

# Imperial Wreckage

Alexander Cooley

## Property Rights, Sovereignty, and Security in the Post-Soviet Space

When empires collapse, they leave a host of institutional legacies, fragments, and assets in their former peripheries.<sup>1</sup> The question of who will control this “imperial wreckage” becomes of paramount importance as post-imperial peripheries and post-imperial cores openly contest the sovereignty of these residual assets. In the Soviet case, the residual assets problem was particularly acute because the Russian core heavily invested in and promoted the development of the military-industrial complex, industry, and infrastructure throughout the peripheral republics. Given the specific nature of these assets and their importance to the Russian state and its constituent interest groups, a heavy-handed Russian reclamation of this Soviet property or (neo-imperial solution) seemed likely.<sup>2</sup>

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*Alexander Cooley is a Visiting Assistant Professor in the Department of Political Science at Johns Hopkins University. He conducts research on organizational forms and institutional change in international relations.*

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1. Jack Snyder, “Introduction: Reconstructing Politics amidst the Wreckage of Empire,” in Snyder and Barnett Rubin, eds., *Post-Soviet Political Order* (New York: Routledge, 1998), pp. 1–13. See also Karen Barkey and Mark Von Hagen, eds., *After Empire: Multiethnic Societies and Nation-Building* (Boulder, Colo.: Westview, 1997); and Karen Dawisha and Bruce Parrott, eds., *The End of Empire? The Transformation of the USSR in Comparative Perspective* (Armonk, N.Y.: M.E. Sharpe, 1997).

2. David A. Lake, “The Rise, Fall, and Future of the Russian Empire: A Theoretical Interpretation,” in Dawisha and Parrott, *The End of Empire?* pp. 30–62. As Lake explores, the economic argument about the optimality of unified governance is further underscored by the fact that all of these residual assets have site-specific or transaction-specific qualities—that is, their functions are idiosyncratic, indispensable, and cannot be readily contracted on the international market. Under Oliver Williamson’s model of vertical integration, hierarchy is the optimal economic governance arrangement for such assets, especially when transactions are frequent and the potential for production delays is great. Of course, in the post-Soviet case, this would imply a reassertion of direct Russian control or neo-imperialism. For the theory of hierarchical governance and specific assets, see Williamson, *Markets and Hierarchies: Analysis and Anti-Trust Implications* (New York: Free Press, 1975); and Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985). For applications of Williamson’s argument to hierarchical organization in international relations, see David A. Lake, *Entangling Relations: American Foreign Policy in Its Century* (Princeton, N.J.: Princeton University Press, 1999); Jeffrey Frieden, “International Investment and Colonial Control: A New Interpretation,” *International Organization*, Vol. 48, No. 4 (Autumn 1994), pp. 559–593; and Beth V. Yarbrough and Robert M. Yarbrough, *Cooperation and Governance in International Trade: A Strategic Organizational Approach* (Princeton, N.J.: Princeton University Press, 1992).

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Contrary to such dire forecasts, however, Russia and the states of the former Soviet Union (FSU) have ameliorated the residual assets problem by adopting a set of unconventional governance structures.<sup>3</sup> Across such different FSU states as Georgia, Belarus, Azerbaijan, Latvia, Kazakhstan, and Ukraine, Russia has concluded a series of bilateral contractual agreements with its post-imperial peripheries to lease assets such as communications installations, harbor facilities for the Black Sea Fleet (BSF), military bases, and the Baikonur cosmodrome (the site of Soviet-era space and satellite launches). In exchange for the use of these facilities, Russia has offered an annual rental payment and explicit acknowledgments that these assets formally belong to the post-imperial states. Strikingly, these leasing arrangements are remarkably similar in their form, regardless of the different power asymmetries, degree of economic ties, and/or ethnic antagonisms that each of these FSU states has with Russia.

The proliferation of these leasing arrangements offers important insights into two central issues in the study of international relations: the nature of sovereignty and the governance arrangements that prevent conflict. First, the emergence of these hybrid governance structures challenges some of the central assumptions of both neorealists and constructivists about the nature of state sovereignty. In contrast to the neorealist focus on domestic autonomy and the constructivist emphasis on identity and international norms, this article identifies another form of sovereignty that is illustrated by the emergence of these leasing arrangements—exchange sovereignty.

Drawing upon the new institutional economics literature on property rights, I argue that sovereignty should be viewed as a “bundle of rights” composed of both “control rights”—the formal legal ownership of an asset or territory—and “use rights”—the rights to incur the costs and benefits derived from the deployment of an asset.

From this perspective, the institution of sovereignty can be disaggregated by function, and these functions in turn can be individually exchanged, sold, or transferred by international actors, much like commodities. Effectively, Russia and its partners have reached contractual agreements by separating the “con-

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3. For overviews of the dimensions of these initial intraregional post-Soviet relations, see Ian Bremmer and Roy Taras, eds., *New States, New Politics: Building the Post-Soviet Nations* (New York: Cambridge University Press, 1997); and Karen Dawisha and Bruce Parrott, *Russia and the New States of Eurasia: The Politics of Upheaval* (Cambridge: Cambridge University Press, 1994). On the impact of ethnic concerns and diasporas on regional security, see Charles King and Neil J. Melvin, “Diaspora Politics: Ethnic Linkages, Foreign Policy, and Security in Eurasia,” *International Security*, Vol. 24, No. 3 (Winter 1999/2000), pp. 108–138.

trol rights” and “use rights” of imperial residual assets. Whereas the former republics have been formally recognized as the legal owners of these assets, Russia has retained the right to use them by lease. By treating the sovereignty of residual assets as a bundle of property rights, Russia and the FSU states have institutionalized hybrid forms of bilateral governance that are antithetical to the positive and normative features of Westphalian principles.<sup>4</sup>

The second theoretical issue I examine is exchange sovereignty’s effectiveness as a mechanism for enhancing security. On this issue, economic theory is less useful. Whereas economic theory criticizes the apportioning of an asset’s property rights to different parties as an ambiguous, inefficient, and hence suboptimal arrangement, this article argues that in the environment created by a post-imperial setting—that is, where incongruities exist between the boundaries of new political units and the specific physical location of old imperial assets—these hybrid governance arrangements provide overriding security efficiencies.

In the post-Soviet case, exchange sovereignty has played a critical role in mitigating certain causes of potential conflicts. First, it has allowed the groups in the Russian core that previously controlled these specific assets, most notably the military and state-owned natural monopolies, to keep using them on a new leased basis. Second, by securing Russian recognition that residual assets on FSU territories are the formal legal property of the FSU states, exchange sovereignty agreements have insulated state-building elites in these states from domestic criticism that they are soft on Russian neo-imperialism. As a result, exchange sovereignty has helped, thus far, to preserve regional political stability.

Of course, these hybrid governance arrangements are not unique to the post-Soviet space: They have manifested themselves in other instances of decolonization and/or military withdrawal by an occupying power such as in the Philippines, Panama, and post-World War II Japan. Accordingly, the proliferation of exchange sovereignty arrangements should not be mistaken as evidence of a neo-imperial Russian resurgence cloaked in “contractual” garb. To the contrary, from a comparative historical and theoretical perspective, exchange sovereignty has been useful in maintaining political order in other instances of imperial disengagement. Its current institutionalization in the post-Soviet space suggests that Russia in fact may be normalizing relations with its former satellites to a greater degree than Western policymakers appreciate.

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4. Under the Westphalian formulation, states usually retain exclusive rights—the control rights and use rights—over their territory and assets.

I proceed by placing exchange sovereignty within contemporary debates in international relations theory about sovereignty. I then draw upon the property rights literature developed by the new institutional economics to show how competing actors can separate the different facets of an asset's sovereignty, and how different ownership configurations of these rights will affect security in post-imperial spaces. Next I illustrate the argument by presenting the various leasing arrangements reached by Russia with its former republics, including a more detailed analysis of the most potentially explosive region of the post-Soviet space—Sevastopol in Ukraine, home of the Black Sea Fleet. I conclude by discussing the implications of this property rights argument for international relations and security scholars, while providing a measure of caution about the temporality that may restrict the long-term effectiveness of exchange sovereignty arrangements.

### *The Argument*

Unlike prevailing approaches to the study of sovereignty, a property rights theory views sovereignty as a bundle of “control rights” and “use rights.” In an exchange sovereignty agreement, these property rights are disaggregated and divided among the international actors competing for control of an asset or a territory. Although the separation of these rights may be economically inefficient, such split governance arrangements create important security efficiencies in the setting of a post-imperial space.

