MASTER DISSERTATION

Title of Work: ENERGY GEOPOLITICS IN CAUCASUS AND CENTRAL ASIA

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ABSTRACT

The present thesis elaborates the subject of energy geopolitics in Caucasus and Central Asia. This research will be helpful as the political vacuum that was created in the Caspian region after the collapse of the Soviet Union combined to the development of the newly independent countries into energy actors of the regional subsystem made the construction and the transfer of the energy reserves of the region an important factor for the regional relations in Caucasus and Central Asia. The basic objective of the thesis is to analyze the present situation in the Caspian region in relation to gas energy resources and their future development and the relations of the Caspian states with each other and with important regional and international actors in order to conclude to the strategic importance of the Caspian energy reserves for the global markets and energy security.

The research is based on primary sources concerning the energy reserves of the region and secondary sources of political analyses of the cooperation developed in the region both politically and economically. It focuses on gas geopolitics, as this is a less developed and analyzed topic compared to oil and the main future projects that are going to develop in the region are gas pipelines. In order to achieve the above analysis, the research is conducted within a theoretical framework concerning certain theories of International Relations (neo-realism, neo-liberalism and constructivism), which will be used as a theoretical basis for the analysis of the topic in order to provide a theoretical background of the development of the regional relations and cooperation. The present research also aims at defining the linkage between the policies implemented in the region and neo-realism, neo-liberalism and constructivism as well as at concluding to the most dominant theory implemented in the Caucasus and Central Asia.
Chapter I: Introduction

The politics of a State lies on its geography

Napoleon Bonaparte

1.1. Research Problem

The Caspian Sea is estimated to be the world’s third largest tank of oil and gas reserves after Russia and the Persian Gulf. The collapse of the Soviet Union in 1990s had as a result the Black Sea and the Caspian region to become one of the main interests of the international politics, not only because of the problematic post-Soviet Republics that emerged, but also because of these important energy reserves that exist in the region. The intense interest shown by the international oil and gas companies in the Caspian Sea confirm its promising potentials. The Caspian Sea is located in the northwest Asia and nowadays its basin is shared by five countries, Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan. After the disintegration of the Soviet Union the three independent republics tried to open their economies and accepted foreign investments in the field of energy in order to proceed to the exploitation of their reserves, which had as a result the Caspian Sea to become a potential significant player in the global energy policy.

However, this exploitation process had to face several obstacles for its development. In particular, the creation of independent republics with oil and gas reserves led to an intense competition between Turkey and Russia about in which sphere of influence these countries would enter, in order to maximize their profit of their involvement in the exploitation process of the resources, and an increasing interest from the West about the exploitation of these reserves. Apart from that, the Turkish-Russian competition is also related and expressed to the recent political history of North Caucasus, which consists of a mixture of different people with common feature the Islamic religion. Chechens is such a local people, the independence of which influenced the relations between Turkey and Russia at a great level, because of the strategic importance of the control of the region for both powers of this regional sub-system. The conflict of Russia with Chechens in the mid 90’s questioned the Russian dominance in North Caucasus and helped the Turkish penetration in the region. This situation led to the intension of the competition
between these two countries which also influenced their cooperation concerning the exploitation of the Caspian energy reserves.

It should also be mentioned that commercial energy activity in the Caspian region began in the mid-19th century, making Azerbaijan the oldest oil producing country in the world. By 1900, the Baku region produced about half of the world’s total crude oil, a fact that changed later due to discovery of oil in the Volga-Urals region of Russia and Siberia in combination to the vulnerability of Azerbaijan in case of attack during the World War Two and remained so until the early 1990s and the change of the international political scene.

As Azerbaijan and Kazakhstan, which are the two most important energy producers of the region, do not have access in the open sea, the only profitable way in order to provide their energy reserves to the West is the construction of pipelines. The construction of such pipelines is of great importance for these new emerging Republics as they can help to the resolution of many national problems and to the modernization of their economies. However, it is quite easy this increasing international and economic interest to lead to instability and negative consequences for the regional peace, as in the region there are several frozen regional conflicts. Furthermore, the protection of the national interests of the countries of the region leads them to create several regional coalitions in relation to the exploitation and the transfer of their energy reserves.

1.2. Research Aim and Questions

As a result, the above described situation makes the construction and the transfer of the energy reserves of the region an important factor for the regional relations in Caucasus and Central Asia. This is the reason why the study of the energy geopolitics of the region is of great importance and interest. The Caspian energy reserves are basic for the western and the European supply in particular, so the comprehension of the regional geopolitics isn’t only important and related to the development of the Black Sea and Central Asian countries, but also to the western and European interest and policies. However, the Caspian energy reserves have been proved particularly appealing lately for other markets as well, such as China, which has promoted cooperation with the Caspian states in the last decade and has expressed its interest for the construction of future pipelines that will transfer part of the Caspian
oil and gas in the eastern Asian market. It should also be mentioned the fact that there is bilateral interest for such a cooperation, as the Caspian countries find eastern Asia and China a profitable and appealing way to counterbalance their dependence from the Western consumers.

