer cooperation (Krumm, Medvedev & Schröder, p.15). In his analysis of the close ties between the US and Canada, Brooks considers personal contact and shared understanding the bedrock of their special relationship (2009). Analysts of general diplomatic practices have pointed to the importance of meetings and personal interaction for confidence building and trust (Dunn, 1996). Social interaction between political representatives can produce and reproduce conception of the self and the other, which can lead to particularly strong diplomatic ties.

Moreover, strong and effective personal relations can help prevent a special relationship between two states from deteriorating under periods of drift and friction. Byman and Pollock have emphasized that “personal relationships among leaders often overcome systemic differences or other factors” (2001). Moreover, Gardner-Feldman describes how personal ties also help mitigating domestic opposition against bilateral agreements (2012). Discussing the close cooperation between German Chancellor Schmidt and French President Giscard d’Estaing, she writes that: “the positive influence of guidance [through bilateral or domestic challenges] has been greatest when political leaders on both sides have

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<sup>4</sup> It is commonly assumed that German political leadership adheres to democratic values, whereas Russia’s current political regime is often characterized as a semi-authoritarian or authoritarian (Golosov, Guschina & Kononenko, 2017; Ross, 2016). Nevertheless, outside the scope of this research is an ongoing discussion about the authoritarian tendencies permeating German society (Merkl, 1989; Dalton & Weldon, 2010).

operated in harmony. Conversely, difficulties in relationships have been exacerbated when leaders exhibit personal antipathy” (p. 90).

Even in times of systemic uncertainty, such as in the post-Cold War era, British political elites remained concerned to preserve their special and close access to decision-making circles in the US (Dumbrell, 2009). It cannot be concluded that personal ties between decision-makers and other citizens per definition produce a particularly close bilateral relationship. The other way around, however, it is unlikely that a special relationship can endure if personal ties are weak. Referring to the special relationship between the US and the UK, Dumbrell points out that ideological compatibility does not necessarily have to be a dominant factor in sustaining closer relations between leaders. The quality of these personal ties are not only influenced by party ideology, but also by personality, individual history and leadership style. The last factor does not only determine affinity between leaders, but also to what extent this affinity plays a role in international politics. Not every head of state or government feels equally committed to personal, leader-driven diplomacy,

A well-known example of personal relations between leaders that transcended political background and relied more on personal chemistry were those between Chancellor Kohl and President Mitterrand. President Bush and his Russian colleague Gorbachev, too, managed to build a strong personal relationship on which they would both come to rely in the next difficult years. Strobe Talbott, Clinton’s principal adviser and later deputy secretary of the state, has written in his memoir that “government-to-government relations often succeeded or failed on the basis of personal relations” (2002). In his opinion, it was the personal relationship between Clinton and Yeltsin that served as the true nexus of Russia-US relations.

In order for these personal ties to play a substantial role in everyday politics, members of the political elite need some leeway to maintain their relations with colleagues of the significant other state. Only if they feel that there is a sense of protected informality, in which they can exchange information relatively freely, their personal relations have a chance to flourish. Therefore, some institutionalized leeway is required to facilitate close interaction. Summits have often been cited as suitable occasions for personal consultation between leaders, but have evolved into more routinized and therefore less informal platforms of interaction (Dunn, 1996; Vogt, 2016). By enabling participants to bypass various bureaucratic layers in a semi-institutionalized setting, political discussion forums or consultation groups can be considered tools that are better equipped to facilitate personal interaction. For other government officials, (weakly) institutionalized cooperation platforms such as cultural or discussion forums can ease personal interaction.

These examples from the literature show that personal affinity between political leaders is significant for maintaining a particularly close bilateral relationship. Still, ties between leaders are considered ephemeral by some: in order to remain special, a relationship needs a more enduring character. In

addition, heads of state and government often only stay in power for a limited time. Finally, the focus on these personal relations goes hand in hand with the reappraisal of the role of individual politicians and government officials (Byman and Pollack, 2001). By acknowledging the agency of these persons, a focus on the personal dimension of foreign policy transcends purely systemic approaches. However, a special bilateral relationship depends on much more than elite contacts. As Hargrove and Owens point out, “agency does not act in a vacuum, but is bound by structure in a historical context” (in Vogt, p.38). Therefore, the next element, historical narratives and legacies, will zoom out to analyze how collective sentiments influence bilateral cooperation and foreign policy preferences.

### **Historical legacies and narratives**

American author William Faulkner once wrote: “The past is never dead. It’s not even the past” (1951). Indeed, long-term historical legacies, shared memories and defining collective experiences can affect contemporary foreign policy. Although in practice, the immediate demands of the present often tend to dictate policy choices, historical legacies – sometimes subconsciously, as the bounded-rationality assumption would stress - determine which of these policy choices are considered feasible and appropriate. Banchoff, for example, has attempted to delineate the concept of historical imagery that historical memory can shape foreign policy (1997). If states interact frequently and intensively, this is bound to result in periods that are sometimes harmonious and mutually beneficial and other times antagonistic and conflictive. This can generate patterns of enmity and amity, which fits the model of Alexander Wendt’s system theory. However, historical legacies can also have a more ambiguous character, on which the dichotomous categories of friend or foe do not directly apply.

From a general perspective, historical legacies are defined as continuations of the past as well as reactions to the past (Cesarini & Hite 2004). Even though these concepts are in practice hard to distinguish, this research will focus on the latter definition. In the scholarly literature, historical legacies are often invoked in the context of colonialism and post-Soviet states. Of course, political outcomes are never pre-determined by history. One should carefully aim to distinguish between “history that is remembered, history that has been recovered, and history that is invented.” Historical narratives of shared experiences can therefore conflict and converge. Legacies are always subject to different interpretations and political contest, and therefore closely related to domestic historical discourse and identity. These involve representations of the self and the other, and are subsequently constructed and reinforced through the process of communication and reflection. A legacy therefore necessarily has a temporal dimension, as the meaning that is discursively ascribed to it can change. They are neither perpetually fixed, nor immutable across time (Krotz, 2002).

Gardner-Feldman observes that historical memory has a “potential for emerging and complicating bilateral ties” (p. 356). The historical legacy and perception also gives the government a variety of

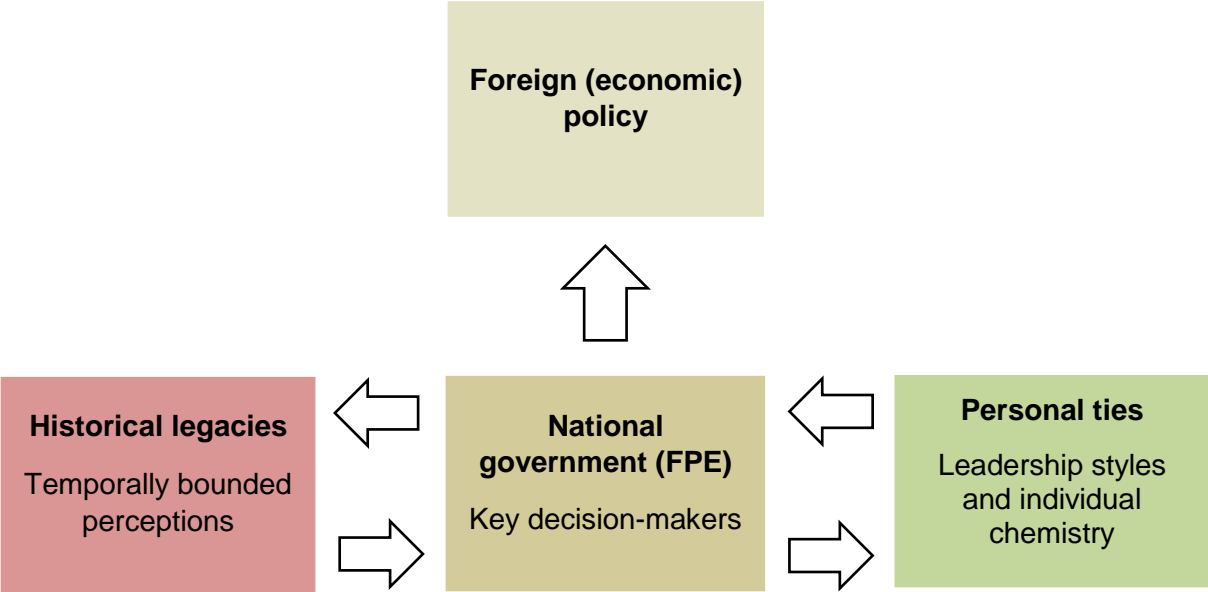
options in how to frame the country's international orientation, often at the level of historical subconsciousness. Myoe writes: "In many cases, a particular historical juncture serves as the basis for creating collective memories, shaping perceptions of self and others, framing issues and prescribing particular courses of action" (2015). It does not only shape the relationship between the two states that share an historical legacy, it also shapes the relationship with other states. Moreover, as the word 'collective' already suggests, historical legacies are not restricted to ideas on the elitist level. They find resonance in the population as well. However, elitist can have a share in maintaining a historical legacy by discursively spreading it: kept alive and cultivated, they will become more durable and can evoke emotional responses.

In contrast to the factor of leadership styles and personal relations the factor is not limited to merely key decision-makers. Since relations between the elites are necessarily limited, collective sentiments are at the heart of "any extraordinary stable and enduring linkage between countries". This historically rooted public perception of the self and other states is important because it tends to reflect the long-term (albeit still temporary) collective values and attitudes of a nation. Rasmussen and McCormick argue that "such durability provides on which to base a relationship deserving to be called special." (p. 518). Moreover, based on the bounded-rationality assumption, public perception has a reinforcing effect. It can create an almost "habit-like" way of engaging in interaction with other states.

One of the most well-known examples of the influence of historical legacies on bilateral cooperation is the special relationship between Germany and Israel (Wittstock, 2016). Its special character has manifested itself in several occasions where Germany toned down anti-Israel positions taken by the EU and promoted Israel's interests in negotiations with the EU (179). The other way around, it can be the case that a contested historical narrative creates friction between two states. A notable example of historical legacies clouding a bilateral relationship is this China and Japan, that used to have a special relationship until discussion about historical legacies and representations intensified (Gustafsson, 2015). More generally, prejudice and stereotypes that are rooted in national identities can shape patterns of discord and cooperation, constructing threat perceptions and its subsequent policy behavior patterns.

**Summary of findings**

In sum, the social constructive approach pays due regard to the boundedly rational or non-rational elements of foreign policy decision-making. Instead of merely rationally weighing the costs and benefits of a policy opinion, key decision-makers also rely on their personal relations and perceptions. If they cultivate a historical legacy or personal ties with the non-aligned state that favors a special commitment to this state, they are more likely to engage in cooperative behavior.