#### A PROPERTY RIGHTS THEORY OF SOVEREIGNTY

Traditional international relations theory has focused on the positive aspects of state sovereignty. For neorealists and neoliberals, sovereignty defines the sphere of a state's autonomy in formulating and executing domestic and foreign policy. In the Waltzian formulation, this autonomy is itself shaped by the anarchical pressures or the lack of a central authority in the international system: “To say that a state is sovereign means that it decides for itself how it will cope with its internal and external problems. . . . States develop their own strategies, chart their own courses, make their own decisions about how to meet whatever needs they experience and whatever desires they develop.”<sup>5</sup> When this autonomy is violated or state policies are dictated by external powers, positive sovereignty is undermined. According to Stephen Krasner, for instance,

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5. Kenneth N. Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), p. 96.

Westphalian sovereignty has not been sustained or respected by the great powers, which have repeatedly imposed their institutions and policies upon on the domestic affairs of weaker states.<sup>6</sup>

By contrast to this formulation of sovereignty, constructivists have emphasized how the institution of sovereignty is contingent upon certain social practices, identity constructions, and norms that prevail in the international system. For instance, Robert Jackson argues that states and international organizations confer international legitimacy and juridical sovereignty upon third world states, even though these states' internal capacity for exercising positive sovereignty remains weak.<sup>7</sup> For others, sovereignty is constituted by a state's identity, which is often anthropomorphized, and the external legitimacy that this identity is afforded by the international society of states.<sup>8</sup> Although there is no overarching constructivist theory of sovereignty, most constructivists would agree with Thomas Biersteker and Cynthia Weber that the modern state system "is not based on some timeless principle of sovereignty, but on the production of a normative conception that links authority, territory, population (society, nation) in a unique way and a particular place."<sup>9</sup> It follows that for constructivists, sovereignty is malleable and subject to the prevailing norms generated by the international system's constituent actors.

Both neorealists and constructivists capture important aspects of the institution of sovereignty, but neither can adequately explain how and why joint governance arrangements, such as exchange sovereignty, are created and adhered to by contracting states. Over the course of modern history, states have sold, leased, and transferred the right to use or control discrete territories and locations from other states. They have done so voluntarily, under coercive threat from a stronger power, and during periods of history in which prevailing international norms have varied considerably. In certain cases, victorious great powers have appropriated entire territories from states defeated in war, as was the case with China's leasing of Hong Kong to Great Britain. In other instances,

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6. Stephen D. Krasner, *Sovereignty: Organized Hypocrisy* (Princeton, N.J.: Princeton University Press, 1999).

7. Robert H. Jackson, *Quasi-States: Sovereignty, International Relations, and the Third World* (Cambridge: Cambridge University Press, 1990).

8. See Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999). Of course, international society theories originated in the British School. See Hedley Bull, *The Anarchical Society* (New York: Columbia University Press, 1977).

9. Thomas J. Biersteker and Cynthia Weber, "The Social Construction of State Sovereignty," in Biersteker and Weber, eds., *State Sovereignty as Social Construct* (Cambridge: Cambridge University Press, 1996), p. 3. See also Cynthia Weber, *Simulating Sovereignty: Intervention, the State, and Symbolic Exchange* (Cambridge: Cambridge University Press, 1994).

strategic assets within a territory have been leased from former colonies as a precondition of decolonization or military withdrawal, as was the case with the United States and the establishment of its sovereign bases in the Philippines and Japan, or with Britain and Mauritius.<sup>10</sup> Yet in other cases, declining great powers have handed control of overseas assets to other great powers, as with the 1940 U.S.-U.K. Lend-Lease Agreement that granted the United States ninety-nine-year leases on British strategic bases along the Atlantic rim in exchange for American destroyers.<sup>11</sup> Finally, property rights over specific assets and access-ways, such as the Panama Canal Authority and the Suez Canal Company, have been granted to private companies controlled by the great powers.<sup>12</sup> At the heart of all these arrangements rests the assumption that these assets and territories are types of property, whose formal status and ownership can be subjected to negotiation, transaction, and contractual accord.

To explain the dynamics of such hybrid forms of governance, I draw upon the new institutional economics literature on contracting and property rights. I propose that the institution of sovereignty should be viewed as a bundle of various property rights that correspond to different functional entitlements. These different property rights can be broadly assigned to one of two categories—control rights or use rights.<sup>13</sup> Control rights encompass the formal rights to make decisions on *how* to use an asset, such as the ability to sell, lease, or

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10. After the British excised Diego Garcia and the Chagos territories from Mauritius for a payment of 3 million pounds, they recombined these with parts of the Seychelles to create the British Indian Ocean Territory (BIOT). In 1966, within weeks of its creation, the BIOT was leased by the United States from the British for a period of fifty years. See Robert Aldrich and John Connell, *The Last Colonies* (Cambridge: Cambridge University Press, 1999), pp. 178–182.

11. Robert Harkavy, “Long Cycle Theory and the Hegemonic Powers’ Basing Networks,” *Political Geography*, Vol. 18, No. 8 (November 1999), p. 968.

12. The classic work on the politics of the Panama Canal remains Walter LaFeber, *The Panama Canal*, updated ed. (New York: Oxford University Press, 1989[1977]). For a comprehensive account of the history and changing roles of bases overseas, see Robert Harkavy, *Great Power Competition for Overseas Bases* (New York: Pergamon, 1982); and Harkavy, *Bases Abroad: The Global Foreign Military Presence* (Oxford: Oxford University Press, 1989).

13. Interestingly, there is no consensus among economists on a standard typology of different property rights. I have chosen the “control rights”/“use rights” distinction as a simplifying assumption for theoretical purposes. Sanford Grossman and Oliver Hart distinguish rights as “specific” or “residual,” depending on whether or not property rights are explicitly mentioned in the contract. Grossman and Hart, “The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration,” *Journal of Political Economy*, Vol. 94, No. 4 (August 1986), pp. 691–719. Others divide property rights into “common rights” and “exclusive rights,” as in Gary Libecap’s discussion of various forms of mineral rights. Libecap, *Contracting for Property Rights* (New York: Cambridge University Press, 1989). Certain theorists advocate tripartite typologies. For instance, Thrainn Eggertson distinguishes user rights, income rights, and transfer rights. See Eggertson, *Economic Behavior and Institutions* (New York: Cambridge University Press, 1992), chaps. 2, 4.

even destroy the asset. Control rights also enable a party to transfer any parts of these ownership rights to another party. Use rights are the rights to incur the costs and receive the benefits from the use of the asset. In cases of commercial use, benefits are purely monetary and are also known as “cash-flow rights.”<sup>14</sup>

In a typical instance of Westphalian sovereignty, a state will hold both the control rights and use rights to its territory or asset. That is, a state will formally own, and be internationally recognized as the owner of, an asset and will use the asset as it deems best. Although some exceptions to this principle occur—especially in international treaties governing the use of airspace, waterways, and the global commons—the exclusive ownership of both types of rights are usually guaranteed by the Westphalian formulation.<sup>15</sup>

In contrast, exchange sovereignty occurs when the control rights and use rights of an asset or territory are separated and divided between two contracting states. In a leasing arrangement, the host state retains the control rights to a particular asset or territory, while it transfers the asset’s use rights to another state in exchange for a rental payment or other form of *quid pro quo*. The exact scope of use rights will depend on the nature of the asset in question. The leasing state can put limits on the possible uses of the asset by specifying them in the contract. For instance, a state that leases out a military installation within its territory may prohibit the stationing of nuclear weapons there. Accordingly, the exact terms of use rights within any leasing arrangement will be subject to bilateral negotiations, bargaining, and contractual renegotiations.

Thus exchange sovereignty and leasing arrangements challenge the prevailing view of sovereignty of both neorealists and constructivists. Contrary to the position taken by neorealists, exchange sovereignty and leasing arrangements are not merely “organized hypocrisy” or reducible to the power asymmetries between the contracting parties.<sup>16</sup> Rather they specify and delineate spheres of action, functional differentiation, and obligations that are necessarily relational to the contracting parties and therefore are antithetical to the Westphalian principle of territorially bound autonomy. On the other hand, these governance structures are not produced by prevailing international norms or shared identities, as constructivists believe, but are bound by the functional roles, geo-

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14. Maxim Boycko, Andrei Shleifer, and Robert Vishny, *Privatizing Russia* (Cambridge, Mass.: MIT Press, 1994), p. 22.