In addition, as the exploitation of the oil reserves has been progressing for several years and the regional interests and policies around this issue have been studied in depth, the present research is going to focus on the exploitation of the gas energy reserves of the region and its future development. Gas reserves have been proved to be important future sources of energy especially for the West, the exploitation of which is now developing together with the policies of the consumers and of the producers of this important energy source. This is the reason why the comprehension and the analysis of gas reserves and geopolitics are considered extremely important for the future energy security both of the Caspian region and globally.

The objectives of the present research are the analysis of the energy geopolitics in Caucasus and Central Asia in order to obtain a deep understanding of the regional and international policies of the region and of the collaborations of the Caspian countries.

Accordingly, the following research questions were defined:

1. To analyze the present situation in the Caspian region in relation to gas resources and their future development.
2. To examine the relations of the countries of the region with each other and with neighboring countries.
3. To study the relations of the Caspian states with the world’s most important importers of gas, such as Europe, the United States and China in relation to energy
4. To analyze why and in what degree these energy reserves influence the foreign policies of Europe, the United States and China in the region.

Simultaneously the parallels will be drawn and the linkage between the policies implemented in the region by both regional and international actors and the theories of International Relations will be defined and analyzed in this research.
The research topic is related to the energy situation in the Caspian region and, at present, most of the available literature is focused on the description and the analysis of the situation in the region and of the policies implemented by the regional and international actors, without thorough linkage between these policies and the theories of International Relations. In this regard, conducting of such research with simultaneous studying of the theoretical prerequisites of cooperation between the Central Asian countries and the important global importers of gas from the view of International Relations theories could help in identifying the potential for and prospects of cooperation between them to a certain extent. Furthermore, this could allow making a prognosis regarding the possible impact of this cooperation on the transformation of the region into an economically and politically developed area.

1.3. Research Methods

The present research is based on a combination of research methods that have been used in order to conduct the analysis of the topic. Firstly, the use and the analysis of documentary sources such as official documents, conventions and data of international organizations and companies concerning the energy supplies of the examined countries and their resources have provided fundamental information and data to the researcher in order to obtain a clear idea both of the amounts of gas supplies of the countries and the development of their relations legally. However, the greater part of the present research is based on secondary analysis of data collected by other researchers or institutions. The sources of this secondary analysis are basically publications from think tanks, research centers, institutions and publications in books and scientific journals related to the Caspian energy reserves and the Caspian Sea geopolitical game concerning politics and security. Apart from general political analysis of the energy security in the region, the sources also include analyses of the European and American policies concerning the issue and information about the Chinese energy policy in the region and its intention for future investment in the Caspian gas supplies. Finally, the present analysis is also based on the examination of certain case studies concerning the region. In this frame, the relations of Azerbaijan and Russia with the other Caspian states regarding the bilateral energy relations of the region and China, as an example of energy demand in eastern Asia, are analyzed. The
reasons of focus on these countries particularly are presented in chapters four and five respectively.

1.4. Structure of the Dissertation

The dissertation consists of six chapters:

Chapter 1: This chapter is the introduction of the dissertation. In this part the research problem, the aims and objectives of the research, the structure of the dissertation and the selected research methods are presented.

Chapter 2: The second chapter examines the theoretical framework that exists in relation to the researched topic. The most important and relevant to the region theories of International Relations are presented and the linkage of these theories with the implemented policies in the region is drawn. In particular, neo-realism, neo-liberalism and constructivism are the three theories of International Relations which are estimated to be the most relevant to the region and the policies implemented by the international actors in the region.

Chapter 3: In this chapter it is conducted a brief historical background analysis of the producing countries and of the region. There will be a presentation of the developments of each country in the field of energy separately (Azerbaijan, Kazakhstan and Turkmenistan), in order to obtain an idea of the evolvement of these producing countries, and of the role of important other factors and players in the region, such as Russia, Turkey, Iran, the western policies and companies and their involvement and influence in the region. In this description of the regional political and economical situation it is essential also the problem of the legal regime of the Caspian Sea to be mentioned, as it is one of the main obstacles for the development of the exploitation of the region by the countries and foreign investments. In continuity, the present essay is going to proceed to the elaboration of gas geopolitics in the region. This elaboration will certainly also include the issue of the construction of gas pipelines and the projects that constantly develop for gas exploitation as well as the interests that exist concerning each one of the projects. The analysis of the interests of the countries, the powers and the companies behind each project will make clear the reason why some projects develop and others planned stop to exist, which is inevitable as country policies mix with economic strategies and profits.
Chapter 4: Through the energy policies of the countries of the Black Sea and Central Asia the present research will try to explain the relations of these countries with each other. In particular, in the forth chapter of the essay the bilateral relations of the producing countries and of countries of the region will be developed. Special attention will be given to the relations of Azerbaijan and Georgia, as Georgia is an important country for the transportation of energy to the West and through which pass most of the pipelines that are directed to the supply of the Western market. In addition, the relations of Azerbaijan with Russia, which have been competing due to collaboration of Azerbaijan with western companies for the exploitation of its reserves and due to its attitude in the issue of the legal regime of the Caspian basin, will be examined. Moreover, this analysis will include the relations of Azerbaijan with Turkey, which is also an important transit route of the resources of the region, and the close relations of Azerbaijan, Georgia and Turkey for the transportation of Azerbaijan’s resources. The relations of Kazakhstan and Turkmenistan, as two of the Caspian littoral states, with two of the most important actors of the region, Azerbaijan and Russia, will be also analyzed separately. Last but not least, as it has been mentioned above, the analysis of Turkish-Russian relations is fundamental for the comprehension of the geopolitical aspect of the exploitation of the Caspian resources, as it has influenced the regional policies and relations a lot.