**Figure 3: Feedback model of the relation between key decision-makers, historical legacies and personal ties.**

### 3. Methodology & operationalization

The central objective of this research is to account for Germany's political decision to support a privately funded energy project that is contested by several of its allies in- and outside of Europe. Corresponding to this puzzle, the research question is:

*Why does a state act directly against the interests of its long-standing allies?*

This chapter will elaborate on the research methods that are employed to formulate a substantial answer to the research question. First, the case study design will be discussed and justified. The second part of this section will proceed with the operationalization of important research concepts to avoid terminological confusion. Some space will also be devoted on the methods of inquiry. Finally, potential research limitations will be addressed.

#### 3.1 Case study design

As space is limited, the specific focus of the empirical research is set in the timeframe between February 2014, when Gazprom officially and publicly advised the extension of Nord Stream 1,<sup>5</sup> and March 2017. In the latter month, the German Federal Network Agency (Bundesnetzagentur)<sup>6</sup>, the regulatory office for electricity, gas, telecommunications, post and railway markets, concluded that it does not see any German or European legislative barriers for Nord Stream 2. With this decision, the project has been granted free rein legally, in addition to the political support from the Federal Government it already enjoyed. As Sijbren de Jong, analyst at The Hague Center of for Strategic Studies said, "the real test [of the pipeline plans] is a legal test", so the judgement of the German Federal Network Agency can be considered a milestone in the timeline of the pipeline (2015). The main focus of the analysis of the period 2014-2017 will be on the context of the decision-making process and the identification of independent variables that can help explain why the German federal government continues to insist on the construction of Nord Stream 2.

The research has an inductive research design, starting with the within-case characteristics of a case. Based on a single time- and space-bound empirical observation, it moves from the specific to the more general, ultimately contributing to the refinement and further development of existing theory. Its single case study design allows for a thorough investigation within its real-life context, "especially

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<sup>5</sup> The Nord Stream Consortium already announced in 2012 it would carry out a feasibility study into possible options to expand the Nord Stream pipeline route. However, it was only the beginning of February 2014 when Gazprom and the Nord Stream AG officially argued that increasing the capacity of the pipeline would be economically advisable.

<sup>6</sup> The Bundesnetzagentur acts independently from the German Federal Government; at the same time, Minister Gabriel had already expressed the intention to President Putin to "ensure the project remains under the competence of the German authorities" (2015). With this statement, Mr. Gabriel seemed to anticipate that "German authorities" would be more likely to approve the pipeline.

when the boundaries between phenomenon and context are not clearly evident” (Yin, 2009). Proponents of the single case study point to its ability to provide a considerable degree of detail and understanding of particular phenomena, corresponding to ethnographer Geertz’s concept of “thick description.” Belonging to a wider range of different types of single case study designs, this case can be specified as deviant. Deviant cases are those whose outcome does not correspond with wider empirical patterns or theoretical predictions (Bennett and Elman, 2010). Given Germany’s allegedly strong adherence to solidarity to its western partners and its embeddedness in the European Union and NATO, its support for Nord Stream 2 seems to contradict its regular foreign policy behavior. Two theoretical models are used to generate hypotheses from the observed empirical case: a synthesis of the realist and rationalist approaches of neoclassical realism and neomercantilism, and social constructivism. The previous theoretical section has yielded four independent variables that will be further specified in the operationalization part of this chapter. The central dependent variable entails a foreign policy action, in this case the German support of Nord Stream 2, that faces the opposition of several of its important allies.

In order to enhance the clarity of this research, the empirical part is subsequently divided into three phases of the decision-making sequence with regards to “unstructured” strategic decision processes by Mintzberg, Raisinghani and Theoret (1976). According to this model, identification is the starting point of every decision-making process. During this phase, actors recognize a problem or discover an opportunity. Given the large amount of tacit or ambiguous data decision-makers are confronted with, identification of problems, crises and opportunities can be a lengthy and haphazard process. After the identification phase, actors start developing possible solutions, of which one will be selected in the end of the process. It should be noted that the negotiation and decision-making process of Nord Stream 2 is not fully completed, and that it is challenging to neatly divide a complex political issue into three separate phases. Nevertheless, it is possible to at least roughly identify points of identification, development and selection in the sometimes-messy timeline of the pipeline.

### **3.2 Hypotheses and operationalization**

Based on the two approaches discussed in the theoretical section, four hypotheses were formulated. Within each category, the first hypothesis corresponds to the estimation of key decision-makers. H1 is based on the realist assumption that these decision-makers follow rational principles when weighing their options. Neoclassical realism does attempt to account for suboptimal outcomes by incorporating domestic variables into the analysis, but still retains the fundamental expectation of rationality. On the contrary, H3 follows from the social constructivist thought that ideas and culture often disregard this logic. The acts of decision-makers cannot be considered independently from their (domestic) cultural environment and personal convictions, meaning that decision-making is sometimes guided by more

complex emotional factors rather than merely the rational objective to optimize utility. With regards to H3, regular contact and close personal connections between decision-makers of two countries that are not aligned might drive bilateral cooperation, possibly even to the extent that this impairs the relations with established allies.

On the other hand, H2 and H4 widen the scope of research by considering the societal influences that can motivate decision-makers to act against their long-standing allies. H2, which followed from the neoclassical realist and neo-mercantilist analysis, focuses on the tendency of states to enhance the comparative advantage of domestic actors. As neomercantilism holds that the nation-state still has primacy over these domestic interest groups, key decision-makers interpret, and ultimately enable and condition, the room of maneuver of important societal actors. On the other hand, H4 is based on the assumption that cooperation and conflict between two states can leave major historical legacies which continue to play a role in today's bilateral relationship.

#### **Neoclassical realist and neo-mercantilist hypotheses**

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**H1:** *A state is likely act against its long-standing allies, if key decision-makers interpret the international structure in such a way that they expect this action to yield net benefits.*

**H2:** *A state is likely to act against its long-standing allies, if key decision-makers expect this action to benefit important domestic societal actors.*

#### **Social constructivist hypotheses**

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**H3:** *A state is likely to act against its long-standing allies, if key decision-makers have strong personal ties with decision-makers of another, non-aligned state.*

**H4:** *A state is likely to act against its long-standing allies, if key decision-makers feel bound by historically rooted collective images that favor cooperation with a non-aligned state.*

All three phases of the empirical analysis will be concluded with the testing of the four hypotheses. To enhance the explanatory power of this research, the confirmation or disconfirmation of hypotheses in the empirical analysis can subsequently be qualified as *soft* or *hard*. A hard (dis)confirmation corresponds with the legal concept of 'direct' evidence, which establishes a particular fact without the need of an inference that connects the evidence to the fact. Granted, a researcher will always have to interpret evidence to some extent in order to develop a credible argument. Nevertheless, a direct piece of evidence can prove or disprove a fact directly. In contrast, a soft (dis)confirmation could be



compared to circumstantial evidence. As it does not directly point to a fact, this type of evidence should be linked to the fact for it to be proved. By allowing for this scaled form of hypothesis testing, the research seeks to compensate for possible weaknesses of the evidence or a lack of primary sources. In the following part, the operationalization of the explanans and explananda will specify the indicators that allow a soft or hard (dis)confirmation of the hypotheses.

### **The dependent variable**

In the introduction, the commercial character of Nord Stream 2 has already been emphasized. The lack of public funding has often been used as an argument of proponents of the project to discredit any criticism: the pipeline is merely business, not policy or politics. However, even if key German decision-makers have hardly expressed open political support for the pipeline project, most of them do not object to its planning and construction either. The *acting against* here therefore refers not only to an explicit denial of objections to the project, but to its mostly silent approval.

Since the end of World War II, (West-)German governments have firmly endorsed a general Western orientation. Its long-standing allies equal the states that participate in the four channels constituting German Westbindung: the strong relationship with the United States; the Franco-German axis that is widely seen as the driver of European integration; and the membership of both the EU and the NATO (Techau, 2014). In this case study, particular attention is directed to a large part of Germany's Eastern neighbors, the European Commission, and the United States, since these allies are the most outspoken critics of Nord Stream 2.

The act, in this case the support of Nord Stream 2, it is necessary to outline the key German actors that are involved in the decision-making on this particular issue. As the head of the Federal German government, the Chancellor forms the cabinet and determines the general guidelines of government policy. The leadership style of the Chancellor is therefore a determining factor of cabinet decision-making. With regards to the ministers, each of them "conducts the affairs of his department independently under his own responsibility". Since Nord Stream 2 is linked to both foreign affairs and economic and energy matters, it is expected that the respective ministries have been involved in the decision-making process by some means.

First, there is the dimension of foreign policy. Nord Stream 2 affects the relations with some of Germany's closest partners, while at the same time strengthening German-Russian cooperation. Helmut Schmidt pointed out that no Chancellor could devote more than ten percent of his time to foreign affairs, leaving a large part to the Foreign Minister (Szabo, 2013). In the specific German context, it is important to underline the fact that the Chancellor and the Foreign Minister are

traditionally from different parties (Malici, 2006). This means that although the Chancellor and the Foreign Minister are expected to act in unison, they could both represent different political worldviews.

Furthermore, this research distinguishes the Minister of Economics and Energy as a key decision-maker. The Federal Republic has never had a separate ministry for energy matters. Instead, this policy area is largely shaped by the Ministry of Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie). It is important to mention that this research deliberately left out the Minister of the Environment, Nature Conservation, Building and Nuclear Safety (Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit). This Minister has not been named in relationship to the Nord Stream 2 project in journalistic and scholarly resources. Moreover, the project is not mentioned on the website of the respective ministry, whereas the websites of the Foreign and Economics Ministries have each devoted some attention to it.

Finally, the group of key decision-makers also includes the opposition parties in the German Bundestag. A democracy can only properly function when an official opposition questions and scrutinizes government actions. By means of the parliamentary enquiry (*große/kleine Anfrage*), the opposition can require the government to answer important political questions and additionally present its own alternative ideas. Therefore, the views of the Left and the Green Party respectively are also incorporated in the analysis of German decision-making with regards to Nord Stream 2.

## **Independent variables**

### *The international structure*

The theoretical section showed that in the anarchical international environment, a state's foreign policy options are largely determined by structural features. Realist approaches define these features as military and economic capabilities, which states are constantly seeking to maximize in pursuit of security and survival. The self-interested nature of states prevents them from fully trusting each other and consequently obstructs cooperation. Since Germany only has limited strategic influence due to its military reticence, its position in the international system is essentially defined by its prosperity and success in the growing competition of the global market place. It is therefore in constant competition with other states over the supply of scarce raw materials.