15. Although it is certainly true that states often voluntarily cede use rights by participating in international regimes and agreements governing the use of airspace or waterways, these tend to be nondiscriminatory multilateral agreements. By contrast, exchange sovereignty arrangements are limited to the relational obligations specified for the two contracting parties.

16. Krasner, *Sovereignty*, chap. 1.

graphic constraints, and material characteristics of the assets in question. The organizing principle of exchange sovereignty is the transaction of the asset and its specified uses, not its social interpretation or its international normative standing. In agreements such as the Panama Canal Treaty, for example, use rights and control rights have been painstakingly delineated and allocated so as to avoid any sudden, alternative interpretations of ownership or claims of entitlement by the contracting parties.

#### SPLIT PROPERTY RIGHTS AND ECONOMIC INEFFICIENCIES

Such hybrid governance arrangements are rarely studied as a preferred institutional arrangement. Economic theory suggests that efficient property rights arrangements emerge only when a single authority governs both the control rights and use rights of an asset. Actors who have full discretion over the property rights bundles can more easily derive their opportunity costs and calculate the utility-maximizing use of the asset from a range of potential options. They can decide whether to invest in the asset, sell or lease it, or even strip the asset in favor of producing something else.<sup>17</sup>

Conversely, if the control rights and use rights to an asset are assigned to different parties, four types of inefficiencies can ensue. First, in cases where property rights are split, the user of the asset may sacrifice long-run efficiency for short-run gain. For instance, a farmer who leases land from the state on a yearly basis will forgo cycles of crop rotation in order to grow the most profitable crops possible in the short term. In turn, this will decrease the fertility and value of the land in the future. Second, one party may exploit her power advantage to increase her share of benefits, thereby increasing the potential for production bottlenecks or rent dissipation.<sup>18</sup> Third, in cases where control rights or use rights are individually split between two or more parties, the aggregation of individual utilities will become even more difficult, and the parties will tend toward lowest-common-denominator agreements. Fourth, the controlling party may define or restrict the uses of the asset for the use party. The greater the restrictions imposed by the controlling party on permissible uses of the asset, the greater the likelihood that high-valued uses (actual or potential) will be excluded and that the economic value of the asset will decrease.<sup>19</sup> Although some economists have challenged this traditional view of the economic consequences of split property rights arrangements, most concur

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17. Boycko, Shleifer, and Vishny, *Privatizing Russia*, pp. 26–29.

18. Williamson, *The Economic Institutions of Capitalism*, chap. 3.

19. Eggerston, *Economic Behavior and Institutions*, p. 34.



that the separation of control and use rights produces suboptimal economic outcomes.<sup>20</sup>

#### POST-IMPERIAL SPACES AND POLITICAL EFFICIENCIES

However compelling these arguments about economic inefficiencies may be, they do not adequately address the political pressures and security concerns that states face when the property rights analogy is applied to international relations. Specifically, in immediate post-imperial spaces—areas where a former imperial or occupying power has collapsed or has formally disengaged from its periphery—the exclusive assignment of full property rights to either the former core or periphery would be security impoverishing, regardless of potential economic inefficiencies.

Rapid imperial collapse or disengagement generates a disjuncture between the old material environment of empires and the emergent political institutions of nascent post-imperial states.<sup>21</sup> After the core's formal disengagement, the political and security institutions (e.g., military bases, communications facilities, and industrial production centers) of the old imperial power continue to physically reside within the post-imperial periphery. In political terms, however, new sovereign states and political entities are reconfigured from the unity of imperial territory. Whereas political institutions shift down in scale, residual assets that were configured to the previous imperial scale remain fixed.

This incongruence creates structural imperatives for conflict between post-imperial cores and their former peripheries. While post-imperial cores are concerned with compensating for their diminished security, wealth, and assets, post-imperial peripheries are primarily interested in rapidly creating new national-level institutions to control and manage their newly bound territory and possessions. As Alexander Motyl suggests, in collapsed multinational empires such structural dynamics will also set into motion a neo-imperialist national drive by post-imperial core elites that conflicts with the nation-building agenda of post-imperial peripheral elites.<sup>22</sup> These concerns are

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20. Some challenges to this literature have recently emerged in studies of hybrid property rights arrangements in contemporary China. Victor Nee, "Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China," *Administrative Science Quarterly*, Vol. 37, No. 1 (March 1992), pp. 1–27; and Martin Weitzman and Chenggang Xu, "Chinese Township-Village Enterprises as Vaguely Defined Cooperatives," *Journal of Comparative Economics*, Vol. 18, No. 2 (April 1994), pp. 121–145.

21. For a general theory of the security implications of various political forms within changing material environments, see Daniel Deudney, "Geopolitics as Theory: Historical Security Materialism," *European Journal of International Relations*, Vol. 6, No. 1 (Spring 2000), pp. 77–108.

22. Alexander Motyl, "After Empire: Competing Discourses and Inter-state Conflict in Post-imperial Eastern Europe," in Snyder and Rubín, *Post-Soviet Political Order*, pp. 14–33.

exacerbated by the presence of security dilemmas created by the collapse of centralized authority and the sudden emergence of an anarchic environment.<sup>23</sup> Finally, as Jack Snyder has shown, post-imperial states are characterized by praetorianism and may become susceptible to popular myth making and interest group logrolling.<sup>24</sup> Interest groups that previously administered or controlled a residual asset may attempt to hijack the state and demand that the post-imperial core reclaim the asset by force. For all these reasons, immediate post-imperial environments are relatively conflict prone.

#### A TYPOLOGY OF PROPERTY RIGHTS CONFIGURATIONS AND SECURITY OUTCOMES

Given this type of post-imperial environment, different allocations of property rights over residual assets to the post-imperial core and the post-imperial periphery will have varying effects on security. In general, the two mixed governance arrangements (exchange sovereignty and indirect control) will tend to be security enhancing, whereas the two exclusive allocations (neo-imperialism and expropriation) will tend to be security impoverishing. As such, the pursuit of Westphalian sovereignty or exclusive control by either the post-imperial core or periphery would most likely precipitate conflict. The full matrix of possible property rights allocations over residual assets between a post-imperial core and periphery is shown in Figure 1.

The northeast quadrant represents the “exchange sovereignty” outcome, the most security enhancing of these governance arrangements. Specifically, exchange sovereignty generates two mechanisms for reducing conflict. First, by assigning the use rights of an asset to the post-imperial core, groups within the core that controlled the asset prior to imperial collapse will be placated and will not be as likely to logroll or press the state for a military solution.

Second, exchange sovereignty grants a nationalizing post-imperial state its primary interest—an acknowledgment that it is the formal owner of the residual assets within its new territories. Furthermore, the ownership of these control rights also allows post-imperial peripheries future leverage in bargaining

23. Barry R. Posen, “The Security Dilemma and Ethnic Conflict,” *Survival*, Vol. 35, No.1 (Spring 1993), pp. 27–47.

24. On the conflict-prone nature of such states, see Edward Mansfield and Jack Snyder, “Democratization and the Danger of War,” *International Security*, Vol. 20, No. 1 (Summer 1995), pp. 5–38. “Myth making” refers to the propagation by state elites of nationalist justifications for imperial expansion. “Logrolling” is the trading of policy favors by individual coalitions within the state. For a full explanation and application, see Jack Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca, N.Y.: Cornell University Press, 1991). Such work draws upon the original insights of Samuel Huntington’s examination of praetorianism in third world states. Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968).

**Figure 1. The Variety of Residual Asset Property Rights Allocations.**

		Control Rights Governed by	
		Post-imperial Core	Post-imperial Periphery
Use Rights Governed by	Post-imperial Core	<p>Neo-imperialism (unilateral reassertion of hierarchy)</p>	<p>Exchange sovereignty (leases and treaties)</p>
	Post-imperial Periphery	<p>Indirect control (overseas investments; favored ally)</p>	<p>Expropriation (unilateral nationalization)</p>

for increased cash payments and greater control over the terms of a lease and the scope of an asset’s use rights.<sup>25</sup> In the U.S. case, for instance, the Panama Canal Treaty was regularly amended to provide Panama with increased rental payments and greater access to zone areas for commercial purposes.<sup>26</sup> The Philippines government also regularly threatened to terminate the leases on the Subic and Clark bases as a bargaining tactic to extract more aid flows from the United States.<sup>27</sup> Similarly, any new American deployments and/or equipment modification on Japanese bases are still subject to a Japanese veto according to the U.S.-Japan Mutual Security Treaty.<sup>28</sup>

The southwest quadrant or “indirect control” arrangement also offers certain security guarantees, although not to the same extent as the exchange sovereignty configuration. In this case, the core retains the control rights or ownership of the asset but cedes the use rights to the periphery. This arrangement offers a fair analytical picture of overseas investment in the periphery, es-

25. This is the same point Stephen Krasner makes about host country–multinational corporation relations in the third world. Krasner, *Structural Conflict: The Third World against Global Liberalism* (Berkeley: University of California Press, 1985).