Chapter 5: The fifth chapter will examine the sources of energy supply for the world’s most important importers of energy. The present research will focus on Europe, as a neighboring region to the examined one and an important international player and energy importer, the United States, as a basic international player of the international system and an important actor of the region because of the participation of American oil and gas companies in the Caspian energy production, and China, as a raising power in the East and a constantly developing country in search of new energy markets in order to achieve energy security. In this regard, the importance of the Caspian gas reserves for their energy security will be explained, in order to proceed to the elaboration of the strategic importance of the Caspian natural gas and the relations of the Caspian countries with the Western and the Asian markets.

Chapter 6: The sixth chapter consists of the conclusions of the conducted research. Firstly, the present research will conclude to the elaboration of the importance of these reserves for the international market, both in the West and in the East. In this way, the policies of important players in the region and their future
development and expectations will be explained. Finally, an interpretation of the implemented policies in the Caspian region according to the most dominant and relevant to the region theory of International Relations will be made, in order to conclude to which theory or combination of theories of International Relations is able to explain the conducted regional policies.
Chapter II: Theoretical Framework

“Theory is useful; it enables, it helps us better to understand what we already know, intuitively, in the first place.” (Abdulhamidova, 2009, p. 17)

2.1. Introduction

The collapse of the Soviet Union and the sudden end of the Cold War found the international community and the political analysts unprepared for such a change in the international political scene. In this regard, in this new post-Cold War era a dominant theory of international relations was difficult to exist due to the constant change of the international system. Ethnic conflicts, the evolution of communications and globalization, and the constant development of the role of regional associations made the analysis of the international relations by one and only dominant theory even more complex. (Dekmejian & Simonian, 2001, p. 4) This is the case of the Caspian region as well, as after the collapse of the Soviet Union it was developed into a complex area where there is a variety of global, regional and local actors and interests that interact.

In particular, after the collapse of the Soviet Union the Caspian region was characterized by the presence of international actors such as the United States, European states, regional powers, international oil companies and financial institutions, and nationalist movements that tried to fill the vacuum of power that the Soviet Union left in the area. As a result, the globalised framework involving external actors and movements within which the Caspian region started to develop cannot be analyzed without reference to the terms of geopolitics, balance of power, neo-realism, neo-liberalism and interdependence. (Dekmejian & Simonian, 2001, pp. 4-5) In this regard, the present research is based on the above mentioned theoretical framework in order to proceed to the analysis of the situation in the post-Cold War era.

In the last decades another important change of the international system is the development of the concept of globalization which affected the International Relations. Globalization is a notion which involves the interaction of international actors worldwide and the development of flows and relationships within them globally. Both in the political and the economical scene the Caspian region has been influenced by the globalized international system as important international actors
have participated in the development of the region in an effort to promote their political and economic interests. As it has been mentioned above, such actors are either foreign companies and institutions, or regional and international powers. The United States, as an international power, is one of the basic external factors which tried to exercise their influence in the region and to promote their political and economic interests (Dekmejian & Simonian, 2001, p. 5).

Apart from globalization another fundamental angle of analysis of the region is geopolitics. As Patrick O’Sullivan describes in his book Geopolitics, as a subfield of political science and geography, “geopolitics focuses on the relationship between territory and power, particularly the influence of geography on state behavior” (Dekmejian & Simonian, 2001, p. 5). In this regard, in the Caspian region geopolitics present particular interest as it concerns the analysis of the relations of the Caspian states, which are influenced by the geographical features of the region especially as far as energy resources and collaborations are concerned. Therefore, the analysis of gas geopolitics of the region is of great importance in order to explain the relations between the Caspian states and the important international actors, the importance of the region regarding its energy resources and its future development.

However, the choice of one theory of International Relations in order to explain the situation in the Caspian region regarding energy depends on the perspective that the topic is analyzed, as every theory can explain only certain aspects of the situation due to its complexity. In the present research it was decided to apply three theories of International Relations. These are neo-realism, neo-liberalism and constructivism with neo-realism and neo-liberalism being the most dominant in contemporary International Relations. The above mentioned theories were chosen, because these theories are considered as the most appropriate and relevant to this research and each of them examines the researched topic from a different perspective giving an overall impression of the researched phenomenon.