H1 can be confirmed if the dependent variable is expected to yield more security benefits than costs. The most important benefit from a neoclassical realist and neo-mercantilist perspective would be the improvement of energy security, which entails the "uninterrupted availability of energy at an affordable price." (definition by the International Energy Agency). A hard confirmation therefore requires an explicit reference by a key German decision-maker to the expected net benefit of the

project, whereas a soft confirmation could be established by statements or papers that show the added value with regards to German energy security.

On the opposite, there will be a hard disconfirmation of H1 when German key decision-makers explicitly acknowledge that Nord Stream 2 will in fact negatively affect energy security or pose a disadvantage to Germany's economy. A soft disconfirmation would require statements or papers that prove the pipeline is threatening German energy security or results in losses for the German economy. Still, it is important to emphasize again that this cost-benefit analysis ultimately depends on the interpretation of several key decision-makers. As Germany does not have a single-party system and its decision-making process is dispersed rather than hierarchically ordered, many different actors are involved in the broad area of foreign energy policy. It is therefore crucial that this 'filtering effect' of several key political decision-makers is considered in the empirical analysis.

#### *Domestic societal actors*

From a neo-mercantilist perspective, a state will use strategies that foster domestic industries, often at the expense of other states' economies. In this case study, domestic societal actors refer to important Germany energy companies. A hard confirmation requires a direct reference by key government actors to the advantage of the new energy project to its domestic energy firms. If, on the other hand, there is evidence that these important domestic societal actors support and drive forward the construction of Nord Stream 2, and links between these actors and key decision-makers can be established, the hypothesis will be confirmed softly. A hard disconfirmation of H2 entails a statement of a key decision-maker that the pipeline project will not improve the position of domestic societal actors, whereas a soft disconfirmation would be established if indirect evidence, such as think tank reports or journalistic sources, suggest that the project will not benefit important domestic energy firms.

#### *Personal ties*

From the social constructivist chapter followed that a special relationship can supersede purely rational cost-benefit calculations. Regular and positive personal interaction between decision-makers fosters trust, which can render cooperation more attractive. H3 can be confirmed in a strong way if key German decision-makers refer to close relations with their Russian counterparts when defending Nord Stream 2. Personal ties between political elites of two countries are not always publicly visible, so media and scholarly sources can at least generate a soft confirmation of the primacy of personal relations in current German-Russian bilateral interaction. In this particular case, various articles have been devoted to the leadership styles of Chancellor Merkel and President Putin and their personal interaction. In addition, German-Russian semi-formal institutions and cooperation platforms can shed

light on the regularity and strength of bilateral contacts in the period 2014-2017. H3 would be strongly disconfirmed if key decision-makers characterize their personal relations with their Russian counterparts as particularly weak. A soft disconfirmation would require sources qualifying the personal interaction between German and Russian decision-makers as cumbersome or distrustful.

### *Historical legacy*

An historical legacy between two states is manifested in perceptions, memories and attitudes. In order to make a credible case for their impact on today's decision-making, it is necessary to establish that views of the shared past and its implications help to shape foreign policy priorities. This involves textual interpretation and discourse analysis, whereby close attention needs to be paid by references that are made to the bilateral historical legacy and its consequences for the current relationship (Banchoff, p.37). H4 can be confirmed if it is indeed the case that it is generally accepted that Germany has a substantial sense of historical boundedness and responsibility to Russia. A hard confirmation would require a key German government actor referring to a strong historical connection to Russia when defending the German policy choice of backing Nord Stream 2. A soft confirmation entails more indirect evidence of a historically rooted collective image of Russia that continues to influence "the hearts and minds" of the German population, which can be proven by population surveys or opinion pieces in influential German media outlets. Although collective images are not always necessarily based on historical legacies, the legacy of cooperation and destruction, of war and Russia's role in Germany's reunification continues to affect mutual German-Russian perceptions (Szabo, p.13). Conversely, a hard disconfirmation would be established if key decision-makers explicitly deny that they experience a special historical connection between Russia and Germany that can validate Nord Stream 2. A soft confirmation requires a negative public perception of the German-Russian relationship, which would make it difficult to argue that historical consciousness still guides Germany's relationship to Russia.

### **Methods of inquiry**

To connect the hypothesized independent variables with the dependent variable, the qualitative tool of process tracing will be employed. By selecting evidence for each step of the cause-effect link, this method can shed light on the chain of events or the decision-making process that have led to the observed outcome (Halperin & Heath, 2012). The process tracing method will be based on literature analysis, engaging with a large variety of sources. These range from Nord Stream 2 official documentation, EU data sets and domestic debates in German Parliament to think tank reports, newspaper articles, and scholarly resources. This way, events and discursive patterns can be identified

and interpreted, allowing for a well-founded narrative that explores the reasons for Germany's decision-making.

In the first part of this chapter, the type of sources used in this research were already briefly introduced. From the operationalization section, it followed that statements of key decision-makers enable a strong (dis)confirmation of the hypotheses. Speeches, interviews, and transcripts of official meetings therefore serve as a rich source of information. General government positions as expressed by official spokespersons or as in coalition agreements can also reveal more background information with regards to the decision-making process. A weaker, but still relatively strong type of data is provided by papers of think tanks that are likely to be consulted by key decision-makers, such as the thinktanks of the political parties themselves or publications of the SWP (Stiftung Wissenschaft und Politik). The latter also advises the Bundestag on foreign and security issues. Finally, scholarly literature and newspaper articles in influential media outlets such as Spiegel, Frankfurter Allgemeine Zeitung, Zeit, Handelsblatt, Süddeutsche Zeitung, BILD Zeitung and TAZ can paint a broad picture of the case study and its relevant independent variables. Translations of the German articles are

### **Limitations**

Labelled idiographic and a-theoretical, inductive research is often considered unspecific (Lijphart in Levy, 2008). Still, this thesis tries to remedy this disadvantage by connecting the empirical puzzle to a broad theoretical framework, which enables the analysis and testing of hypotheses. The ultimate objective of the research is to specify the scope conditions rather than replace existing hypotheses or theories. As it is based on a single case study, it can offer a context-specific and a rather holistic account of an empirical event. Is more helpful in forming of questions rather than the in the finding of generally applicable answers.

One of the most pressing methodological challenges is the approach to social constructivism. As opposed to capabilities or means, it is a challenge to draw conclusions about intentions, ideas and objectives. The inclusion of irrational, emotional and often subconscious perceptions in the analysis adds a new perspective on energy relations, but is only traceable to a limited extent as the empirical findings are based on literature review only. Therefore, the confirmation and disconfirmation of the hypotheses will rely even more on the interpretation of the individual researcher. In addition, the two conflicting approaches of neoclassical realism and mercantilism and social constructivism offer a broad theoretical framework, but this is automatically at the expense of the depth of this research.

A final issue is the political reality of the research object. As Nord Stream 2 is a "moving target", still in full development and under close regulatory and political scrutiny by the EC and several European governments, this thesis will per definition be incomplete. One could argue that in the end, every

research is – but in this case, the independent variable is surrounded by uncertainty. It remains to be seen whether the construction of the project will indeed be completed in 2019. In this respect, conducting this research was a catch-up game. attempt of paying due regard to actual developments and different perspectives, while at the same time acknowledging that the project faces a certain degree of outdatedness.

## 4. Empirical analysis

In this chapter, the empirical evidence will be presented in a sequence of three phases: the identification of the opportunity (starting with the feasibility study of the extension of Nord Stream 1), the development, and the selection of the (tentative) policy option. A chronological subdivision is chosen because it can provide a broad account, including contextual information, of the decision-making process regarding Nord Stream 2. First, there will be a short introduction of the dependent variable, Nord Stream 2 project. The three phases will subsequently explore the independent variables that have influenced the decision-making process concerning the pipeline. As negotiations of its extension take place within the parameters of both the European Third Energy Package and the domestic German context of the *Energiewende*, these factors will also be incorporated in the analysis of the decision-making process. Each phase will end with a test of the four hypotheses. In pursuit of process tracing, different pieces of evidence will be discussed and used to create an elaborate narrative of the case study.

### 4.1 Nord Stream 2: a brief overview

It has become clear in the previous sections that Nord Stream 2 is the expansion of Nord Stream 1, a set of pipelines that went into operation in 2012. Nord Stream is one of the longest offshore pipelines in the world and originates in the Yuzhno-Russkoye field, and later, in the Yamal Peninsula, Ob-Taz Bay and the Shtokmanovskoye (Shtokman) fields (Nord Stream). The pipeline crosses the exclusive economic zones (EEZ) of Finland and Sweden as well as the EEZ and territorial waters of Denmark and, naturally, Germany. The third and fourth pipeline will largely follow the same route and will double the capacity to 110 billion cubic meters (bcm) per year. The costs will also be in the billions: Gazprom estimated that they will amount to approximately 9.9 billion euros.

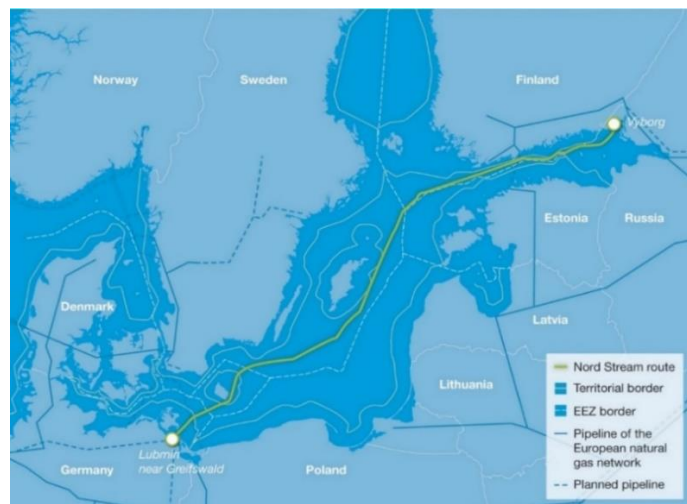
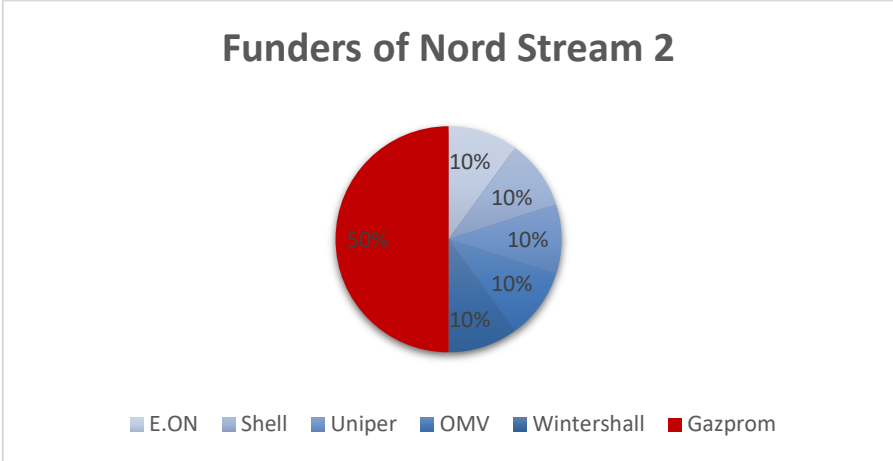


Figure 4: The Nord Stream pipeline route (Source: Nord Stream website)

In September 2015, Gazprom, E.ON, BASF/Wintershall, OMV, ENGIE, and Royal Dutch Shell formed the consortium of the project. However, the five EU firms were prompted to abandon the joint venture in 2016, when the Polish anti-trust office ruled that the business construction might lead to restriction of competition. The president of the anti-trust office, Marek Niechcial, believed that the Polish ruling would stop the Nord Stream 2 deal in its entirety. The five firms, however, stated that they would “individually contemplate alternative ways to Nord Stream 2,” which they indeed did – at the time of writing, they have each signed a financial agreement with Nord Stream AG to fund 10% of the project. At the same time, Gazprom remains the sole shareholder. Supposedly, the current financial structure was explicitly designed to circumvent the Polish objections and is therefore expected to be more feasible (Oil & Gas, 2017).