26. LaFeber, *The Panama Canal*.

27. Katharine Webb, “Are Overseas Bases Worth the Bucks?” Ph.D. dissertation, RAND Graduate School, 1993, chap. 3.

28. Paul Giarra, “U.S. Bases in Japan: Historical and Innovative Approaches to Maintaining Strategic Presence,” in Michael Green and Patrick Cronin, eds., *The U.S.-Japan Alliance: Past, Present, and Future* (New York: Council on Foreign Relations, 1999), p. 125.

pecially in a profit- or rent-sharing type of arrangement. Again, this property rights arrangement would quell praetorian pressures from interest groups in the post-imperial core as long as the core could maintain adequate mechanisms for monitoring peripheral actions and the rent incomes from the asset were not easily subject to expropriation.<sup>29</sup>

In contrast to the security-enhancing qualities of exchange sovereignty, exclusively assigning both the control and use rights of an important residual asset—the economically efficient solution—to either the post-imperial core or the post-imperial periphery would be security impoverishing. In the “neo-imperialism” outcome (northwest cell), the post-imperial core or prominent domestic interest group exercises both control and use rights. In this case, not only does the periphery not get a cash payment or other type of *quid pro quo*, but it is also excluded from controlling the core’s uses. Although the respective interest group in the core would be satisfied if the core reclaimed or refused to relinquish the asset, such an action would be perceived as aggressive by the periphery. It would violate the periphery’s nascent sovereignty and would be denounced by peripheral elites and interest groups that would be vying with each other for the status of new national protectors.<sup>30</sup> Examples of this “neo-imperial” outcome would include the French sovereign bases on overseas territories such as French Polynesia, Mayotte, and in sub-Saharan Africa, and the British military presence in Gibraltar.<sup>31</sup>

Similarly, the political ramifications of the periphery claiming exclusive rights over the asset would also be destabilizing—the “expropriation” outcome in the southeast quadrant. Although such an action would support the state-building efforts of post-imperial peripheral elites and interest groups—for example, Gamal Abdel Nasser and his nationalization of the Suez Canal—the previous controllers of the asset in the core would view the action as expropriation. If necessary, they would demand that the core use force to reinstate the status quo.<sup>32</sup>

Thus different potential forms of property rights allocation over residual assets vary considerably in their security implications for an immediate post-imperial environment. What is efficient from an economic perspective is not

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29. Frieden, “International Investment and Colonial Control,” pp. 562–566. On general historical patterns of conflict over overseas investments, see Charles Lipson, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries* (Berkeley: University of California Press, 1985).

30. Mansfield and Snyder, “Democratization and the Danger of War.”

31. For details, see Aldrich and Connell, *The Last Colonies*, pp. 184–185.

32. The origins of the Falklands conflict are a more recent example of the expropriation outcome.

necessarily so from a security standpoint. The unilateral pursuit of exclusive control and use rights over a residual asset—the typical ownership structure associated with Westphalian sovereignty—must be initially resisted by both the post-imperial core and periphery in favor of more unconventional, mixed governance arrangements. Even though states may desire the Westphalian outcome and unitary governance in the long run, exchange sovereignty will act as an important institutional check in the transitional period of disengagement. This analysis of the security-preserving qualities of exchange sovereignty has counterparts in a recent literature that has examined the relationship among different forms of political organization, systemic environments, and security outcomes.<sup>33</sup>

### *Residual Assets and Security in the Post-Soviet Space*

In this section, I illustrate the preceding theoretical argument through an examination of political developments in the post-Soviet space. First, I discuss the residual assets problem in the Soviet context. Then I present the various leasing arrangements reached by Russia with its former republics and provide a more detailed analysis of the Russia-Ukraine accord governing Sevastopol. Finally, I contrast these orderly outcomes with the conflictual outcomes in Georgia and Chechnya, cases where the property rights of important residual assets were not split between the post-imperial core and periphery.

#### RESIDUAL ASSETS IN THE POST-SOVIET SPACE

The residual asset problem was particularly acute in the post-Soviet space. Unlike the overseas European empires, the divisions and institutional markers between the core and periphery were not always easily discernible. As Mark Beissinger observes, the “Soviet Union always straddled the divide between empire and state,” and the Soviets littered the Eurasian landmass with an interrelated network of military, communications, and industrial installations.<sup>34</sup> The Soviet state’s administrative apparatus was broad and deep, as various

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33. For instance, on the superior security-preserving advantages of the early European state over its city-states and city-league counterparts, see Charles Tilly, *Capital, Coercion, and the Formation of European States, AD 990–1990* (New York: Blackwell, 1991); and Hendrik Spruyt, *The Sovereign State and Its Competitors* (Princeton, N.J.: Princeton University Press, 1995). On the security advantages of federal systems over Westphalian anarchic systems, see Daniel Deudney, “The Philadelphian System: Sovereignty, Arms Control, and Balance of Power in the American States-Union, circa 1787–1861,” *International Organization*, Vol. 49, No. 2 (Spring 1995), pp. 191–228.

34. Mark Beissinger, “State Building in the Shadow of an Empire-State: The Soviet Legacy in Post-Soviet Politics,” in Dawisha and Parrott, *The End of Empire?* p. 160. See also Beissinger, “The Persisting Ambiguity of Empire,” *Post-Soviet Affairs*, Vol. 11, No. 2 (April/June 1995), pp. 149–184.

bureaucracies, administrative organs, and monitoring agencies operated at the union, republic, and local levels.<sup>35</sup>

Some functions of the state were given more priority than others, however, and were administered exclusively and directly by the Soviet center. Issues that were deemed of national significance—national defense, internal security, and KGB activities; the military-industrial complex; advanced research and development; and heavy industry—were managed almost exclusively by unionwide administrative organs whose operations were directly accountable to corresponding unionwide ministries, not republican administrative entities.<sup>36</sup>

More broadly, most of these priority assets and issue areas also exhibited what David Lake has termed “relationally specific” qualities—that is, their functions were highly capital intensive and idiosyncratic and could not be easily substituted by the core or obtained on the international market.<sup>37</sup> Assets such as military test sites, hydrocarbon pipelines, and communications centers played important critical functions within the unionwide Soviet military and industrial complexes. Upon the Soviet collapse, Russia could not find readily available substitutes for these assets domestically, and their purchase on the international market would have been prohibitively expensive. The pressure to reconstitute Russia’s vertical governance relations was on.

As a result, Russian officials turned to the question of the sovereign status of these residual assets for reasons of both national security and institutional pressures. In terms of Russian national security, a significant hunk of the former Soviet military apparatus and its accompanying installations were suddenly located outside the Russian Federation within the boundaries of the former republics. Institutionally, the domestic Soviet factions that had previously controlled unionwide ministries in the areas of security, industry, and communications lacked formal jurisdiction over these displaced assets, but were now major interest groups within the nascent Russian state.<sup>38</sup> With the shift in late 1993 away from the brief period of Atlanticism in Russian foreign

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35. On the institutions of Soviet federal administration, see Valerie Bunce, *Subversive Institutions: The Design and Destruction of Socialism and the State* (Cambridge: Cambridge University Press, 1999); Rogers Brubaker, *Nationalism Reframed: Nationhood and the National Question in the New Europe* (Cambridge: Cambridge University Press, 1996), chap. 2; and Philip Roeder, *Red Sunset: The Failure of Soviet Politics* (Princeton, N.J.: Princeton University Press, 1993).

36. On the various forms of Soviet hierarchical organization and their impact on post-Soviet institutional change, see Alexander Cooley, “Depending Fortunes: Aid, Oil, and the Formation of the Post-Soviet States,” Ph.D. dissertation, Columbia University, 1999.