The present chapter provides a brief explanation of these theoretical terms and theories of International Relations and a linkage to the Caspian case before proceeding to the analysis of the topic of the dissertation.
2.2. Neo-realism

Political realism is the oldest theory of International Relations. The main emphasis of this analysis is the way states handle and engage the exercise of their national interests. Kenneth Waltz influenced the formation of this theory and of neo-realism consequently, as he framed the main ideas of it. (Abdulhamidova, 2009, p. 17)

According to neo-realism, states are considered as single international actors which try to hold their position in the international system. Neo-realists support that within the international system great powers interact with other states in an anarchic way. (Kouskouvelis, 2004, pp. 65-66; Jackson & Sorensen, 2006, pp. 87-88) According to Kenneth Waltz, the states function more or less in the same way, but what defines the difference between each other is the power that each state has. (Jackson & Sorensen, 2006, pp. 87-88) Simultaneously, states struggle for peaceful coexistence, but also for the preservation of their sovereignty, autonomy and independence. They consider anarchy in a negative way, as they believe that anarchy puts more boundaries on state behavior. (Abdulhamidova, 2009, pp. 17-18; Burchill, 1996, pp. 85-87) However, according to Waltz, states struggle for preservation of their sovereignty, autonomy and independence and for the counterbalance of the power of more powerful states because of the nature of the international system and not because of the mean human nature, as realism supports. (Jackson & Sorensen, 2006, p. 88)

As far as international cooperation is concerned, contrary to realism neo-realists don’t reject it, but they consider that it is difficult to achieve and to maintain and that it depends on state power. More analytically, neo-realists believe that the notions of power (instrument for achieving and protecting national security) and balance of powers (instrument guaranteeing international security) control international relations in the framework of peaceful coexistence, international order and security. (Burchill, 1996, pp. 85-86; Abdulhamidova, 2009, p. 18; Waltz, 1979, pp. 102-128) In addition, in comparison to economic prosperity among the objectives of a state, they consider national security of greater importance and more closely related to the formation of the international system. (Abdulhamidova, 2009, p. 18; Waltz, 1979, pp. 129-193) Finally, apart from the known concepts of national security and balance of power, neorealist theory handles new ones, such as interdependence of
the contemporary world and new types of power. (Jackson & Sørensen, 1999, pp. 87-88)

In this regard, it can be considered that in relation to the Caspian region the powers, both regional and international, that act have as their primary objective the fulfillment of their individual interests. So, in order the complex power balances and inter-state relations of the Caspian region to be explained, the concept of balance of power in the framework of the neorealist theory can be proved a useful theoretical tool. Apart from that, according to neo-realism the distribution of power within a regional subsystem, such as hegemony, bipolarity and multipolarity, and the number of actors that exist in this influence the way states act and interact. (Dekmejian & Simonian, 2001, pp. 6-7) As a result, the equilibrium that is formulated within a system or a subsystem can be lost, if the factors that create it change. In this regard, this is the case of the Caspian region as well. Since the collapse of the Soviet Union the Caspian region has been confronting a vacuum of power that has changed the equilibrium that existed. The struggle among the actors of the region to fill this vacuum of power and to create a new equilibrium can be explained within the framework of the neorealist theory.

2.3. Neo-liberalism

After the end of the Cold War, the change of the bipolar international system had as a result the appearance of liberalism at the international political scene and of neo-liberalism as a contemporary theory of International Relations. In this regard, as a contemporary theory neo-liberalism corresponds more to the changed situation of the international system. New non-traditional threats to security, new problems, new challenges and conflicts are only some of the characteristics of the international system combined with economic globalization and the spread of pluralist democracy. (Jackson & Sørensen, 1999, pp. 48-51) Even though neo-realism includes the concepts of security and conflicts, it lacks of a combined theoretical framework that includes all the above mentioned concepts and the important non-state factors (Wendt, 1999, pp. 15-21). So, neo-liberalism tries to fill this vacuum in the theories of International Relations, as it provides an overall perspective of a peaceful and cooperative international system. In addition, the plurality of actors in the
international system, which neo-liberalism considers and supports, makes this theory also known as pluralism. (Kouskouvelis, 2004, pp. 70-76)

As far as the basic characteristics of neo-liberalism are concerned, in neo-liberalism the main emphasis is given to security as well. However, neoliberals see national security from a different angle, according to which states are not the only and main actors of the international system. They take under serious consideration the existence of international institutions which promote international cooperation and peace, as peaceful and cooperative relations become more valuable and likely than war through interdependence among states and common activities. (Jackson & Sørensen, 1999, pp. 48-51; Kouskouvelis, 2004, pp. 70-76; Abdulhamidova, 2009, pp. 19-21) This is the so-called “neo-liberalism of interdependence”, according to which the plurality of actors in the western societies and in the international political scene creates interdependence among them and does not permit the development of violence. (Jackson & Sorensen, 2006, p. 85) In this regard, neoliberals support the idea of cooperative security according to which security issues can be solved through the participation of international institutions and within the framework of international law and generally accepted moral norms.

In regards to economic issues, neoliberals support the existence of free market without the control and the participation of the state, as they believe that only in this way economic growth can be achieved through competition for the most efficient use of resources, people and capital. In this frame, international cooperation can favor the development of a free market and consequently economic growth. (Burchill, 1996, pp. 35-38, 54-59) According to neo-liberalism “States are concerned with maximizing their ‘absolute gains’ – an assessment of their own welfare independent of their rivals (what will gain me the most?)” (Abdulhamidova, 2009, p. 20). Finally, one important factor in neo-liberalism is the position that moral norms have in international politics, the so-called “democratic neo-liberalism”. Moral norms are considered important force and basis of international politics by neoliberals and are seen as the reason of peaceful relations among democratic states. (Abdulhamidova, 2009, p. 20; Jackson & Sorensen, 2006, p. 86) As a result, the fact that democracy is considered so important for international peace by neoliberals makes them consider their responsibility the promotion of democracy worldwide. (Jackson & Sorensen, 2006, pp. 86-87)