**Figure 5: own graph, based on data in Steiner (2016)**

Wintershall and Uniper are both German firms, meaning that 20% of the costs of Nord Stream 2 are funded by companies based in Germany. Besides the five funders, there are several other firms involved in the project. In 2016, Nord Stream 2 selected the suppliers to deliver the two pipelines of Nord Stream 2: Europipe, a steel producer located in Germany, is responsible for 40% of the deliveries (Nord Stream website). The other suppliers are both based in Russia. Finally, the coating will be provided by Dutch firm Wasco Coatings Europe. Additionally, there are several lobbyists involved with the PR of Nord Stream 2: German firm Brunswick, American firms Edelman and Fleishman-Hillard, and British GPlus. In short, the project has gathered a wide range of different share- and stakeholders.

Meanwhile, there are at least just as much opponents of the project, especially in Central- and Eastern-Europe. They expect the project will come with many disadvantages: lost transit fees, longer transport routes and an increase of border crossing points. It is also expected to threaten the pricing power of



Poland's new LNG terminal in Świnoujście. Not surprisingly, criticism of the respective states has been manifold. The Prime Minister of Ukraine called the project "anti-Ukrainian" and "anti-European", while the President of Slovakia stated that his country feels "betrayed". The opposition culminated in a letter of ten European countries (Bulgaria, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia) to the European Commission in 2015, calling for a summit-level debate on Nord Stream 2.

Much of the strong criticism traces back to the fear that Nord Stream 2 could be used as a political tool by the Russian government, designed to drive a wedge between European countries with different gas supply needs. Whereas Nord Stream 2 is commercial as far as its European funders are concerned, this does not entirely apply to Gazprom. Although it is argued that Gazprom is moving towards a more commercially motivated policy, it is still affected by the Kremlin's political priorities as over 50% percent of its shares are owned by the Russian government (Giuli, 2015). The energy giant has served as a powerful policy tool in the past, when Russia cut off gas supplies to Ukraine over a \$1.3 billion debt. In many cases, the cutoffs were considered politically motivated as they coincided with friction between the Russian and the Ukrainian government.

In a similar vein, critics point to Gazprom's political rationale behind Nord Stream 2. Besides commercial-economic motivations, German political scientist Hannes Adomeit thinks that there are several strategic assumptions underlying the pipeline: first, Gazprom hopes that intensified Russian-German gas cooperation will increase the effectiveness of its lobbying in EU institutions; second, this close cooperation is more likely enable exemptions from the EU's Third Energy Package; and finally, it could decrease the interest of the EU and Germany for trilateral cooperation between Russia, Ukraine and the EU for the modernization of the Ukrainian gas infrastructure (p.5). Germany in particular is a strategic European partner for Gazprom, as it is the most lucrative gas market (Riley, 2015). Gazprom has been exporting gas to Germany since 1973, which was the first country in Western Europe to receive its supplies.

Gazprom's alleged expectations are subjected to the wider EU energy framework. Over the last years, the EU has made some steps towards a common European energy strategy, of which the Third Energy Package is the most important. The Third Energy Package is a set of directives adopted by the EU in 2009 that aims to promote competition and create a liberalized, integrated energy market throughout the EU (Boersma, 2015; Dempsey, 2015). Its main objective is so-called unbundling, whereby the supply and transportation of energy must be separated to promote fair competition. Finally, pipeline networks should be made available to third parties. Furthermore, the Energy Union was adopted in 2015, which focuses on supply security, full market integration, in addition to improving energy efficiency, climate action and low carbon technologies (Goldthau, 2016). Both the Third Package and

the Energy Union are motivated by many Member States' objective to lessen their import dependence on Russia.

Still, the EU can only act effectively if the objectives its member states largely match. With regards to energy, member states have stressed their wish to retain authority over their national energy policies (Crisp 2015). Germany, for example, is said to have blocked attempts to establish a consolidated EU energy policy (Szabo, p.181). The EC's main role with regards to energy is therefore restricted to the safeguarding the functioning of the market according to the rules, not to choose pipeline routes or partners. In sum, the political discussion about Nord Stream 2 points to this major remaining weakness of the European gas security architecture: the lack of EU coordination when Member States are negotiating bilateral gas trade deals (Brutschin, p. 81). This also means that Germany can act relatively independently from EU political interference.

## 4.2 The three-phase model

### 4.2.1 PHASE I: IDENTIFICATION (FEBRUARY 2014)

The Third Merkel Cabinet was sworn in on December 17, 2013, some months before the feasibility study on Nord Stream 2 was published. The coalition agreement of the CDU/CSU/SPD dedicated one separate paragraph to German Russian policy and put it directly after the section on the importance of NATO and transatlantic relations. Stressing Germany's objective to continue to uphold the partnership, the agreement also mentioned the need for a more critical approach to Russia's democratic reforms. Most importantly, it acknowledged the risk of energy dependence on Russia and that any 'special relationship' should eventually be replaced by a more unified European approach. At the same time, foreign minister Steinmeier replaced the more Russia-critical Andreas Schockenhoff with Gernot Erler as the parliamentary state secretary in charge of German-Russian relations. Erler, like Steinmeier a member of the SPD, is often considered a "Russlandversteh'er," the German term for a person that shows more consideration for the accommodation of Russian interests.<sup>7</sup> Gutschker of the FAZ observed that after Minister Steinmeier took up his post as the Foreign Minister in the second Merkel cabinet, he did not only redefine Germany's attitude to Russia but also the meaning of his ministry (2014). He managed regained the influence the Foreign Office had lost to the Chancellery in the previous coalition period.

Despite these changes in the German government's foreign policy orientation, relations with Russia would quickly deteriorate when the crisis in Ukraine escalated. On March 18, 2014, the Ukrainian peninsula Crimea was annexed by Russia, which would be a strategic shock for Germany and mark a definite change in the German-Russian relationship (Kundnani, 2015). The Russian actions were strongly condemned by the German government as infringements of international law. Especially Merkel was in favor of a strong response against the Russian politics in Ukraine. When discussing Russia's military intervention in Ukraine, she supposedly revealed to President Obama that she was questioning if Putin was "living in another world" (Bild, 2014). Even though this statement is only cited by one newspaper that has a reputation for sensationalist coverage and was then copied verbatim by many other media outlets, has been reported more often that Merkel and Putin have a complex personal relationship.

Between them, there have been countless meetings and telephone calls; even in phases of high tension, they always pursued a line of conversation. Over the years, Merkel never hesitated to address her concern about authoritarian developments in Russian domestic politics, to the closing down of NGO's and political foundations by the Russian government. The Eastern German chancellor and former KGB-agent from St. Petersburg have an ambivalent relationship that is characterized by mutual respect as well as critical distrust. That they can communicate in their respective mother tongues

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<sup>7</sup> The origin of this (rather sarcastic) term is not clear. In 2015, the term was one of the runners-up for the German non-words of the year (Kirschbaum).

contributes substantially to the atmosphere. Whereas Merkel acquired excellent Russian language skills in school, Putin learned German when he was deployed as a KGB-officer in Dresden. The New York Times describes Merkel's attitude toward Russia as "never a friend nor an open foe", always aiming to integrate Russia into a relationship based on rules rather than emotion (2017). Their interaction is rooted in clearly defined common interests, not personal chemistry (Transatlantic Academy, 2015). One of the most important common interests is energy.

### **European gas producers: running out of fuel**

Almost all countries in Europe need to import natural gas to meet their energy demand. Since 2004, energy net imports of the EU are larger than primary production (Eurostat, 2016). In the German case, the import share was even higher: while in 2014, the whole of the EU imported an estimated 53.4 percent of its energy consumption, Germany's consumption surpassed this percentage, amounting to an import share of 61.4 percent (Eurostat, 2014). In comparison, the United Kingdom (45.5%) and France (46.1%) depend much less on energy imports, whereas Spain (72.9%) and Italy (75.9%) were the two of the five large Member States that recorded the highest energy dependency rates. At the same time, EU primary energy production is on the decline.

Of the Member States, only the Netherlands and Denmark showed net exports. However, this is expected to change soon: EU natural gas production is expected to decline faster than consumption (Beckman, 2016). Recently, it was even stated that the Dutch government aims to discontinue gas sales to Germany altogether by 2030 (Morris, 2017). At the same time, European gas consumption is expected to increase (Adomaitas, 2016). Although predictions vary greatly, one could assume that at least on the medium-term, natural gas will continue to play an important role in meeting the European energy demand. Renewable energies, too, are likely to show considerable growth, but will, possibly for the coming decades, still need to be complemented and backed up by fossil fuels such as gas. In the German case, this is especially relevant in context of the *Energiewende*.

After the nuclear disaster in Fukushima in Japan in March 2011, Chancellor Merkel proclaimed a national transition to a low-carbon, non-nuclear economy. Already before the meltdown of the Japanese power plant, instability in petroleum-abundant regions and concerns about rising CO<sub>2</sub>-levels had put energy security high on the German policy agenda. Since nuclear energy accounted for a quarter of German electricity supplies, multi-billion investments are planned for the required expansion of the national electricity grid. The first full-cost study of the energy transition estimates the costs to exceed 520 billion euros (DICE, 2016). As natural gas produces much less CO<sub>2</sub> than coal or oil and is relatively cheap, it can be considered a suitable resource to stimulate the German transition – at least on a short term - to a low-carbon economy.

