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East–West Divides and Nord Stream 2

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Abstract

The contentious Nord Stream 2 pipeline has revived the fundamental differences of opinion that divided the allies during the Cold War and created new inter-European tensions. A closer look at the crises in the Western alliance occasioned by the Druzhba oil pipeline in the 1960s and the Yamal–Urengoi gas pipeline in the 1980s reveals the continuity of disagreements between Europe and the US, as well as showing similar patterns of weaponizing Western technology and sanctions. If history is any guide, lessons from the past might provide an indication of how to resolve the ongoing crisis over Nord Stream 2.

Controlling East–West Trade

Since 1949, the West has sought to control the flow of technology to the Eastern bloc. The Coordinating Committee for Multilateral Export Controls (CoCom), an informal non-treaty organization established after World War II, became the main venue for the Western allies to balance economic benefits and security risks within East–West trade. Cooperation under CoCom was largely driven by Washington, while the control process was bound up with American national security. An embargo list was drawn up to deny or delay the export of dual-use goods to the East on national security grounds. Oil and gas equipment and technology was a crucial element of this intense power struggle.

At that time, there was already a tendency toward the weaponization of export controls. Although the Western allies agreed about the need for multilateral coordination of national security export controls, there were profound disagreements as to the scope of—and criteria for—these controls. The West Europeans viewed the CoCom embargo list in a narrow strategic sense: it should be applied only to those items with a direct military application for the Soviet Union. The US, by contrast, considered that the scope of export controls should be much wider, including any items that would significantly contribute to Soviet economic recovery (Mastanduno 1985, p. 510). These diverging views were particularly salient during the construction of two Soviet energy projects: the Druzhba oil pipeline and the Yamal–Urengoi gas pipeline.

In 1962, witnessing the spectacular rise in Soviet oil production, the US was determined to halt any technology exports to Moscow for the construction of the Druzhba oil pipeline, which would run from Western Siberia to Europe. Since Washington viewed trade between East and West with great suspicion, it pushed for the introduction of trade restrictions on large-diameter pipes and pipeline equipment. The embargo triggered major debates in the European Economic Com-

munity and NATO, where the British, French, and Italian administrations clashed with their US counterpart (Cantoni 2017, p. 135). U.S.–West German relations became particularly complicated after Washington approved grain sales to the Soviets and overruled the German proposal of a wheat embargo. As West Germany had little room for maneuver in foreign policy at that time, Bonn reluctantly joined the embargo and cancelled its lucrative contracts with major steel companies. The overall impact of the oil embargo was mixed. The Druzhba pipeline was delayed, but the Soviets managed to procure pipes from Britain, Sweden, and Japan, defying Washington (Stent 1982, p. 125). The 1962 embargo marked the politicization of economic ties and laid the foundations for divisions between the US and Europe, which would only get worse, as subsequent episodes of sanctions illustrate.

In the 1970s, the Nixon and Ford administrations pursued the strategy of *détente*, causing trade expansion to become entangled with the strategic embargo. U.S. policy shifted from trade denial to linkage: economic interdependence was believed to be the best tool of political leverage for influencing Soviet behavior. This shift in the U.S.' orientation had a significant impact on the calculations of other Western allies, who also sought to liberalize their trade ties with the Soviets. During that period, U.S. requests for CoCom exceptions grew steadily, from only 2 in 1962 to 1,050 in 1978. At the same time, conflicts between the allies increased, especially when the US denied requests for exceptions from others or significantly delayed approvals for the re-export of American-origin technology. Such behavior fostered a perception among Western Europeans that the US was abusing its dominant position to advance its own economic interests. As a result, Washington found it increasingly difficult to maintain multilateral coordination and achieve compliance (Mastanduno 1988, p. 261).

In the 1980s, the abandonment of *détente* led to yet another shift in U.S. policy on export controls.

In response to the Soviet invasion of Afghanistan in December 1979, the Carter administration imposed a grain embargo and tightened restrictions on the export of advanced technology. Under the Reagan administration, U.S. politics became heavily geared toward security considerations. The US sought to tighten CoCom regulations, but the Europeans were wary of following suit. The allies did not impose any trade restrictions, but promised not to circumvent the standing CoCom embargo list (Blinken 1987, p. 90).

In response to Poland's declaration of martial law in 1981, the Reagan administration announced the introduction of economic sanctions against the Soviet Union. The Europeans failed to find clear evidence of Soviet involvement in the Polish crackdown and viewed the American measures as a pretext for targeting the Yamal–Urengoi gas pipeline. Often dubbed a “gas-for-pipes” deal, the gas pipeline aimed to supply Siberian gas to Europe in exchange for \$15 billion worth of heavy machinery and large-diameter steel pipes. The Europeans hoped this would ease high unemployment rates and diminish their energy dependency on the Middle East. Washington, meanwhile, saw it through a security lens: being supplied with Soviet energy made Europe vulnerable to a potential cut-off. The U.S.' primary concerns were similar to those voiced in 1962: any hard currency earned from the gas deal would generate financial support for the Soviet military (Blinken 1987, p. 60).