In relation to the Caspian region, neo-liberalism can be proved particularly useful tool of analysis, because after the collapse of the Soviet Union and the
emergence of energy geopolitics in the region it is searched a way of cooperation among the five littoral states in order to maximize the gain of the exploitation of the Caspian energy resources. Economic issues, especially in the energy field, play particular role in the promotion of the interests of both international and regional actors that act in the region. However, energy security is also considered a fundamental issue in the region, which is characterized by conflicts and complex interstate relations. As a result, the concept of cooperative security promoted by neoliberallism can be applied in order to achieve and safeguard the security of the region through economic cooperation (Dekmejian & Simonian, 2001, p. 7). In fact this is the concept of the policy of important actors in the region, such the United States. Generally the United States support the idea of the promotion of democratic values in order to achieve economic cooperation and security in unstable regions and they are considered one of the most important players of the Caspian subsystem, which is in need of a new equilibrium of powers.

2.4. Constructivism

After the end of the Cold War it was developed another contemporary theory of International Relations, constructivism. Constructivism has as its main characteristic the fact that it approaches global politics focusing on the interconnection between the interests of the states and their identities. In other words, constructivism underlines the social character of global politics and international relations. (Reus-Smit, 2009, pp. 209-230) Constructivism is concerned with the role of ideas in the construction of the social life and with showing the socially constructed nature of agents or subjects. (Fearon & Wendt, 2002, p. 57) According to constructivists, this interaction among the actors of the international system is the power that makes the international system function and this interaction is highly influenced by social and not material structures. (Reus-Smit, 2009, pp. 209-230) “The character of international life is determined by the beliefs and expectations that states have about each other and these are constituted largely by social rather than material structures” (Wendt, 1999, p. 20).

In addition, constructivism gives special emphasis on the role of identity in the formation of political actions and on the interdependence of structures and actors of the international system. In particular, they support that social structures form the
identities of political actors and in continuity their interests and actions. As a result, identities and interests of political actors have direct impact on state behavior and so it can be supported that state interest is influenced by social structures and ideas. Moreover, constructivists consider that this interaction on social basis between states can result in more friendly cultures in the anarchic international system, which are also socially constructed. (Reus-Smit, 2009, pp. 209-230; Kouskouvelis, 2004, pp. 98-101; Abdulhamidova, 2009, pp. 21-23)

In relation to the region examined in the present research, the Caspian region is an area which is characterized by different social structures and ideas. After the disintegration of the Soviet Union a multicultural environment was revealed, which includes many different historical influences that in certain cases have direct impact in the present interstate relations of the region and their intrastate situation. So, according to constructivism, the impact which different cultural and social structures can have on the formation of the interests and the decisions of the political actors can provide an interesting aspect of analysis of the bilateral relations of the countries of the region.

2.5. Summary

As it was mentioned above, energy geopolitics in the Caspian region present elements of different theories of International Relations depending on which perspective it is examined under. Considering the most important theories of International Relations, neo-realism, neo-liberalism and constructivism, all contain both strong and weak sides of analysis of the examined situation. This is the reason why being examined in a combined way it is more likely to provide a complete picture of the Caspian energy geopolitics. However, it is essential to bear in mind that each theory is related to a certain aspect of the researched topic. In the following chapters the different angles of energy geopolitics in the Caspian region will be presented and their linkage to the abovementioned theories of International Relations will be analyzed.
Chapter III: The Caspian Sea: Resources and Politics

"The momentum of Asia’s economic development is already generating massive pressures for the exploration and exploitation of new sources of energy and the Central Asian region and the Caspian Sea basin are known to contain reserves of natural gas and oil that dwarf those of Kuwait, the Gulf of Mexico, or the North Sea."

(Brzezinski, 1997, p. 125)

3.1. The Caspian energy reserves

After the collapse of the Soviet Union the issue of the exploitation of the Caspian energy reserves in the former Soviet Republics emerged. In order to continue to the explanation of the importance of the Caspian energy reserves for the global energy market, firstly the difficulties that their exploitation presents have to be mentioned, so as to obtain a general view of the situation in the region and what the countries interested have to face. In particular, the exploitation of these reserves has been facing two important issues that have to be solved. The first issue is the clarification of the legal status of the Caspian basin and the second one is the lack of the adequate infrastructure and pipelines for the transportation of those reserves to the western and eastern markets (Gawdat, 1999, pp. 200-202).

According to the BP Statistical Review of World Energy (2011), proven oil reserves of the five Caspian littoral states total 261.8 billion barrels, while total gas reserves are estimated at 3020.2 trillion cubic feet. This means that in terms of percentages, the five Caspian littoral states have about 18.9 and 45.8 percent of the world’s total proven oil and gas reserves respectively. As it becomes obvious, the Caspian Sea region’s relative contribution to the world supplies of natural gas is larger than this of oil. However, although gas production has been higher than this of oil, it was not developed until after the collapse of the Soviet Union due to factors that will be analyzed in continuity. Regarding the countries of the region, Turkmenistan is the heavily predominant producer between the three newly independent republics of the region with production that reached 42.4 billion cubic meters in 2010 in comparison to 15.1 and 33.6 of Azerbaijan and Kazakhstan respectively. (BP Statistical Review of World Energy, 2011)
Azerbaijan