The International Energy Agency's (IEA) 2014 report on Germany's energy supply security reveals some useful information about the possibilities Germany has. Currently, natural gas is imported into Germany exclusively by cross-border pipelines such as Nord Stream. The country has no liquified natural gas (LNG) infrastructure (yet), but some German firms have booked capacities in overseas LNG terminals. Consequently, the number of possible suppliers to the German market is reduced to only a handful of countries: Russia, Norway, the Netherlands, Denmark or the UK (Amelang 2016). Other important alternative suppliers such as Qatar and Algeria export liquid gas and are therefore not considered serious competitors to the more traditional producers. According to government estimates, domestic production is expected to decline by an average of 5%. Nevertheless, possible unconventional methods of gas production are not accounted for in this estimation. Based on this information, the German government has roughly three options: cutting back on energy consumption; develop shale gas resources (if accessible); or increase imports from non-European countries. Currently, the last option seems most likely, bringing in the security element. Like Chairman of the Munich Security Conference, Wolfgang Ischinger, declared: "energy policy is European security policy" (in Amelang, 2015).

The Crimea crisis rekindled the debate on Germany's energy dependence on Russia. In March 2014, Canadian Prime Minister Stephen Harper visited chancellor Merkel in Berlin. Against the background of talks on Russia and energy dependency, she argued that "there will be a re-consideration of common energy policy." Canada has manifested itself as an alternative supplier of natural gas. Over the past years, shale gas extraction, also called fracking, in Canada and the United States has substantially increased gas production. At the EU-US Summit in March 2014, president Obama, too, urged Europeans to become less dependent on energy imports from Russia. He recommended that Europeans themselves turn to fracking (Ruchser, 2014). Fracking, however, is controversial due to its environmental risks, most importantly water contamination and earthquakes, and its general impact on landscapes and communities (Cooper, 2016). In 2014, German shale gas reserves were not yet used. A government speaker was also quick to backpedal the orientation towards new delivery options: "the debate about alternatives, for example gas imports from the USA or Canada, is charming, yet theoretical, since these countries do not yet export gas" (Fuchs, 2014).

### **Russia: the worst gas supplier, except for all the others**

Minister Gabriel did not seem convinced either, but more due to his preference for Russian gas. Questioning if there were any alternatives to Russian gas, he maintained that "even in the darkest times of the Cold War, the Russians have always complied with their supply contracts." In a similar vein, the head of the German Post Frank Appel "it seems questionable at the least if a dependency on the Middle East or Venezuela is preferable to one on Russia" (Reuters, March 30, 2014).

In the previous coalition that ruled from 2009 to 2013, the FDP has been critical of energy dependency on Russia and had favored nuclear power as a way of remedying this dependency (Szabo, 2014). Other observers have a more nuanced view of the matter, arguing that “Russia cannot afford to interrupt energy exports to Europe.” Even though especially Asian countries have an increasing demand for raw materials, Russian infrastructure is not yet able to divert its energy exports to the emerging Asian economies. This means that at least the coming years, Russia will be more dependent on Europe than the other way around (Ruscher 2014).

### **Business as usual?**

In April 2014, President Putin sent an open letter to European leaders in which he threatened to cut off gas supplies to Ukraine, unless the country pays in advance for all its supplies. In the same month, CDU foreign affairs spokesman Philipp Mißfelder caused some controversy when he attended a birthday party for former Chancellor Schröder in St. Petersburg. The party, hosted by Schröder’s employer Gazprom, was also attended by president Putin. Allegedly, Chancellor Merkel was not informed about Mißfelders trip to Russia. Not only German politicians devoted their efforts to safeguard German-Russian cooperation. The German Committee on Eastern European Economic Relations (Ost-Ausschuss der deutschen Wirtschaft) defended the meeting of Siemens CEO Joe Kaeser and President Putin in Russia that had taken place in March 2014, shortly after the annexation of Crimea. Chairman of the Committee, Eckhard Cordes, stated that “It is good and right that German firms engage in high-level meetings [in Russia], planned in accordance with the federal government” (Bild, 2014). The Ost-Ausschuss is considered an intermediary between economics and politics, focusing on two main tasks: providing support to companies that wish to invest in Russia and other post-Soviet states, such as Azerbaijan and Moldova, and facilitating contact between German business representatives and policy makers and their Eastern-European counterparts. Interestingly, countries such as Poland, the Baltic states, and Hungary are not part of the committee’s scope. In addition, the Ost-Ausschuss organized a meeting in November 2014 where a high-level delegation of German businesses had a confidential discussion with Russian Deputy Prime Minister Shuvalov and Foreign Minister Lavrov. German participants were, amongst others, Chairman of the Supervisory Board of Wintershall Rainer Seele and the President of Siemens Russia Dietrich Möller.

### **Sanctions**

Germany took a leadership role in imposing European punitive actions against Russia. Both Merkel and Steinmeier worked on all fronts on a diplomatic solution in the Ukraine crisis, but were eventually forced to promote more radical measures against Russia that would also harm Germany’s business

interests. According to the Spiegel, the government in Berlin did not show the intention to obey voices of protest in the business community. "The Russian economy would be far more vulnerable to sanctions than German businesses," said one high-ranking government ministry official in Berlin. Still, only a few months before, German business representatives had showed much expectation about possibilities of German-Russian trade, especially in the areas of energy, raw materials, and automobiles in a survey by the German Commission on Eastern-European Trade (Szabo, 2013).

This would eventually also have impact on the German position in the negotiations on the sanctions regime. Of the major West European powers, Germany has been most active in attempting to limit EU sanctions against Russia's energy sector (Dyson, 2016). During the first sanction negotiations, Dyson points out that the German government sought to keep oil and gas off the agenda.<sup>8</sup> Jens Müller, a PR man working for Nord Stream 2, later even argued that the sanctions were designed with the aim to save the pipeline from any political obstructions (Rettman, 2016). Later that year, Merkel herself expressed more caution over the German-Russian energy relationship. Although she said that German and EU energy policy should be "reconsidered over the medium term" it is not "our objective to cut off these dependencies completely." Instead, cooperation in this area is of mutual interest (Spiegel, 2014). In December 2014, Minister Steinmeier urged caution over the EU sanctions against Russia, expressing concern that these could further destabilize the Russian economy (Spiegel). In the same month, Merkel defended her policy course against criticism by her predecessors. Ex-chancellors Kohl and Schröder had expressed their concern about Russian isolation by the European community.

In a speech Steinmeier gave to Russian students in the end of that year, he mentioned the respect that Germans and Russians need to have for each other – with of indispensable the trust of third parties. He started with reminiscing German-Russian conflict, but also discussed the dangers of an alliance between the two European powers. "Yet not only the wars between Germany and Russia are insignia of the extreme. Conversely, damage was also done when Russian and German rulers got along well! Our neighbors have bitter experiences with these phases [...] We need to be aware that historical experiences like these disquiet our neighbors to this day." He then went on to connecting the defeat of Nazi Germany with today's German-Russian relations, stating that "we owe this history some opposition to the threatening political alienation."

## **Analysis**

During this period, the extension of Nord Stream was not yet publicly discussed by key decision-makers and therefore not the subject of (international) debate, neither in Parliament nor in the media.

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<sup>8</sup> Objection to sanctions against the gas sector did not only come from Germany. EU Energy Chief Günther Oettinger, for example, opposed them, saying that "he had always argued in favor of the fact that energy supplies from Russia - oil, gas, uranium etc. - should not be included on lists of sanctions (Reuters: July 23 2014).

Nevertheless, key decision-makers were concerned with gas imports from Russia, a discussion that is closely connected to Nord Stream 2. In 2014, when an additional third and fourth pipeline to Nord Stream became a serious policy option for both Gazprom and the German government, the third Merkel cabinet had been in office for a few months. With an increasingly prominent role of the Foreign Ministry, the SPD gained more leverage in the government and subsequently seemed to pave the way for a more accommodating approach to Russia. Hence, Minister Steinmeier's interpretation of the respective threats and opportunities of this period will have had a more decisive impact on German foreign energy policy decision-making. However, Russian-German relations would quickly be consumed by the conflict between Russia and Ukraine, which also affected the cost-benefit analysis of the decision-makers.

### ***H1: Soft confirmation***

In 2014, the Crimea crisis stimulated German decision-makers to – at least momentarily – reconsider their energy policy and the dependency on Russian gas imports. Still, the rationalist argument would be that Germany would weigh this dependency against possible consequences of diversification. The opportunity costs attached to the latter option – increased reliance on other suppliers than Russia, the creation of new infrastructure to be able to import American or Canadian shale gas – were indeed analyzed by key decision-makers as well as other observers. Eventually, the costs of diversification were deemed higher than the benefits, which rendered a substantial policy change irrational and therefore not feasible. This also appears from the efforts of the German government to exempt oil and gas from the sanctions against Russia. Although Merkel committed herself to a unified EU reaction to the annexation of Crimea, German-Russian energy cooperation remained largely unaltered because it was expected to yield more benefits than sanctions and diversification.

### ***H2: Soft conformation***

In this phase, a majority of the key decision-makers actively lobbied for a sanctions regime that was against the interests of important societal actors. This corresponds to the neoclassical and mercantilist assumption that the state will always determine the political settings societal actors operate in, but will still take the interests of these societal actors into account. The societal actors H3 focuses were somewhat accommodated by means of exemptions, because too much of a burden on the energy sector was considered a disproportionate cost of the punitive measures against Russia. Hence, domestic actors did act as a constraint on the policy of key decision-makers, who protected the sectors they considered critical for the national well-being from the EU sanctions regime.



### ***H3: Soft disconfirmation***

A majority of key decision-makers has chosen to explicitly frame the official discourse on the project in economic and business terms, which renders it difficult to identify any explicit personal dimension to the decision-making process. In contrast to the first Nord Stream pipeline, which was partly driven by the close personal relationship between Chancellor Schröder and President Putin, the planning of Nord Stream 2 started in a period in which leaders of the two states were on less good terms. From the social constructivist perspective, personal diplomacy and leadership has not been likely to have led German key-decision makers to the policy choice. Personal ties were not neglected, of course – the most striking case being CDU prominent Mißfelder partying with Putin – but they did not appear to be a dominant factor. Although Chancellor Merkel and President Putin as well as minister Steinmeier and his colleague Lavrov were in close contact with each other, this was more a considered a diplomatic necessity than proof for strong personal chemistry. Therefore, it does not seem likely that this factor has contributed to the decision to support Nord Stream 2.