Unable to convince its European allies to abandon the project, the Reagan administration imposed extraterritorial sanctions on European companies involved in the provision of oil and gas technology. This round of sanctions was imposed under the Export Administration Act of 1979. The Act allowed the US to control the export of American goods and technology for reasons of national security and for considerations of foreign policy. Yet the move seemed to contradict the spirit of the law—namely, to address exceptional situations in American trade policy. Many legal experts warned that the national security provision was used as a pretext to justify extraterritorial sanctions (Blinken 1987, p. 115). The measures were strengthened by their retroactive effect: they voided valid contracts, leaving dozens of European companies blacklisted by the US.

Yet as the US adopted the policy of trade denial, there was a notable exception: agriculture. To cater to American farmers, the Reagan administration excluded grain exports from the restrictions. With agriculture exempted, the US bore much smaller relative costs than did its Western European allies. This unwillingness of the US to share the costs of its own sanctions triggered unexpected resistance from European allies, which ultimately predetermined the failure of sanctions (Martin 1992). The Reagan administration was compelled to

scrap the pipeline sanctions; as a face-saving solution, it was announced that the US and Europe would conduct studies about overall economic strategy toward the Soviet Union. However, these studies “did little to advance the debate in the West on the issue of energy dependence or to furnish meaningful guidelines for the future” (Blinken 1987, p. 121). Unsurprisingly, three decades later, these divisive issues have sparked another conflict within the alliance.

Nord Stream 2

This time, the conflict revolves around the Nord Stream 2 pipeline, a Gazprom-led project that aims to bring 55 billion cubic meters of natural gas from the Yamal Peninsula to Germany. With Nord Stream 2, U.S. rhetoric about European energy security made a loud comeback, reviving transatlantic tensions and creating new inter-European divisions. The new lines of contention run through the former Soviet states and EU institutions. Central and Eastern European countries, in particular Poland and Ukraine, [view the geostrategic project as an existential threat to Europe's energy security and Ukraine's territorial integrity](#). The European Commission and the European Parliament have been similarly vocal in expressing opposition to Nord Stream 2, as the project does not comply with the EU's Third Energy Package, which seeks to liberalize EU energy rules through unbundling, third-party access, and transparent tariffs.

Since 2014, Washington and Brussels have successfully coordinated their sanctions responses to Russia. Due to Europe's considerable imports of Russian gas, there was a tacit agreement between the allies to exclude Russia's gas sector from the restrictions. In 2017, however, the coordination of measures came to a halt, while the gap between the US and EU sanctions widened considerably. With a near-unanimous vote, the U.S. Congress passed the Countering America's Adversaries Through Sanctions Act (CAATSA), which broadened and tightened the existing sanctions on Russia. The extraterritorial provisions targeted significant investments in the construction and modernization of Russian energy export pipelines, including Nord Stream 2. The latter was believed to have a detrimental impact on the EU's energy security and a destabilizing effect on Ukraine. The outcry from the German and Austrian governments was reminiscent of the 1980s. The German and Austrian foreign ministers threatened to use counter-sanctions if the pipeline was targeted. This diplomatic pressure seemed to work: the US included a coordination mechanism with allies and a grandfathering clause in the legislation, effectively excluding the pipeline from the sanctions.

In 2019, the U.S. Congress renewed its attempt to halt the pipeline. This time, the sanctions went beyond

oil and gas technology to target the shipping industry. As part of the U.S. National Defense Authorization Act (NDAA) 2020, the Protecting Europe's Energy Security Act (PEESA) sanctions targeted pipe-laying vessels involved in the construction of Nord Stream 2. Insurance, reinsurance, and underwriting services for such vessels were prohibited. Given the dominance of the U.S. dollar, no company with a US nexus would want to provide those services and expose itself to U.S. sanctions. As a result, the sanctions threats were sufficient to deter Western companies, including the Swiss-Dutch pipe-laying company *Allseas*, from participating in the project. By December 2019, construction was de facto suspended, but Russia was determined to seek alternative vessels and contractors to complete the remaining section of the pipeline.

Moscow's attempts to complete construction caused the US to renew its sanctions offensive. For example, the U.S. State Department decided to remove the grandfathering clause from the CAATSA guidance, exposing investments and agreements regarding the provision of goods and technology that were made prior to August 2017. A group of U.S. senators sent a threatening letter to the German port of Sassnitz-Mukran, the logistical hub of the Nord Stream 2 pipeline, warning that there would be "crushing legal and economic sanctions" if the port's managers continued to support the project. The letter had an explosive effect: instead of deterring the Germans, it outraged and united them across the political spectrum. German officials were determined to stick to the project; some politicians even called for counter-sanctions to be issued. Despite differences of opinion as to the necessity of the controversial pipeline, Brussels and Berlin were united in their protests against U.S. extraterritorial sanctions as an illegal instrument under international law.