The Republic of Azerbaijan is located between Europe and Asia having border-neighboring countries Russia, Georgia, and Iran. In the east, Azerbaijan has access to the Caspian Sea, which shares with Russia, Kazakhstan, Turkmenistan and Iran, as it will be described below. The Nakhichavan Autonomous Republic, although it is part of Azerbaijan, is separated from the country by Armenia and borders Turkey and Iran. As it becomes clear by its geographical location, a fascinating history and a complex ethnic heritage of the country are the result of its position. (Karagiannis, 2002, p. 13) Azerbaijan is considered the oldest known oil producing country in the world, but it was not until the early twentieth century that it achieved an oil boom and started the exploitation of its reserves. Due to its position, Azerbaijan also changed dominance several times, as it was the object of disputes between Russia, Turkey and Iran. In recent history, Azerbaijan was part of the Soviet Union until its disintegration, when it became an independent republic (Karagiannis, 2002, pp. 13-15).

As far as its resources are concerned, Azerbaijan has rich natural reserves and a long history of oil and gas exploitation. However, the history of the country is mostly connected to the exploitation of oil in the region, as Azerbaijan is one of the first countries where the exploitation of oil started. Due to the strategic importance of Azerbaijan’s oil industry and of its position, Azerbaijan played an important role in the exploitation and transportation of the “early” and the “main” oil of the Caspian region, whereas gas industry in the country was not developed until recent years. (Karagiannis, 2002, pp. 15-21) Oil and gas reserves in the country are estimated to be the third largest of the Caspian region. More analytically, oil production of the country reached its peak in 1941 at 172 million barrels of oil or almost 75 percent of the production of the Soviet Union. Since then its production had been declining steadily becoming lesser and lesser especially during the last years of the Soviet Union. Only in the late 1990s did discoveries of new oil and gas reserves lead to a change of the situation and to an increase of the production of the country, which was generated by the fact that foreign investment from international partners entered the country. (International Monetary Fund, 2003, pp. 10-15) In 1999, Azerbaijan’s natural gas consumption and production was 212 billion cubic feet (bcf). However, the discovery of Shah Deniz field created new Azeri expectations of increase of its
production and of becoming an important exporter of the Caspian natural gas. (Ghafouri, 2008, p. 84)

The management of the resources of Azerbaijan is operated according to categories. Soviet-era oil and gas fields were operated by the state oil company (SOCAR) with weak prospects for a further expansion of their production. However, after the development of the Western interest for the region and the entrance of international companies, most of the new fields are being developed and managed under the leadership of international partners and the income from these operations is shared with the government according to pre-determined production sharing agreements (PSAs) (Yakemtchouk & Vignes, 1999, pp. 39-49; Karagiannis, 2002, pp. 19-21; International Monetary Fund, 2003, p. 10). As it becomes clear, this type of management of the Azeri resources reassures the change of management of its energy sector under the umbrella of a more neoliberal character.

More analytically, Azerbaijan has signed several PSAs for the exploration and exploitation of the country’s reserves. The beginning of these agreements was made in 1994, when the government signed its first foreign-partnered PSA, popularly known as the “Contract of the Century” with the international consortium, the Azerbaijan International Operating Company (AIOC), in order to develop the Azeri, Chirag and Guneshli (AGG) oil fields in the Azeri sector of the Caspian Sea. (International Monetary Fund, 2003, p. 10; Yakemtchouk & Vignes, 1999, p. 44; Karagiannis, 2002, p. 19) Since then a significant number of other PSAs has been signed and ratified for the exploration of the resources of the country. However, some of them have been abandoned due to lack of viable oil and gas deposits, while others are left under discussion. In 1999, potential recoverable natural gas resources in excess of 14 trillion cubic feet were confirmed in the Shah Deniz field, reportedly the largest natural gas discovery since 1978. This discovery created new expectations for the development of PSAs and the position of the country in the gas exploitation industry. (International Monetary Fund, 2003, p. 10)

Finally, the discovery of important gas reserves in the country is not enough in order to safeguard an important position of Azerbaijan in the energy market. As all the Caspian newly independent republics, Azerbaijan has to overcome several problems in order to proceed to the full exploitation of its reserves, which will be analyzed in continuity. Such problems are the legal status of the Caspian basin and the transportation of Azerbaijan’s energy resources to the international markets via
pipelines, which is one of the most controversial and pressing issues in the post-Cold War era.

**Kazakhstan**

Kazakhstan is also one of the independent republics that were formed after the collapse of the Soviet Union in the Caspian region. During the Soviet period, Kazakhstan lost some of its territory. China's Xinjiang and Uzbekistan's Karakalpakstan regions are such examples. It shares borders with Russia, Uzbekistan, China, Kyrgyzstan and Turkmenistan. While located primarily in Asia, a small portion of Kazakhstan is also located in the west of the Urals in Eastern Europe.