### ***H4: Soft disconfirmation***

In this period, the connection between a positive German (historically grounded) perception towards Russia and German-Russian gas trade cannot be established. Although Minister Gabriel loosely made use of the historical narrative of Russia as a trustworthy partner when arguing for the safety of Russian gas imports, this single statement is not sufficient to confirm the hypothesis. It cannot be convincingly tied to the German perception of Russia that stems from historical narratives. Instead, a stronger piece of evidence that could disconfirm the hypothesis was brought in by a speech by Minister Steinmeier. He pointed out that due to historical legacies, close Russian-German cooperation often leads to uneasiness with their neighbors. Even though he did not make this remark in connection to gas trade, it still directly opposes the assumption behind the hypothesis and seems to argue for attentiveness to the Eastern European neighbors instead of a Russia-centered Ostpolitik. The historical narrative expressed here is opposed to a ‘special relationship’ with the third state that defies the interests of its allies.

## 4.2.2 PHASE II: DEVELOPMENT (FROM JANUARY 2015)

### Resuming the dialogue

January 2015 started with the unexpected news that Gazprom announced the (temporary) suspension of the Nord Stream 2 expansion. Sources at the firm stated that the decision was related to both the weak gas market and the “complicated” political situation regarding the EU’s approval of the extension (Reuters). Indeed, just a month before the South Stream pipeline was cancelled following objections by the EU, the Crimean crisis and the European sanctions against Russia (die Welt, 2014). At the same time, an increasing number of EU member states started to raise their concerns over the sanctions regime against Russia. Merkel, however, still spoke out against lifting them, warning for an “*Alleingang*” of individual countries. Decisions about sanctions or conversations with the Russian government should be made in “close consultation” with European partners, she said (dpa-AFX, 2015). In some respect, however, political tensions between Germany and Russia alleviated.

One of the most important platforms for dialogue and cooperation, the German-Russian Petersburger Dialogue (Petersburger Dialog), was rekindled in March 2015 after it was cancelled the year before due to the Ukraine crisis. Established in 2001 by Chancellor Schröder and President Putin, the forum aims at providing a regular framework for the exchange of Russian and German economic, cultural and scientific representatives. In 2012, for instance, the Petersburger Dialogue published a schoolbook about common Russian-German history and the bilateral cultural connections (Wemhoff, 2012). Ronald Pofalla, former CDU politician, was chosen as the new chairman of the Petersburger Dialogue. Allegedly, Chancellor Merkel wanted him for the position. According to the Welt am Sonntag, months of thug of war between “Russlandverstehers” and Putin critics, but also between the chancellery and the ministry of foreign affairs, resulted in the decision of Merkel to support her confidential (2015). In addition, he is a German railways-lobbyist and therefore an economic representative, someone who negotiate between political and business interests. The German-Russian government consultations, however, were once again not taking place that year.

In June 2015, Merkel declared that at that moment, she could not imagine Russia’s return into the G8. Still, she stressed that she remained committed to regular contact with the Kremlin (Spiegel). In the same month, it turned out that Gazprom’s plans for Nord Stream 2 were not entirely abandoned after all. At the Eastern Economic Forum in Vladivostok, Gazprom and five European firms signed a shareholders’ agreement on the implementation of Nord Stream 2. In addition, Minister Gabriel and Gazprom chairman Miller met to address the progress of the project. German key decision-makers did not yet comment on the plans. Journalist Neil Barnett argued that in fact, in July 2015 “a number of German sources in the foreign ministry, the energy industry and the Chancellery said that the pipeline would indeed go ahead,” but refrained from public statements about the pipeline due to the Ukraine crisis (2015). Green politician Jürgen Trittin did ask in Parliament to what extent the Federal

Government supports Nord Stream 2. The Secretary of State for Energy Rainer Baake merely replied that the pipeline extension was to be considered a “commercial decision” (2015, July 10). In September, Siemens and Gazprom addressed the possibilities of cooperating on Nord Stream 2. During the weekly government press conference, the foreign affairs spokesperson Schäfer denied that Russian-German energy cooperation pointed to a general thaw in German-Russian relations (2015, September 4). He stated that the sanctions will still be kept in place as long as Russia does not meet the conditions for lifting them – the implementation of the Minks agreements or the settlement of the Crimea issue. Schäfer also answered questions about the asset swap between BASF and Gazprom, a decision that is to be seen in conjunction with the developments around Nord Stream 2. BASF’s subsidiary, Wintershall, will receive a 25% stake in Western Siberian gas blocks. In return, Gazprom will acquire shares in several elements of Wintershall. Just a year before, this asset swap was put on hold because of the conflict in Ukraine and the subsequent political tensions between Europe and Russia. Schäfer stressed that both Nord Stream 2 and the asset swap between BASF and Gazprom are business considerations, on which the Federal Government does not exert any influence.

Nevertheless, only a month later, a high-profile political meeting took place during which Nord Stream 2 was the main theme. Minister Gabriel met with President Putin and Gazprom Chairman Alexey Miller in Moscow to discuss the future strategy for Russian gas supply to Germany. Stressing that he was expressing his “private opinion”, Gabriel bemoaned the deterioration of the German-Russian relationship. He made clear that this opinion is not shared by the EU and the Chancellery (Smirnova, 2015). To the surprise of some, the complete transcript of the discussion was posted on the Kremlin website. Given the fact it reveals much of the otherwise relatively obscure government considerations concerning Nord Stream 2, it is worth citing it in its entirety:

*“Mr Miller and Mr Matthias Warnig will continue to pursue Nord Stream 2 project. This is in our interests; but it is not just in Germany’s interests – it is a very interesting project even beyond Germany’s borders.*

*What’s most important as far as legal issues are concerned is that we strive to ensure that all this remains under the competence of the German authorities, if possible. So if we can do this, then opportunities for external meddling will be limited. And we are in a good negotiating position on this matter.*

*And in order to limit political meddling in these issues – you are, of course, aware, this is not just a formality – we need to settle the issue of Ukraine’s role as a transit nation after 2019. There are technical reasons for this: you know that Ukraine’s gas transportation system is not in very good state. And, of course, the financial and political role it will play for Ukraine, as will the backflow of gas.*

*As regards everything else, I believe we can handle it. What's most important is for German agencies to maintain authority over settling these issues. And then, we will limit the possibility of political interference in this project."*

When die Linke asked for clarification about minister Gabriel's statements in a written question to the government, State Secretary of the Foreign Office Rainer Sontowski replied that the Federal Government will work to ensure that "Nord Stream 2 will positively contribute to the objectives of the European Energy Union with regards to the diversification of supply routes. With this objective in mind, the Federal Government speaks to the EU Commission and representatives of states that are interested in Nord Stream 2." In addition, Sontowski stressed that no economic representatives were accompanying minister Gabriel during his visit to Putin, contradicting those who suggested close cooperation between business and government regarding Nord Stream 2. Likewise, the government replied to the parliamentary questions of the Green party about the asset swap and Nord Stream 2 with the statement that "motives of the participating businesses are not known to the government." Moreover, the area of gas production is not covered by the sanctions regime. In reply on the question how the dependence on raw materials can be reduced, the federal government mentioned the expansion of renewable energies and the increase of energy efficiency (Bundestag, November 2 2015).

### **European and domestic division**

2015 ended with a strong objection of many European countries against Nord Stream 2. Lithuania, Latvia, Estonia, Poland, Hungary, Romania and Slovakia sent a joint letter to Brussels, criticizing the construction of Nord Stream 2. President of the European Council, Donald Tusk, said that Nord Stream 2 is not in the EU's interest. "In my perspective, Nord Stream does not help diversification, nor would it reduce our energy dependency," he said after an EU-summit (Teffer, 2015). According to Italian Prime Minister Renzi, during the summit only the Netherlands shared the same position with Germany. Meanwhile, opposition among German politicians increased as well. "One needs to be critical since this is not just an economically private affair, but because, it is very political, like energy always is, and has a strategic meaning" said the chairman of the committee on Foreign Affairs and CDU-member Norbert Röttgen. According to him, Nord Stream 2 contradicts the objective of reducing the dependency on Russian energy (Deutschlandfunk). Another CDU-member, Christoph Bergner, argued that the "cohesion of the EU is more important than the relationship with Russia." Finally, CSU-politician Bernd Fabritius added that Germany should not give neighboring states such as Poland cause to concern. "Russia is still far away from regaining the position of a reliable partner. Therefore, we are well advised to promote German energy independence."

Merkel explicitly defended the project in December 2015, emphasizing, once again, that it is considered a commercial affair as it involves private funders. According to Merkel, solutions must be found that render Ukraine not completely insignificant as a transit state. “That is a political wish,” she added (Reuters, 18 December 2015). In an interview with the FAZ, Gabriel argued that the pipeline is in the German interest. “In this respect, I agree with the Chancellor,” he said. Moreover, he thinks the project can also economically benefit France and other EU Member States. Still, there are some conditions from the German side: Russia should sufficiently maintain the transit pipeline through Ukraine, also after 2019; the security of supply in Eastern Europe is guaranteed; and the project complies with European and German rules (FAZ, 19 December 2015).

In the same month, minister Steinmeier spoke out in favor of cooperation with Russia in the energy sector. In a letter to EU Commissioner Cecilia Malström, obtained by the Financial Times, the foreign minister suggested that the EU “responds to Russia’s wishes and begins a closer exchange of views on energy and investment protection issues.” Steinmeier said that Chancellor Merkel had approved of his initiative. Not formally shared with other Member States, the letter alarmed some eastern European and Baltic states (Barker, Wagstyl & Olearchyk, 2015). Whereas these states consider the EU’s Energy Union a framework to reduce energy dependency on Russia, Steinmeier’s statement seems to “accommodate Russia as a permanent structured partner” (ibid.). According to Russian economist Alexander Pakhomov, Steinmeier’s initiative can be seen as a signal: the original reasons being the failed negotiations between Russia, Ukraine and the OSCE regarding economic section of the Association Agreement between Ukraine and the EU, as well as the opposition of eastern European states against Nord Stream 2 (Rossiyskaya Gazeta, 2015).

## Analysis

In June 2015, the implementation of Nord Stream 2 was formalized with the shareholder's agreement between Gazprom and several European firms. Although the German government was quick to frame the project in strictly commercial terms it was confronted with strong criticism from its European partners, which focused on the political implications of the project. Nevertheless, opportunity costs of supporting the project proved not to supersede the economic benefits.