The poisoning of Russian opposition leader Alexey Navalny has upset the configuration of the pipeline's supports and opponents once again. Although the German government had been adamant that Nord Stream 2 is a pure "commercial project," in the wake of the Navalny affair Berlin began to reconsider its position. Facing increasing domestic and international calls to suspend the project, the German government for the first time acknowledged the geopolitical implications of the pipeline. German chancellor Angela Merkel said, through her spokesman, that "it's wrong to rule anything out." German Foreign Minister Heiko Maas echoed that sentiment, saying that the Kremlin's reaction to Navalny's poisoning might determine whether Germany would continue to back the pipeline. As Navalny recovered, pressure to halt the pipeline dissipated. The Merkel government's attempts to resolve the issue at the European level proved to be futile. EU High Representative Josep

Borrell shrugged off responsibility for halting the project: "Once again, this is something that is outside of the possibilities of the European institutions. [...] But it is something that is up to the Member States that have been pushing for this infrastructure to be built." With that, Berlin retreated to its status quo, the position that Nord Stream 2 and the Navalny case should be decoupled, deepening rifts within the EU.

Meanwhile, with strong bipartisan support, the US expanded its sanctions, going beyond pipe-laying vessels. As part of the NDAA 2021, the Protecting Europe's Energy Security Clarifying Act (PEESCA) included penalties on parties involved in a wide range of pipe-laying activities, targeting insurance and certification companies as well as services for technology upgrades. The amended provisions were retroactive to the date of the NDAA 2020's enactment. Despite Washington's hawkish rhetoric on the pipeline, the legislation included a number of mitigating provisions. For example, any government entity from the EU member states, Norway, Switzerland, or the UK that was not operating as a business enterprise was exempted from the sanctions. PEESCA also required consultations with the Western allies before the imposition of the outlined measures.

With the election of the Biden administration, repairing transatlantic relations has become the main priority for Washington. Although Nord Stream 2 is still considered "a bad deal for Europe," imposing extraterritorial sanctions is no longer seen as an acceptable solution. While support for Europe's and Ukraine's energy security remains a top priority for the US, leading with diplomacy instead of coercion is seen as the only way forward.

In an unexpected historical twist, the same Antony Blinken who warned about the dangers of sanctioning the allies over the Siberian pipeline has become the key figure for resolving the ongoing alliance crisis over Nord Stream 2. In the spirit of Blinken's book *Ally versus Ally*, the Biden administration signaled to Germany that the US is willing to drop the sanctions in exchange for a package deal. The deal should include assurances from Germany about Europe's plans to reduce its energy dependence on Russian gas and to keep Ukraine connected to European gas infrastructure. It is unclear whether the offered deal will assuage U.S. concerns about European energy security, but it is certain that this administration views extraterritorial sanctions as a last resort for addressing the fundamental differences between the allies. As Blinken noted three decades ago, "by promoting a more harmonious alliance, rather than one divided over an issue as fundamental as East-West trade relations, the West will be in a better position to meet the challenges posed by its adversaries" (Blinken 1987, p. 157). It remains to be seen which lessons the allies will draw from past mistakes: whether the US and

EU can fundamentally agree on what constitutes energy dependency, whether Germany is willing to abandon its unilateral energy policy and shift it to the European level,

and how the allies can ensure that the interests of Central European countries and Ukraine are not circumvented.

About the Author

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ANALYSIS

Unpacking the German Debate on Nord Stream 2

By Robert Stüwe, University of Bonn

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Abstract

The planned Nord Stream 2 (NS2) gas pipeline connecting Germany and Russia is a controversial issue in German political discourse. Even though criticism of the climate impact and security implications of proceeding with Nord Stream 2 tend to dominate the debate, vested interests in government and business have so far successfully defended the project. The poisoning of Alexei Navalny has not led the German government to block the pipeline. However, the case had a substantial discursive impact in Germany, as it made the media more sensitive to Ukraine’s security interests and to climate policy considerations. On the latter point, two controversies in early 2021 serve as cases in point: first, the revelation concerning the German government’s offer to import LNG from the US on preferential terms if the US would repeal sanctions; and second, the public outcry over Mecklenburg-Vorpommern’s controversial state “Climate Foundation,” which has been accused of greenwashing the pipeline. Looking ahead, this article holds that Russia and Germany need to look beyond Nord Stream 2 to the hydrogen trade as a potential point of common interest, at least in a world where Russian troops have left Ukraine.

A Brief History of Nord Stream 2

The plans to build the natural gas pipeline Nord Stream 2 (NS2) across the Baltic Sea, which are progressing toward

completion, have grown into a matter of enormous political contention between Germany, on the one hand, and the EU institutions, Ukraine, and the United States, on