37. Lake, “The Rise, Fall, and Future of the Russian Empire,” pp. 53–56.

38. See Celeste A. Wallander, “The Sources of Russian Conduct: Theories, Frameworks, and Approaches”; Jack Snyder, “Democratization, War, and Nationalism in the Post-Communist States”;

policy to concerns over the future of the near abroad, pressures to resolve the question of the sovereign status of these residual assets came to the forefront of Russian foreign policy concerns.<sup>39</sup>

EXCHANGE SOVEREIGNTY: OVERVIEW OF THE POST-SOVIET LEASING AGREEMENTS  
As Table 1 shows, between 1994 and 1997 Russia concluded a number of leasing arrangements over the status of Soviet residual assets with five of its former Soviet satellites: Kazakhstan (Baikonur cosmodrome and Emba/Saryshagan antiballistic missile test sites), Belarus (Baranovichi radar station and Vileika communications hub), Azerbaijan (Gabala radar station), Ukraine (Mukachevo/Sevastopol radar stations and Sevastopol harbor facilities), and Latvia (Skrunda radar station).

With the exception of the Skrunda agreement, which was not renewed by the Latvian government, these agreements exhibit strikingly broad commonalities, regardless of the different national identities of these peripheral states, their degree of power asymmetries with Russia, and their varying postures to Russia in other foreign policy matters. For instance, the terms of the Baikonur lease and that of the Sevastopol lease are remarkably similar, even though Russian-Ukrainian relations have been far more contentious than the generally cooperative relations exhibited by Russia and Kazakhstan.<sup>40</sup> Three important similarities characterize all of the cases.

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Astrid S. Tuminez, "Russian Nationalism and the National Interest in Russian Foreign Policy"; Kimberly Marten Zisk, "The Foreign Policy Preferences of Russian Defense Industrialists: Integration or Isolation?" and Matthew Evangelista, "From Each According to Its Abilities: Competing Theoretical Approaches to the Post-Soviet Energy Sector," all in Wallander, ed., *The Sources of Russian Foreign Policy after the Cold War* (Boulder, Colo.: Westview, 1996), pp. 1–19, 21–40, 41–68, 95–120, 173–205, respectively.

39. On the evolution of Russian foreign policy and the role of domestic interest groups in the early post-Soviet period, see Anatol Lieven, *Chechnya: Tombstone of Russian Power* (New Haven, Conn.: Yale University Press, 1998); Michael Mandelbaum, ed., *The New Russian Foreign Policy* (New York: Council on Foreign Relations, 1998); Michael McFaul, "A Precarious Peace: Domestic Politics in the Making of Russian Foreign Policy," *International Security*, Vol. 22, No. 3 (Winter 1997/98), pp. 5–35; Robert Legvold, "The 'Russian Question,'" and Alexei Arbatov, "Russian Foreign Policy Thinking in Transition," both in Vladimir Baranovsky, ed., *Russia and Europe: The Emerging Security Agenda* (New York: Oxford University Press for the Stockholm International Peace Research Institute, 1997), pp. 42–69, 135–159, respectively; and Robert Blackwill and Sergei Karaganov, eds., *Damage Limitation or Crisis? Russia and the Outside World* (Washington, D.C.: Brassey's, 1994).

40. For theoretically informed assessments of the development of Russian relations with its former satellites, see Rajan Menon and Hendrik Spruyt, "The Limits of Neorealism: Understanding Security in Central Asia," *Review of International Studies*, Vol. 25, No. 1 (January 1999), pp. 87–106; Spruyt, "The Prospects for Neo-Imperial and Non-imperial Outcomes in the Former Soviet Space," in Dawisha and Parrott, *The End of Empire?* pp. 315–337; and Rajan Menon, "In the Shadow of the

Table 1. Residual Assets Leased by Russia from the Newly Independent States.

Facility	Country	Function	Agreement Date	Lease Duration	Annual Rent (\$U.S. millions)
Baikonur	Kazakhstan	Cosmodrome; military and commercial space delivery systems	July 1994	20 years	115
Baranovich/Vileika	Belarus	Early warning radar/Communications hub for Baltic Sea submarine activity	January 1995	25 years	Technical assistance
Emba/Saryshagan	Kazakhstan	Missile testing sites; part of Russia's Kapustin Yar test range complex	October 1996	10 years	26.5
Gabala	Azerbaijan	Early warning radar; part of the Soviet missile early warning station network	August 1997*	TBA	TBA
Mukachevo/Sevastopol	Ukraine	Early warning radar; part of the Soviet missile early warning station network	February 1997	Unknown	2.5 (military hardware)
Sevastopol	Ukraine	Harbors and logistical facilities for the Black Sea Fleet	June 1997	20 years	97.5
Skrunda	Latvia	Early warning radar; part of the Soviet missile early warning station network	April 1994	Through August 1998	5

NOTE:\* Date of protocol signing of principles of an agreement. The actual lease agreement has yet to be signed.



First, all of the assets subject to these leasing arrangements have relationally specific qualities. Given their geographical location and/or capital-intensive nature, Russia would find it prohibitively costly to find substitutes for any of these assets: Each of the early-warning radar stations is an integral part of the Soviet-era early defense warning system. Skrunda (now moved to Baranovichi, Belarus) covered activity to the northwest of Russia, the Gabala and Sevastopol radar stations monitor Middle Eastern activity, and Mukachevo monitors activity in Europe and the Atlantic.<sup>41</sup> Similarly, the Emba and Saryshagan test sites in Northern Kazakhstan are essential components of Russia's Kapustin Yar test range complex and, according to Russian First Deputy Minister of Defense Nikolay Mikhailov, are the only sites in the post-Soviet space that possess the capabilities to fully test Russian air defense systems.<sup>42</sup> The cosmodrome at Baikonur continues to conduct both military and commercial launches, although Russia is gradually transferring operations to new facilities currently under construction in northern Plesetsk.<sup>43</sup> Finally, it is widely acknowledged that the Sevastopol harbor facilities would be nearly impossible to adequately replace.

Second, each of the agreements explicitly recognizes the host country's formal legal control over the asset, while specifying the exact use rights and obligations that Russia has in its use of the facility. For instance, under the ratified Baikonur agreement, the separation of control and use rights is made explicit. Although Baikonur is considered part of the sovereign territory of Kazakhstan,

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Bear: Security in Post-Soviet Central Asia," *International Security*, Vol. 20, No. 1 (Summer 1995), pp. 149–181. On the different approaches of the post-Soviet states to CIS integration, see Richard Sakwa and Mark Webber, "The Commonwealth of Independent States, 1991–1998: Stagnation and Survival," *Europe-Asia Studies*, Vol. 51, No. 3 (May 1999), pp. 379–415.

41. According to Roman Popkovich, chairman of the Russian Duma's Committee for Defense, the station at Mukachevo covers 4,500 kilometers and the one at Sevastopol covers 1,500 kilometers. "Russia: Duma Postpones Ratification of Russian-Ukrainian Agreement," Moscow ITAR-TASS, October 23, 1998, in Foreign Broadcasting and Information Service Daily Report—Central Eurasia (hereinafter FBIS—Central Eurasia), October 23, 1998. FBIS reports appear on the World News Connection web site at <http://wnc.fedworld.gov/>. The other stations—Murmansk, Pechora, and Irkutsk—are located within the territory of the Russian Federation.

42. "Russia: No Plan to Leave Kazakh Testing Grounds," Moscow ITAR-TASS, February 8, 1998, in FBIS—Central Eurasia, February 8, 1998.

43. With funding from the Russian-German joint venture Eurorokot, Plesetsk is now being developed as Russia's future commercial launching center and host to the Rokot program, a perceived future player in the world space launches market. The site has so far been used for military launches, but Russian officials hope to begin commercial launches late in the year 2000. "Putin: Russia Not to Use Language of Force," Moscow ITAR-TASS, December 14, 1999, in FBIS—Central Eurasia, December 14, 1999; and "Russia: Plesetsk Cosmodrome to Host Eurorokot Program," Moscow ITAR-TASS, March 2, 1999, in FBIS—Central Eurasia, March 2, 1999.

the treaty states that Russia exercises “the right to movable property and real estate, created or purchased by Russia or supplied for Russia to the Baikonur complex after August 31, 1991.”<sup>44</sup> The agreement also explicitly guarantees Russia the right to “products and income received as a result of [the facility’s] use,” and the ability to move equipment necessary for the functioning of the complex without obstacles or duties. Along with these use rights to the facility, Russia also has incurred exclusive responsibility for financing and maintaining the cosmodrome. Similar language acknowledging the official split of control and use rights can be found in each of the other agreements, and each of the host states has insisted that Russia provide full funding for the facilities’ operations.<sup>45</sup>

Finally, the lead-up to the various agreements exhibited similar patterns of internal politics. Nationalist forces in the peripheral states expressed strong disapproval of any transfer of sovereignty to Russia. In Azerbaijan, for instance, Defense Minister Mamedrafi Mamedov proclaimed during negotiations over the leasing agreement that the “Gabala radio locatory [location] station is Azerbaijan’s property and any other talks in this respect are groundless.”<sup>46</sup> He further added that only a leasing arrangement that explicitly recognized Azerbaijan’s formal sovereignty would be acceptable to the Azeri government.<sup>47</sup>

Even in Belarus—a country that has actually sought some unification with Russia—the initial lease agreement also met with public opposition from nationalist elites. The leader of the nationalist People’s Front, Zenon Pozniak, accused the Minsk government of undercutting the country’s statehood and referred to the agreement as “a crime,” promising to denounce the accord if his party took power.<sup>48</sup> Despite nationalist pressures, the explicit recognition of the host country’s legal jurisdiction over the asset satisfied enough parliamentarians to attain ratification in each of the host countries. Although positing counterfactuals is never easy in the study of international relations, it is difficult to imagine that these domestic legislatures would have been able to

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44. “Russia: Duma Ratifies Treaty on Renting Baikonur,” Moscow ITAR-TASS, April 21, 1995, in FBIS—Central Eurasia, April 25, 1995.