### *H1: hard confirmation*

The official position of the German government is that Nord Stream 2 is a strictly commercial affair. This almost seems paradoxical: minister Gabriel attempts to prevent “political meddling” by intervening in the decision-making process himself. From a neoclassical realist-mercantilist perspective, the framing of the project as purely business-related can be considered a rational strategy to delegitimize political arguments against the project. It shows that the opportunity costs, predominantly tensions with its neighbor states over loss of revenue and security concerns, are not deemed pressing enough by decision-makers to explicitly address the political dimension of this project. Moreover, the mercantilist approach would stress that it is not possible to neatly separate the economic and business sphere from the political: the state assesses economic projects based on their benefits for the national well-being. Indeed, statements of key decision-makers prove that they explicitly consider the policy option in the general interest.

### *H2: soft confirmation*

Although it cannot be proven that the involvement of important societal actors in the discussion about Nord Stream 2 was coordinated with key decision-makers, it at least proves that the project is in the interest of several of Germany's largest energy firms, including firms that do not have shares in the pipeline. Moreover, key decision-makers emphasize both the commercial character of the project and its general gains for German and European energy security. This is roughly in line with the neoclassical mercantilist assumption that a state promotes the interests of its domestic societal actors, provided that these correspond to the national interest. However, as only weak evidence has been found, the hypothesis is confirmed in a ‘soft’ way.

### *H3: soft confirmation*

From the social constructivist perspective, it is important not to overlook the issue of agency and explore the difference made by key actors. Along these lines, personal intervention of Minister Gabriel

in de negotiations around Nord Stream 2 could have benefited the continuation of the project. Stressing that he was visiting Putin as a private person, with different opinions than the Chancellery or the EU, Gabriel only raised the suspicion that he acted on the basis of strong personal conviction. The remark from the government spokesperson that the minister made this visit alone, without business representatives, further supports this idea. It shows that Gabriel relied on personal opinions and diplomacy, using his individual political capital to drive forward the project.

***H4: soft confirmation***

Not many statements and acts of this period correspond to the historically rooted discourse of a privileged bilateral relationship. Only the restart of the Petersburger Dialogue shows that there were at least attempts to uphold this discourse. The Petersburger Dialogue, the offspring of the personal ties between Schröder and Putin, currently serves as a platform that facilitates the narrative of a long, common cultural history. The connection between the narrative and the decision-making process regarding Nord Stream 2, however, cannot be established.

### **4.2.3 PHASE III: SELECTION (2016)**

In the final phase of the decision-making process, European tensions over the project were not yet resolved. When Ukraine filed a formal complaint to the EU regarding Nord Stream 2, EU Energy Commissioner Cañete backed the country's concerns (EC, 2016). "The Commission stands on the position that Ukraine continues to be a reliable transit partner for Russian gas and it is in the interest of all parties that Ukraine remains an important transit country." Minister Gabriel visited Poland, where he sought to calm fears about increased gas dependency on Russia. He stressed that from the German perspective, the project can only proceed if Ukraine remains a transit state after its contract with Russia expires in 2019. Moreover, Germany would also seek to guarantee gas shipments to Eastern Europe from Russia to Poland, Belarus and Germany.

Nevertheless, Gabriel and the Polish Deputy Prime Minister Morawiecki disagreed about the political impact of the project. Whereas Gabriel described it as a "business issue for Germany and a political issue for Poland", Morawiecki emphasized its risks. "We have a problem... there is a war in Ukraine, while our main trading partner is conducting talks about increasing the bandwidth via Nord Stream 2," he said (Doemens, 2016). At the same time, it is likely that Poland also has other concerns with regards to Nord Stream 2. Like Germany, Poland has the ambition to become an energy hub in Europe. End of 2015, the construction of the Polish LNG terminal in Świnoujście was finalized. By enabling gas shipments from countries such as Qatar and the United States, the terminal will allow the country to diversify its exports away from Russian gas. However, it is expected that the LNG-gas will be more expensive than the relatively cheap Russian supplies, which means that Gazprom will have a stronger market position.

Within Germany, too, opposing forces argued for a reconsideration of the project. Especially the Green Party did not hesitate to express its concerns. First, Jürgen Trittin called Nord Stream 2 "a bet of investors on a failure of the EU regarding climate policy" (2016, March 3). Green climate spokesperson Anna Baerbock referred to it as a "Russian-German backroom deal." Again, the party submitted questions to the government, asking to what extent Nord Stream 2 complies with the German and European objectives to gradually move away from fossil fuels. According to the official reply of the government, the natural gas production in Germany, the Netherlands and the United Kingdom will decline over the next years. The Federal Government takes note of the view of the participating firms, which argue that the decrease of West-European gas production will lead to a supply gap. It also looks carefully at the range of to some extent strongly diverging expert opinions on the future natural gas demand in Germany and Europe. Once again, the government statement maintained that "it is up to the participating businesses to decide whether the extension of Nord Stream is economically reasonable." Likewise, a brief enquiry to the government by the Left party (Die Linke) was answered with the statement that "Nord Stream 2 can meet the German and European energy demand, as domestic production is currently falling." Nevertheless, the EC was exploring legal



options to prohibit the construction of the pipeline. It was even reported that the Chancellor herself had her personal doubts about the project. In an article in *The Economist*, one of her advisers anonymously revealed that “Mrs. Merkel would be happy to see the project fold” (2016, April 23). In practice, however, Germany’s official position on Nord Stream 2 did not change.

Around the same time, several studies were published that were in line with the government’s rationale. A research funded by the German ministry of Foreign Affairs and conducted by a German NGO and King’s College London found that Nord Stream 2 will likely turn Germany into the most important gas hub of Europe (2016). It expects that Europe as a whole will benefit from lower gas prices as the expansion of Nord Stream is likely to go hand in hand with a competitive pricing strategy of Gazprom. In similar vein, a study written for the European Centre for Energy and Resource Security (EUCERS) and, again, King’s College London concluded that Nord Stream 2 will enhance European energy security rather than threaten it (Goldthau, 2016). Contrary to arguments that Nord Stream 2 will hamper diversification, Goldthau writes that the pipeline increases competition between suppliers. “Ultimately, Russian gas might end up competing with Russian gas, but also with gas from other sources,” he states. It should be mentioned that this study was funded by the five businesses that have a share in Nord Stream 2 (Shell, BASF/Wintershall, Uniper, OMV and Engie) and is therefore more likely to reflect their commercial view. Within the field of national German energy policy, there were also important developments. In June 2016, German parliament decided to largely prohibit fracking. After years of political debate, the Bundestag created a law that prohibits so-called unconventional fracking for the next 4 years, a method of fracking that is used by the US. This means that Germany is not able to increase its own gas production and will have to continue to rely on imports.

### **But what about the special relationship?**

A commercial line of reasoning was also applied by the German Social Democrats in their discussion about future German-Russian cooperation. When speaking to entrepreneurs in Rostock at the German annual ‘Russia Day’ in May 2016, Minister Gabriel said that “projects such as Nord Stream 2 are a signal from Germany that despite all the difficulties and different positions, we want to revitalize cooperation.” Going on to discuss the EU sanctions against Russia, he argued: “the position so far has been: only when the requirements of the Minsk agreement have been met completely, the sanctions will be fully lifted. This is not very smart,” he said (Schulz, 2016). His proposal: Russia allows, as agreed, elections in the occupied eastern part of Ukraine, and the EU lifts at least a part of the sanctions in return. The event was also attended by Foreign Minister Steinmeier, who hoped that economic cooperation “not only generates more prosperity, but also trust and strengthened security.” This view was not shared by all SPD-members. Around 100 of them organized a task-force that sought

to “liberate the party from the *Ostpolitik* of the Schröder years.” One of the initiators, Jan C. Behrends, said: “The party should review its pro-Moscow connection. *Ostpolitik* should not only be Russia policy, but also Ukraine policy” (Dobbert, 2016). Nevertheless, Gabriel proceeded his policy of rapprochement. In June 2016, the German-Russian Strategic Working Group for Economics and Finance was revitalized at his invitation. The council, until recently suspended because of the Ukraine crisis, brings together governmental and business representatives from Germany and Russia. Discussing relatively unconventional themes, such as the recognition of professional qualifications or harmonization of technical standards, the council is focused on pragmatic problems rather than the discussion of political controversies.

In general, the stance of social democratic ministers towards Russia could be characterized by a strong sense of inevitability. In his speech at the German Egon Bahr-symposium<sup>9</sup>, Minister Steinmeier described the Russian-German relationship as a “double dialogue.” If possible, Russia and Germany cooperate; if necessary, they hold a constructive dialogue while remaining aware of different perceptions. Or, as he put it: “there is no black-and-white relationship to Russia.” He reminisced how at a NATO-summit two years before, the Canadian Foreign Minister had argued that “we have to decide whether Russia is a friend or a foe, a partner or an adversary.” Steinmeier pointed out that you might be able to ask this question in Canada, but that Russia will always remain one thing to Europeans: a big neighbor. It is Germany’s “responsibility” to continue to devote itself to European peace, which also includes the relationship to Russia and the prevention of new East-West rifts in Europe (April 21, 2016). In a comparable fashion, Merkel argued at “we agree that sustainable security can only be attained with Russia, not without it. Our hand is and will be outstretched.”

Once again, neighbors had their doubts over the Russian-German relationship. Referring to politically salient issues such as the refugee crisis, Nord Stream 2 and the German attitude to Russia, Poland accused Germany of egoism. Right before the visit of chancellor Merkel, minister of foreign affairs Waszczykowski specifically mentioned Nord Stream 2 as an example of self-interested policy objectives. “Germany should not expand its economic relations with Russia at the expense of Polish-German relations,” he said. The German Greens, too, continued to express their objections in full force. Robert Habeck demanded a stop of Nord Stream 2 as a response to the Russian airstrikes in Syria. The Russian intervention in the Syrian Civil War had started in September 2015 after the request by the Syrian government. “A large part of the Russian national budget, including military spending, is financed by oil- and gas exports,” Habeck said. “this strong interconnectedness is extreme and we shouldn’t want it” (Spiegel).

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<sup>9</sup> Egon Bahr (1922-2015) was a German SPD-politician and the creator of *Ostpolitik*, promoted by West German Chancellor Willy Brandt. He was an important negotiator between not only East and West Germany, but also West Germany and the Soviet Union.