As far as energy is concerned, Kazakhstan owns large reserves of energy resources, and therefore the energy policy of Kazakhstan has influence over the world's overall energy supply. Kazakhstan's president Nursultan Nazarbayev has claimed that Kazakhstan will become an important factor of energy security in Asia and Europe, even though Kazakhstan is not considered as an energy superpower (Alexander's gas and oil connections, 2006). In this regard, Kazakhstan has a strategic geographical location which permits the country to control oil and gas flows from Central Asia in the East (China) and in the West (Russia, global market) (Nichol, 2009, pp. 13-19, 23-30). As a result of its strategic location and its energy policy, Kazakhstan is a partner country of the EU INOGATE energy program, which has four key topics: enhancing energy security, convergence of member state energy markets on the basis of EU internal energy market principles, supporting sustainable energy development, and attracting investment for energy projects of common and regional interest (Inogate, 2011). The participation of Kazakhstan in this program can be used also as an example of a neoliberal policy, according to which participation in international organizations and programs promoting moral norms is fundamental for the promotion of energy security, cooperation and stability.

While oil deposits in Azerbaijan have been known almost since time immemorial, oil was unknown in the Kazakh steppes until the end of the twentieth century. However, the exploitation of Kazakhstan’s oil under the Soviet Union was limited, even though Kazakhstan—and the Caspian basin in general—were the de facto “strategic petroleum reserve of the Soviet Union”. Although discovered in the 1970s and 1980s, the large energy deposits of the Caspian basin remained mostly
undeveloped until the 1990s, with the exception of the giant Tengiz field, whose exploitation began in late 1980s as part of Mikhail Gorbachev’s policy to open its market to the West in the framework of a more neoliberal policy. After the collapse of the USSR, Russia attempted to keep strategic control over the direction of oil exports from the Caspian basin in general and from Kazakhstan in particular, which failed due to the difficult economic situation that Russia was in, and so major international oil companies moved to the region. Nowadays, Kazakhstan and Russia are cooperating on the development of oil and gas fields across their respective maritime sectors. (Cohen & Rosner, 2006, pp. 1-4)

Globally, Kazakhstan’s principal economic value and role is that of a major oil and gas producing economy. In 1990, Kazakh oil production was 519,000 barrels per day and this of gas 8.2 million cube meters per year. These quantities were not enough to cover even the needs of the country itself, which remained large importer of the Russian oil. However, the discovery of new reserves and their exploitation opened new horizons. The Kazakh resources of oil are offshore under the Caspian Sea and onshore in the north of it. (Yakemtchouk & Vignes, 1999, p. 50) These proved reserves are estimated to 5.5 thousand million tons of oil and to 1.8 trillion cube meters of gas. Exports of oil are projected to rise from 1 million barrels per day in 2005 to an anticipated 3 million barrels per day in 2015, while Kazakhstan’s natural gas production increases are expected to come primarily from associated natural gas in its three largest fields, Tengiz, Karachaganak and Kashagan. (Cohen & Rosner, 2006, p. 7; Ghafouri, 2008, pp. 84-85)

Finally, Kazakhstan has to confront the same problems with the other Caspian energy producing countries as well. Its strategic location between the East and the West offers the country the opportunity to choose among several possible routes to export its reserves, but it also creates a complex participation in pipeline diplomacy, which will be analyzed below.

**Turkmenistan**

Turkmenistan is one of the Turkic states in Central Asia. Until 1991, it was a constituent republic of the Soviet Union, the Turkmen Soviet Socialist Republic (Turkmen SSR). Turkmenistan is one of the six independent Turkic states. It is bordered by Afghanistan in the southeast, Iran in the south and southwest, Uzbekistan
in the east and northeast, Kazakhstan in the north and northwest and the Caspian Sea in the west.

The energy sector represents one major feature of the Turkmen economy. In the end of 1991, Turkmenistan produced more than 84 billion cubic meters of natural gas and 4828 million cubic meters of crude petroleum. Turkmen oil and gas, which were estimated at about 80 and 64 per cent respectively of Central Asia’s total oil and gas reserves (excluding Kazakhstan) in 1992, were sent to the European part of the Soviet Union, which was incapable of covering its energy needs without importing oil and gas from other regions of the Union. The transportation of these reserves was based on the intra-Soviet pipeline system which existed since the Soviet times in order to serve its needs and continued to be used in energy trade in the post-Soviet era under the de facto control of the Russian Federation. (Anceschi, 2009, p. 66)

The European part of the former Soviet Union has been a vital energy market for Turkmenistan since 1992, as its neighbors (Kazakhstan, Uzbekistan and Iran) have their own resources and they do not need to import energy. This is the reason why this market became extremely important for the Turkmen economy and gas exports were destined to distant partners such as Ukraine. As a result, Turkmenistan became entirely dependent on the Russian pipeline system because of the distinctive geographical position of its gas trade. In the framework of its dependency on the Russian Federation, the administration of Turkmen gas was under the control of Gazprom, the national gas company of the Russian Federation. This dependency created many problems to the Turkmen gas industry and economy, as it was forced to proceed and accept several unsatisfying agreements. As a result of this situation, Turkmenistan was forced to accelerate the construction of new infrastructure in order to diversify the geography of its gas exports and diminish Russia’s monopoly over the transit of Turkmen gas exports. The policy that Turkmenistan followed will be examined below more analytically in the chapter of pipeline diplomacy in the region. (Anceschi, 2009, pp. 86-87)