45. For instance, see “Russia Must Fully Fund Two Missile Warning Stations,” Moscow ITAR-TASS, March 3, 1997, in FBIS—Central Eurasia, March 3, 1997.

46. “Defense Minister Says Gabala Station Belongs to Azerbaijan,” Baku TURAN English Radio Broadcast, July 9, 1994, in FBIS—Central Eurasia, July 9, 1994.

47. *Ibid.*

48. “Accusations of ‘Overhauling’ Statehood for Moscow,” Moscow Interfax, February 10, 1995, in FBIS—Central Eurasia, February 10, 1995.

secure ratification without explicit language guaranteeing the legal status of these residual assets. In security terms, no violent conflicts have broken out between Russia and the FSU states over these leased residual assets.<sup>49</sup>

AN ILLUSTRATION: THE SEVASTOPOL AGREEMENT

A more detailed analysis of Russia and Ukraine's leasing agreement illustrates the potential security-enhancing advantages of leased sovereignty. Of all the peripheral former Soviet republics, none has received more attention than Ukraine. Ukraine matters because of its population size, territory, and potential power.<sup>50</sup> In security terms, Ukraine was an immediate player because of its inheritance of a part of the Soviet nuclear arsenal and its hosting of the Black Sea Fleet. The nuclear arsenal issue was settled relatively quickly and smoothly—with timely diplomatic maneuvering and carrots offered by the United States. The question of the ownership and partition of the BSF, however, posed a much greater problem for Russian-Ukrainian relations and post-Soviet security in general.<sup>51</sup> Not only was the BSF of enormous military value but its location in Sevastopol, in Crimea, infused debates over its status with a potentially explosive ethnic dimension.<sup>52</sup> Sevastopol is not only a significant symbol of Russian pride and historical military achievements but is also predominantly populated by ethnic Russians—a legacy of Nikita Khrushchev's transfer of the region to Ukraine in 1954. Throughout the post-Soviet period, inflammatory remarks by both communists and nationalists in the Russian Duma concerning its rightful place as part of Russia made the BSF/Sevastopol issue the central problem in regional security.

Even though the two sides had agreed in 1992 that the BSF would be divided evenly and, as early as 1994, that it would remain in Sevastopol on a leasing

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49. For an overview of the violent post-Soviet conflicts, see Barnett Rubin, "Conclusion: Managing Normal Instability," in Snyder and Rubin, *Post-Soviet Political Order*, pp. 162–179.

50. For an assessment of Ukraine's Soviet legacies and its state-building challenges, see Alexander Motyl, *Dilemmas of Independence: Ukraine after Totalitarianism* (New York: Council on Foreign Relations, 1993).

51. On the evolution of Russian-Ukrainian relations and related issues of regional security, see Anatol Lieven, *Ukraine and Russia: A Fraternal Rivalry* (Washington, D.C.: United States Institute for Peace, 1999); Sherman Garnett, *The Keystone in the Arch: Ukraine and the New Political Geography of Eastern Europe and Central Europe* (Washington, D.C.: Carnegie Endowment for International Peace, 1996); and Stephen Larrabee, "Ukraine's Balancing Act," *Survival*, Vol. 38, No. 2 (Summer 1996), pp. 143–165.

52. For analysis of the Crimean issue, see David Marples and David Duke, "Ukraine, Russia, and the Question of Crimea," *Nationalities Papers*, Vol. 23, No. 2 (June 1995), pp. 261–289. For a discussion of Crimea within the development of post-Soviet Ukrainian national identity, see Andrew Wilson, *Ukrainian Nationalism in the 1990s: A Minority Faith* (New York: Cambridge University Press, 1997).

basis, the lead-up to the leasing accord was characterized by tensions and ethnic posturing by nationalist factions on both sides. In Russia, politicians used the issue as a test of the commitment of the administration of Boris Yeltsin to preserving national integrity. In 1993, the Duma passed a bill suspending the BSF division that was not signed by the president. A year later, it revoked the 1954 agreement and declared the Crimean port a Russian city. Among the most vocal critics of the Ukrainian-Russian commission was Moscow's high-profile mayor, Yuri Luzkhov, who urged the rejection of any Crimea treaty and demanded the return of the entire peninsula to the Russian Federation. For nationalists such as Luzkhov, any leasing arrangement was unacceptable for the very reason that it acknowledged the integrity and inviolability of Ukraine's borders and would eventually lead to a Ukrainian Sevastopol.<sup>53</sup>

After several months of protracted negotiations, the Russian-Ukrainian accord was finally signed on June 7, 1997. The six-article agreement formulated the procedure for dividing the BSF and specified the terms of the leasing of the Sevastopol harbor facilities for a period of twenty years for about \$100 million per year.<sup>54</sup> While the agreement explicitly acknowledges that Sevastopol and the rest of Crimea are an integral part of Ukrainian territory, the majority of the document meticulously elucidates the rights and obligations of Russia as the leasing party. The first article codifies the fleet's division and Russia's repurchase of certain ships from Ukraine. The second explicitly states that Ukraine leases to Russia "the plots of land and the shore infrastructure installations located on them, as well as the area of the bays in the city of Sevastopol and in the port of Feodosiya." Article 4 of the agreement delineates the procedures for settling payments and deducting the lease rent from Ukraine's current outstanding debt to Moscow. Under the agreement, both sides are entitled to charge interest on outstanding debts.

The final accord was the result of significant compromise. The twenty-year duration of the treaty was significantly shorter than the ninety-nine wanted by some officials in Moscow, but was much longer than many Ukrainian nationalists would initially tolerate. The Russians also conceded to the Ukrainian side the right of the Ukrainian fleet to remain based in Sevastopol. Before the ac-

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53. "Ukraine: Moscow Mayor Criticizes Ukraine on Sevastopol Issue," *Kiev Intelnews*, November 25, 1996, in FBIS-Central Eurasia, November 25, 1996.

54. The accord's formal name is "Agreement between the Russian Federation Government and the Ukrainian Government on Mutual Settlements Associated with the Division of the Black Sea Fleet and the Russian Federation Black Sea Fleet's Presence on Ukrainian Territory." The full text of the agreement can be found at "Russia: Text of Black Sea Fleet Payments Agreement," *Rossiyskaya Gazeta*, June 7, 1997, in FBIS-Central Eurasia, June 7, 1997.

cord, Russian commanders had insisted that the Ukrainian navy move to another Crimean port.<sup>55</sup> Russia also dropped its demands for the recognition of dual citizenship for Sevastopol residents and agreed to pay a much higher rent than the symbolic amount it originally envisioned. As with the other lease agreements, potentially explosive social and citizenship issues were simply omitted from the actual accord.

On the Ukrainian side, officials agreed to deduct the lease payments and value of the 50 percent share of the fleet they sold from the energy arrears owed to Russia. Most significant of all, the Ukrainian parliament—in the new constitution passed in July 1996—added an exemption to Article 17, which forbids the stationing of any foreign troops on Ukrainian territory.<sup>56</sup> The exemption—Article 92—allows for the installation of foreign military bases for short periods of time. Thus the compromise of exchange sovereignty was made constitutionally possible with Sevastopol in mind.