In contrast, Rainer Seele, the German CEO of Austrian oil and gas firm OMV (and previously of German key energy firm Wintershall) said that he believed an “anti-Merkel Energiewende” is needed that focuses on gas rather than coal to overcome future supply gaps. Currently, too much of Germany’s energy production is generated from coal, a fossil fuel that is an important source of CO2 emissions. Seele argued that gas is a better option and should not be rejected by “a false security strategy.” He accused Poland of particularly referring to this strategy (October 18, 2016). In another article, he said that Nord Stream 2 could be considered “a symbolically outstretched hand by Russia to us Europeans” (Sputnik, 2016). Around the same time, the transition from an employee of the German Energy Ministry to Nord Stream 2 made the German headlines. Marion Scheller was appointed as ‘Senior Adviser for Governmental Relations’, a function of which the purpose will be to “maintain the connection to government and parliament as well as organizations, think tanks, NGOs and the media.”

However, in October 2016, not only SPD-politicians Sigmar Gabriel and Thomas Oppermann as well as CSU-prominent Horst Seehofer expressed opposition against new sanctions, but also the Chancellor herself. End of 2016, a new study showed that the EU sanctions against Russia resulted in loss of German-Russian exports, amounting to approximately 7.5 billion. Especially the German machine engineering sector had suffered much under the economic punitive measures against Russia. Perhaps counterintuitively, investments in Russia by German firms had increased that year (Dierig, 2019). In November 2016, the Greens again questioned the compatibility of Nord Stream 2 with European energy policy. Moreover, they argued that “Nord Stream 2 cannot be considered as a separate issue to the problems of security policy in Ukraine.” In a general manifesto that was not related to the theme of gas transit, they furthermore argued for a greater sense of historical responsibility towards Ukraine (2016, October 19). Notwithstanding the wide array of objections, Nord Stream 2 AG signed the preliminary pipeline contract with Allseas in the end of that year.

## **Analysis**

The final period of the empirical analysis is characterized by a strong internal debate over Nord Stream 2. Opponents of a conciliatory stance towards Russia pointed to the dangers the project could pose to its neighbors, but also Germany itself.

### ***H1: soft confirmation***

A part of the key-decision makers did not consider Nord Stream 2 in the general interest, with especially the opposition parties taking the lead against the continuation of the project. However, there was not sufficient agreement about the costs of the project to choose a different course of action. In addition, the array of alternative options was limited even more during this period: as fracking was prohibited, domestic policy constraints on foreign economic policy built up. Key decision-makers attempted to remedy the opportunity costs by negotiating with opposing parties, but also emphasized the significant benefits of the projects regarding safety of supplies and energy prices. These benefits were relative with regards to one ally in particular; Germany and Poland were both competing over the position of a Central-European gas hub in the EU. Nord Stream 2 would benefit the relative position of Germany in the EU. This fits with the neoclassical mercantilist expectations that states are first and foremost concerned with their relative position and subsequent power and influence, pursuing policies that will improve this position.

### ***H2: soft confirmation***

By funding research reports and hiring former German civil servants as PR-agents, societal actors were clearly involved in the bargaining process regarding Nord Stream 2. Even though the connection between key decision-makers and domestic societal actors can be established, this does not apply to the expectations of the key-decision makers regarding the benefits for these societal actors. Therefore, the hypothesis can only be weakly confirmed.

### ***H3: soft disconfirmation***

During this phase, key decision-makers did not give sign of much personal agency during the decision-making process. Personal ties are no meaningful explanation for the continuation of the respective foreign policy; in fact, it is suggested that the chancellor herself is personally against the project. Therefore, the assumption that individual personal dispositions and relationships have influenced the foreign policy course is not confirmed.

***H4: soft disconfirmation***

The historical legacy perspective would assume that discursively shared historical narratives would justify closer cooperation with Russia – even at the expense of long-standing allies- but the empirical findings do not correspond to this hypothesis. Actually, a significant number of SPD-politicians and the Green party questioned this Russia-central focus on Ostpolitik and instead pointed to the (historical) responsibilities towards Ukraine. This narrative does not favor cooperation with a non-aligned state over the loyalty towards its long-standing allies. However, since it is not explicitly linked to Nord Stream, the hypothesis is weakly disconfirmed.

## 5. Conclusion

The empirical analysis aimed at tracing the process of German decision-makers in order to identify factors that could have motivated their course of action. Possible theoretical explanations were offered by the ‘neoclassical mercantilist’ synthesis and the social constructivist approach. Whereas the former view assumes rational, self-interested and state-centered decision-making drives foreign policy, the latter points to the constraints of bounded rationality on key decision-makers and incorporates the social environment they find themselves in as an explanatory factor. Their subsequent hypotheses were tested after the description of every decision-making phase, resulting in the following overview of findings:

		<i>Phase I Identification</i>	<i>Phase II Development</i>	<i>Phase III Selection</i>
Neoclassical mercantilism	H1	Soft confirmation	Hard confirmation	Soft confirmation
	H2	Soft confirmation	Soft confirmation	Soft confirmation
Social constructivism	H3	Soft disconfirmation	Soft confirmation	Soft disconfirmation
	H4	Soft disconfirmation	Soft confirmation	Soft disconfirmation

**Figure 6: Summary of findings**

As the general overview reveals, the empirical findings corresponded more to H1 and H2 than to H3 and H4. From the neoclassical realist and mercantilist perspective, German decision-makers seem to have gone ahead with Nord Stream 2 based primarily on a rational cost-benefit analysis. Weighing the treats and opportunities of Russian gas imports against the relations with their long-standing allies, they considered Nord Stream 2 to benefit supply security in times of declining European gas production. Opportunity costs of the project, such as the deterioration of diplomatic relations with countries such as Poland and Ukraine or enduring dependence on energy relations with Russia, were addressed, but not considered high enough to accommodate the interests of these long-standing allies and change the course of action.

Within the neoclassical realist and mercantilist framework, domestic factors function as important intervening variables. In this case study, key energy firms were undoubtedly seeking to protect their privileged relationship with Russia. Nevertheless, the state ‘took the lead’ as free market processes were as free as decision-makers allowed: this is shown by the sanctions regime that Germany promoted despite the objections of its domestic societal actors. The fact that the social constructivist approach cannot account for the decision-making process to the same extent does not mean it is irrelevant. The empirical findings prove that key decision-makers are sometimes led by personal convictions and rely on personal diplomacy to drive forward certain policies. In addition, national

narratives that flow from historical legacies were incidentally invoked to explain and justify actions. Maybe the verbs of ‘calculating’ and ‘preferring’ are generally better suited to explain the eventual policy course, but ‘liking’ and ‘believing’ also play a role in shaping the German perception of Russia. This summary of the findings brings us to the question this thesis started with:

*Why does a state act directly against the interests of its long-standing allies?*

Based on the empirical findings, the thesis concludes that a state is likely to act directly against the interests of its long-standing allies if they expect this policy to generate benefits that are crucial to state’s strategic economic development. As energy security is inextricably tied to this objective, key decision-makers tend to give precedence to this benefit in their analysis of policy options.

Notwithstanding its embeddedness in alliances and international institutions, cooperation with long-standing partners can be made subordinate to strategic self-interested objectives. Of course, the definition of ‘strategic’ is subjective. In his assessment of German energy policy, Dyson calls the *Energiewende* a “strategic miscalculation” because it will increase its reliance on Russian gas. Based on the findings of these thesis, one can dismiss this argument: on the long-term, the German transition to a low carbon economy fits with the realist assumption that states seek energy dependence as well as economic growth.

The fact that a majority of key German decision-makers is not as much concerned about energy dependence on Russia as some of their European neighbors, however, can better be explained by the social constructivist elements of the special bilateral relationship. Factors such as personal ties and historically rooted discourses grant the relationship with a non-aligned state a special quality, which can conflict with long-standing allies and foreign policy orientations. A part of the German political elite maintains close relations with Moscow. Moreover, pro-Russian sympathies are not only found in key decision-makers, but also in the German population. This shows that energy policy is not exclusively focused on safeguarding affordable and reliable supplies, but involves a wide spectrum of considerations, ranging from preservation of the environment to historical images of the states in question.

As this research limited its empirical analysis to a literature review and not much information regarding the decision-making process was made public, the evidence was not always strong. Especially the social constructivist variables, personal ties and historical legacies and perception, require more in-depth research. Here, the approach of Foreign Policy Analysis could be useful (FPA). Mostly a first image approach to foreign policy decision-making, it examines the environment in which decisions are taken. Several scholars pointed out that rather than weighing the ‘cold’ facts,

decision-makers often rely on perceptions when considering their policy options. These individual perceptions are shaped by a complex combination of psychological and organizational factors, including cognitive stimuli, personal convictions, and bureaucratic processes. Therefore, it could be an appropriate and insightful approach to explore more specifically how either the German bureaucratic environment or psychological characteristics influence foreign policy. Related to this, this thesis was also limited in the extent to which it applied discourse analysis as a tool. Future research could devote more attention to frame analysis, and the way in which foreign policy discourses constrain or enable policy makers. It could be researched, for example, to which extent frames about Germany's western embeddedness and responsibilities towards Russia and Eastern Europe are shaping key decision-makers' actions.

With regards to Germany's relative position in Europe, more research could shed light on Germany's alleged hegemonic (economic) role within the EU.<sup>10</sup> "What Germany wants, Germany gets," said one anonymous official in Brussels when discussing Nord Stream 2 (de Carbonnel & Eckert, 2017). Its economic and financial capabilities provide Germany with asymmetric power that can be leveraged for national advantage (Wiggel, 2016). As the international system lacks a hegemon and the European Union is in many respects still strongly divided over energy policy, Germany can take up a hegemonic role at least in its regional environment. This allows for more autonomy in pursuing its national economic interests without being immediately affected by political pressure from other relevant political actors, such as neighboring states or international organizations.

Finally, this research considered German opposition parties also key decision-makers. Within the neoclassical realist framework, one could also treat them as domestic variables to see how internal domestic debates about Russian foreign policy shape government officials' perception on the international environment. From the empirical results, it appeared that especially the Green party is highly critical of Germany's alleged soft approach to Russia. It could be interesting to have a closer look at the interaction between opposition and members of the government. Within Germany, too, the German-Russian relationship is viewed with caution, and it remains to be seen where it is headed in the future.

From a political point of view, Germany's Russia policy is inextricably tied to the extent to which it remains committed to its western orientation. For 40 years, Germany did not have to decide itself about its international role. Times have changed: Germany needs to assume different responsibilities in the new world order. It is often argued that the EU needs a strong leader, and this responsible role generally is ascribed to Angela Merkel. But, perhaps paradoxically, a more powerful Germany will not necessarily mean it assumes European leadership: Nord Stream 2 is just one small example of this.

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<sup>10</sup> See for further discussion for example Paterson (2011), Schweiger (2015) or Bulmer (2014).



The question how Germany can take on more leadership without upsetting its neighbors (or itself) is likely to remain a pressing dilemma.

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