Despite criticisms on both sides, the treaty does seem, for the time being, to have brought a stable resolution to what was once thought to be an intractable problem. Perhaps surprisingly, given the level of outrage expressed by both Russian communists and nationalists, there is evidence to suggest that the treaty has strong support among the Russian general public. In a survey of 1,600 Russians from various areas conducted by the All-Russian Center for Public Opinion, 76 percent of the respondents “completely” or “partially” approved of the Moscow-Kiev agreements.<sup>57</sup> Only 10 percent of respondents expressed disapproval of the treaty, while the remaining 14 percent were undecided. Strikingly, the leasing agreement has found significant support, even though 53 percent of the same pool of respondents stated that Sevastopol should “remain a Russian city.”<sup>58</sup>

Furthermore, as Sherman Garnett points out, the Sevastopol accord is emblematic of the moderation and pragmatism that have characterized Russian-Ukrainian relations in recent years.<sup>59</sup> Although serious disagreements on security issues still exist—particularly on the thorny issue of future NATO expansion and the commitment of the Ukraine to deepening ties within the

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55. Lieven, *Ukraine and Russia*, pp. 128–129.

56. *Ibid.*, p. 129.

57. “Russia: Poll Results Indicate Support for Russia-Ukraine Treaty,” *Moscow Interfax*, June 16, 1997, in FBIS—Central Eurasia, June 16, 1997.

58. *Ibid.*

59. Sherman Garnett, “Europe’s Crossroads: Russia and the West in the New Borderlands,” in Mandlebaum, *The New Russian Foreign Policy*, pp. 85–90.

Commonwealth of Independent States (CIS)—the two regional powers have demonstrated a willingness to compromise on key issues. This is all the more significant given the constant domestic pressures from critical nationalist factions on both sides. Nevertheless, the contracting parties have achieved the minimum of what is domestically acceptable: Ukraine finally secured recognition of its legal sovereignty over Crimea, while Russia's naval command secured the use of facilities for its most prized of assets, while deferring the issue of the citizenship status of Russian inhabitants.

ALTERNATIVE PROPERTY RIGHTS ARRANGEMENTS AND POST-SOVIET SECURITY

The argument regarding the security-enhancing advantages of exchange sovereignty would not be complete without a brief mention of how other configurations of property rights have influenced post-Soviet security. Of course, the causes of conflict and peace in the former Soviet space are complex and cannot simply be reduced to governance arrangements over these various residual assets. The property rights arrangements detailed in this article, however, are a neglected structural variable that has, as the preliminary evidence suggests, some explanatory power. As Figure 2 reveals, the exclusive assignment of property rights to either Russia or the peripheral states has been correlated with conflictual outcomes, whereas the alternative hybrid governance structure (control rights in the core, use rights in the periphery) has been correlated with political stability.<sup>60</sup>

When the property rights of residual assets have been assigned exclusively to either the post-imperial core or periphery, conflictual outcomes have ensued or have escalated significantly. The case of Georgia and its conflict with the breakaway republic of Abkhazia represents the neo-imperial outcome in the typology. Despite Georgia's initial anti-Russian sentiment and withdrawal from the CIS, Russia continued to own and exclusively operate four military bases within Georgian borders: Vaziani, near Tblisi, Akhalkalaki in the south, Batumi in Ajaria, and Gudauta in separatist Abkhazia. Gudauta has been administered directly by Russian paratroop headquarters in Moscow.

Russia was certainly not responsible for initiating the Abkhaz conflict—it was precipitated by the discriminatory ethnic policies begun by the democra-

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60. Of course, there are conflicts in the post-Soviet space that have very little to do with the presence or absence of residual assets, most notably the Transdnestr conflict in Moldova and the civil war in Tajikistan. An argument can be made, however, that the Nagorno-Karabakh conflict between Armenia and Azerbaijan escalated in large part because of Russian support from its sovereign bases in Armenia.

**Figure 2. Residual Asset Property Rights Allocations and Security Outcomes in the Post-Soviet Space.**

		Control Rights Governed by	
		Russia	FSU Periphery
Use Rights Governed by	Russia	Neo-imperialism (Russian bases in Georgia, escalation of Abkhaz war)	Exchange sovereignty (leasing agreements)
	FSU Periphery	Indirect control (overseas investments by Gazprom and LukOil)	Expropriation (first war in Chechnya)

tizing Georgian state and elite opportunism on both sides. But Russian involvement played a critical role in exacerbating the conflict in 1992–93.<sup>61</sup> Although Russia officially denies any military involvement, eyewitness accounts suggest that the Russian base in Gudauta provided Abkhaz fighters with heavy artillery, air cover, and missile launchers.<sup>62</sup> Georgians also contend that Russian Su-27 fighters stationed on the Black Sea deliberately engaged in a campaign of terror bombing in an effort to drive Georgian civilians out of Abkhazia.<sup>63</sup> The war claimed 20,000 lives and displaced 250,000 Georgians, leaving Abkhazia with de facto independence and control of its territory. In addition, the Gudauta base supplied the weapons used to overthrow the Georgian nationalist president, Zviad Gamsakhurdia, in January 1992.<sup>64</sup>

61. On the origins of the Abkhaz conflict, see Stephen Jones, "Georgia: The Trauma of Statehood," in Ian Bremmer and Roy Taras, eds., *New States, New Politics: Building the Post-Soviet Nations* (New York: Cambridge University Press, 1997), pp. 505–543; and Georgui Otyrba, "War in Abkhazia: The Regional Significance of the Georgian-Abkhazian Conflict," in Roman Szporluk, ed., *National Identity and Ethnicity in Russia and the New States of Eurasia* (Armonk, N.Y.: M.E. Sharpe, 1994), pp. 281–309.

62. Thomas Goltz, "Letter from Eurasia: The Hidden Russian Hand," *Foreign Policy*, No. 92 (Fall 1993), pp. 105–108.

63. *Ibid.*, pp. 106–107.

64. Sozar Subeliani, "Knocking on NATO's Door," *Institute for War and Peace Reporting Service* (Caucasus Reporting Service), No. 9 (December 3, 1999).

65. Erik Batuev, "Abkhazia Exposed," *Institute for War and Peace Reporting Service* (Caucasus Reporting Service), No. 45 (August 18, 2000).

Without the active involvement of Russian forces stationed in the region, the conflict could not have escalated to the point of a decisive Abkhazian victory. A leasing agreement between Georgia and Russia may not have prevented the violent outbreak, but it would certainly have given the Abkhaz rebels pause as to the availability of large-scale Russian support, making both sides more amenable to a compromise solution. In addition, it would have given the Georgian government a firmer international legal basis from which to challenge Russian actions on Georgian sovereign territory. Currently, under an agreement sponsored by the Organization for Security and Cooperation in Europe (OSCE), the bases at Vaziani and Gudauta will be closed by December 31, 2000, an accord that has left the Abkhazians concerned about their capacity to defend against future Georgian aggression.<sup>65</sup>

An example, albeit imperfect, of the expropriation outcome was the initial Chechen war. Between 1991 and 1994, the breakaway Chechen government controlled and operated both the Grozny oil refinery—the largest in the Russian Federation—and a significant portion of the Baku-Novorossiysk Caspian oil pipeline.<sup>66</sup> The Dzhokhar Dudayev regime had reached an agreement with Moscow to continue to process Russian import and allow Chechnya to export the finished product to the external market.<sup>67</sup> Chechen authorities and local pirate refineries, however, increasingly siphoned off Azeri oil from the pipeline and allegedly colluded with officials from the Russian state pipeline monopoly Transeft.<sup>68</sup> They used these illegal rents to line their pockets and purchase arms for the breakaway republic. By 1994, oil-related corruption had become so acute that the Russian government estimated—shortly before its military action—that the Chechen-operated pipeline section was riddled with \$55 million worth of damage caused by siphoning holes.<sup>69</sup>

Although the proximate causes of the war are certainly numerous and complex, the appropriation of these hydrocarbon assets by the Chechens was an important contributing factor to the Russian government's final decision to use force against the small Caucasian republic.<sup>70</sup> Not only were the Chechens

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66. On the importance of the oil issue in the Chechen conflict, see "Resourceful Competitors," *Wall Street Journal*, July 18, 1997, p. 13.

67. According to Lieven, Chechnya exported about 20 million tons of oil during this period. Lieven, *Chechnya: Tombstone of Russian Power*, p. 85.

68. Mikhail Ivanov, "The Legacy of Separatism," *Institute for War and Peace Reporting Service* (Caucasus Reporting Service), No. 37 (June 23, 2000).

69. Lieven, *Chechnya: Tombstone of Russian Power*, p. 85.

70. For an analytical assessment of the full range of institutional causes and dynamics of the Chechen conflict, see Gail W. Lapidus, "Contested Sovereignty: The Tragedy of Chechnya," *International Security*, Vol. 23, No. 1 (Summer 1998), pp. 5–49.



in control of the refinery and pipeline network, but this appropriation threatened to undermine Russia's international credibility as the guarantor of any future pipelines traversing the breakaway republic.<sup>71</sup> Without Russian ability to enforce the security of the existing pipeline, the case for constructing alternate routes—through competitors such as Turkey or Iran—to bring Caspian oil (mostly Azeri) to Western markets would have been significantly strengthened.

By contrast to these conflictual outcomes, the other hybrid governance arrangement—core control rights and peripheral use rights—has not been correlated with political instability. The most prominent examples of the indirect control outcome are found in the activities of Russian economic actors, most notably hydrocarbon companies that have acquired shares or stakes in peripheral economies and international consortia. For instance, the Russian gas monopoly giant Gazprom has steadily acquired significant stakes in Ukraine's privatized energy infrastructure, while LukOil secured important shares in international oil consortia both in Azerbaijan and Kazakhstan after its initial exclusion.<sup>72</sup> Despite certain analysts' observations that such acquisitions constitute evidence of renewed Russian hegemony, Russian companies' controlling stakes in the near abroad have not heightened security tensions in these areas.<sup>73</sup> Indeed, by granting access and influence to important economic actors in the Russian state, such accords have obviated the need for Russia to use force in these sectors.

### *Conclusion: Is Exchange Sovereignty Sustainable?*

The preliminary evidence suggests that exchange sovereignty agreements have been successful in the initial post-Soviet era. These governance arrangements

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71. Stasys Knezys and Romanas Sedlickas, *The War in Chechnya* (College Station: Texas A&M University Press, 1999), p. 30.

72. On Gazprom's activities in the Ukraine, see Margarita Mercedes Balmeceda, "Gas, Oil, and the Linkages between Domestic and Foreign Policies: The Case of Ukraine," *Europe-Asia Studies*, Vol. 50, No. 2 (March 1998), pp. 257–286. For good overviews of Russia's involvement in the Caspian and the geopolitics of Caspian oil, see Geoffrey Kemp, *Energy Superbowl: Strategic Politics and the Persian Gulf and Caspian Basin* (Washington, D.C.: Nixon Center for Peace and Freedom, 1997); Rajan Menon, "Treacherous Terrain: The Political and Security Dimensions of Energy Development in the Caspian Sea Zone," *NBR Analysis*, Vol. 9, No. 1 (February 1998); and Laurent Ruseckas, "State of the Field Report: Energy and Politics in Central Asia and the Caucasus," *AccessAsia Review*, Vol. 1, No. 2 (July 1998), pp. 41–84.

73. See, for instance, Frederick Starr, "Power Failure: American Foreign Policy in the Caspian," *National Interest*, No. 47 (Spring 1997), pp. 20–31; and Sheila N. Heslin, "The New Pipeline Politics," *New York Times*, November 10, 1997, p. A31. For a rebuttal, see Ruseckas, "State of the Field Report."

may become unstable in the medium and long term, however. Violations of the contractual terms of the treaty may cause tensions, given the weak institutional mechanisms for oversight and the lack of a third party to enforce these bilateral agreements. Already, Ukraine and Kazakhstan have complained that Russia is behind on its rental payments. Second, the very ambiguities over questions of responsibility could increase tensions after an unforeseen development. For instance, tensions between Kazakhstan and Russia peaked on July 5, 1999, when the proton-K booster rocket of a Baikonur-launched telecommunications satellite malfunctioned and crashed into Kazakh territory. Kazakh officials suspended all cosmodrome launches until Russia agreed to pay the former republic a compensation package for damages.<sup>74</sup>

Furthermore, the legitimacy of treaties themselves may become a source of tension, especially after the post-imperial periphery has undergone a period of state building and national consolidation. In their periodic renegotiations with the United States, for example, the Philippines and Panama demonstrated increasing reluctance to extend their respective leases. Only by promising an end-date to the leasing arrangement was the United States able to secure use of the Panama Canal for another twenty years in 1977. In short, exchange sovereignty functions best in an immediate post-imperial setting or transitional period in international relations. As the material and political arrangements within the post-imperial state system change, there is no guarantee that exchange sovereignty will provide the same degree of stability or security to the contracting parties.

With this important caveat about the durability of exchange sovereignty in mind, this analysis suggests three important implications for international relations theory and post-Soviet security studies. First, the proliferation of exchange sovereignty in potential sites of conflict such as Crimea challenges conventional understandings of the instruments that are promoting political stability in the post-Soviet space. Rather than engage in a coherent strategy of either balancing or bandwagoning, the post-Soviet states have demonstrated a range of policies toward Russia that have varied according to issue area and function. Moreover, contrary to the neoliberal emphasis on *multilateral* institutions as mechanisms for “averting anarchy,” this analysis shows how certain *bilateral* mixed governance arrangements have often provided more flexibility

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74. See “Putin Signs Accord on Rocket Launch Accident,” Moscow ITAR-TASS, November 19, 1999, in FBIS–Central Eurasia, November 19, 1999; and “Russia-Kazakhstan Row Delays Pakistani Satellite Launch,” *Islamabad the News* (internet version), January 3, 2000, in FBIS Daily Report–Near East/South Asia, January 3, 2000.

and pragmatism for Russia and its former republics to reach negotiated settlements.<sup>75</sup> Indeed it is striking that the various leasing arrangements were not conducted under the auspices of either regional institutions such as the CIS or international organizations such as the OSCE.

These hybrid governance arrangements could also potentially be applied to other cases of unsettled conflict. Leasing could provide a framework to facilitate the gradual withdrawal of occupying powers in areas such as the West Bank, Western Sahara, French colonies in the South Pacific, and the Balkans. For instance, if Israel were to lease strategic parts of the Jordan Valley from the Palestinians, it could obtain critical security guarantees while codifying the sovereignty of a nascent Palestinian state.<sup>76</sup> Rather than promote exclusive sovereignty and the partition of contested territories, the international community should examine the potential for leasing arrangements to break seemingly intractable deadlocks.

Second, the institution of sovereignty is not exclusively bound by either territorial autonomy or international society. By assuming that all sovereign states engage in the same functions, scholars often miss the subtle relationships that link state functions, institutional legacies, and the generation of political structures. The property rights approach to state sovereignty formulated in this article may not only help to explain idiosyncratic or hybrid forms of governance that are ignored by conventional theories, but, if developed further, could also help scholars to differentiate the various functions that states engage in. Although states may willingly delegate or transfer their sovereignty over one particular function or issue area to another state or supranational authority, it is unclear whether such an act really contributes to the organized hypocrisy or the social contingency of the sovereignty regime. Far from being passive actors in the international system, weaker states may well find it in their interest to voluntarily accept incursions on their sovereignty so as to either strengthen their authority and legitimacy in other political spheres or defer the responsibility of controversial issue management onto other international actors.

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75. Jack Snyder, "Averting Anarchy in the New Europe," *International Security*, Vol. 14, No. 4 (Spring 1990), pp. 5–41; and Charles A. Kupchan and Clifford A. Kupchan "Concerts, Collective Security, and the Future of Europe," *International Security*, Vol. 16, No. 1 (Summer 1991), pp. 114–161. For critiques of these neoliberal positions, see Richard K. Betts, "Systems for Peace or Causes of War: Collective Security, Arms Control, and the New Europe," *International Security*, Vol. 17, No. 1 (Summer 1992), pp. 5–43; and John J. Mearsheimer, "The False Promise of International Institutions," *International Security*, Vol. 19, No. 3 (Winter 1994/95), pp. 5–49.

76. See James Ron and Alexander Cooley, "Suppose Israel Leased the Jordan Valley from the Palestinians," *International Herald Tribune*, July 8–9, 2000, p. 6.

Finally, theories employed originally in the discipline of economics can be usefully applied to security matters, albeit with important modifications. Although there is a growing trend in the study of international relations to take advantage of the deductive and parsimonious explanatory tools offered by economic theory, scholars should remain aware of the contexts and structures that may differentiate market environments from security environments. As events in the former Soviet space—and the post-Cold War world in general—continue to take unexpected turns, international relations scholars and security analysts would do well to cast their conceptual nets as far as possible in their search for useful explanatory tools.