Nowadays, the latest study in May 2011 stated that the South Ыолөтен gas field in Turkmenistan is now estimated as the world's second largest gas field in terms of gas-in-place, as the estimated reserves in South Ыолөтен are about 21 trillion cubic meters. (Solovyov, 2011) Regarding its energy management, the Turkmenistan Natural Gas Company (Türkmengaz), under the support of the Ministry of Oil and Gas, controls gas extraction in the country, which is the most dynamic and promising
sector of the national economy. In 2010 Ashgabat started a policy of diversifying export routes for its resources. China is set to become the largest buyer of gas from Turkmenistan over the coming years as a pipeline linking the two countries, through Uzbekistan and Kazakhstan, reaches full capacity. In addition to supplying Russia, China and Iran, Turkmenistan also took concrete measures to accelerate progress in the construction of the Turkmenistan-Afghanistan-Pakistan and India pipeline (TAPI). On 21st May, President Gurbanguly Berdymukhammedov unexpectedly signed a decree stating that companies from Turkmenistan will build an internal East-West gas pipeline allowing the transfer of gas from the biggest deposits in Turkmenistan (Dowlatabad and Ыюлөтөн) to the Caspian coast. The East-West pipeline is planned to be around 1000 km long and have a carrying capacity of 30 bn m³ annually, at a cost of between one and one and a half billion US dollars. (D’Amato, 2010; Nichol, 2009, pp. 36-38)

3.2. The legal status of the Caspian Sea

One of the main obstacles to the exploitation of the oil and gas energy reserves of the Caspian Sea is the clarification of its legal status. The history of the legal problem of the Caspian basin can be divided into two periods; the pro-soviet and the soviet period up until 1991 and the post-soviet period after the disintegration of the Soviet Union. After the collapse of the Soviet Union in 1991 and the emerging strategic interest of the region, the issue of the legal status of the Caspian Sea emerged. Up until then the exploitation of the Caspian Sea was based on agreements between the Russian and the Persian empires and afterwards between the Soviet Union and Iran. (Gawdat, 2006, p. 971; Ghafouri, 2008, pp. 85-86) In more detail, up until 1921 Moscow had the only right of navigation of the Caspian Sea. According to the Friendship Treaty of 1921 and the Treaty of Commerce and Navigation of 1940 between Moscow and Tehran this situation changed and the Caspian Sea was considered as a closed sea to the rest of the world and it was open only to these two countries for military and commercial navigation with the prerequisite that the Iranian crews would include only Iranian citizens. (Ghafouri, 2008, p. 86) Although, according to the Treaty of Commerce and Navigation of 1940, the two sides had exclusive fishing rights in a 12-mile zone along their coasts and common rights for
exploitation of its mineral reserves, there was no clarification about the exploitation of the mineral deposits under the seabed. (Gawdat, 2006, p. 971)

After the collapse of the Soviet Union and the emergence of the three former Soviet Republics, the application of these Treaties was strongly questioned and the issue of the definition of the Caspian Sea as a body of water emerged. The main debate was whether the Caspian Sea should be considered as an “enclosed sea” or a “lake”. (Gawdat, 2006, p. 971) According to the United Nations Convention on the Law of the Sea (UNLOS) of 1982, in the case of an enclosed sea a 12-mile zone from the coast is considered territorial waters and, beyond that, nations have the right of a 200-mile exclusive economic zone. So each bordering country would own reserves whose proportion would be determined by the length of its coastline. As an “enclosed sea” is defined “a gulf, basin or sea surrounded by two or more States and connected to another sea or the ocean by a narrow outlet or consisting entirely or primarily of the territorial seas and exclusive economic zones of two or more coastal States” (Article 122) (United Nations Convention on the Law of the Sea, 1982). However, it is difficult the Caspian Sea to be considered as an enclosed sea as its only connection to the Black Sea is through the artificial Volga-Don Canal which is not a salt-water body. According to the same Convention, in case of a “lake”, there should be established maritime boundaries of the five interested states based on an equidistant division of the sea and undersea resources into national sectors. (Ghafouri, 2008, pp. 86-87)

The first hypothesis was difficult to become acceptable by Russia and Iran, as Iran would receive 13 per cent of the reserves, as opposed to 20 per cent in the second case and the same would happen with Russia as well, while Azerbaijan supports the first hypothesis, because of its position. (Percebois, 2008, pp. 49-50) As it was natural the issue resulted in a great debate about which should be the legal status of the Caspian Sea.

More analytically, Azerbaijan supports the case of the “enclosed sea” both because of the size of the Caspian Sea and of its salty waters and proposes the application of UNLOS. As far as Kazakhstan is concerned, at first it supported the same side with Azerbaijan, as it has also important underwater reserves, but in continuity it became vulnerable to the Russian pressure, because of its large number of Russian citizens in the country in ‘90s and its will to promote their energy cooperation. So, Kazakhstan resulted to be in favor of the division of the seabed on a
median-line basis and a common use of the surface. Turkmenistan was also in favor of the Azeri side at the beginning, but it changed once more its policy after 1994 for political reasons as well, which will be explained in the forth chapter. The proposals of Turkmenistan changed many times during the ‘90s following generally the Russian and Iranian side for equal exploitation of the Caspian Sea. Its dependence from Russia for the transportation of its natural gas and its dispute with Azerbaijan regarding the demarcation of their national zones and ownership of the Kyapaz oil field brought the country even closer to the Russian-Iranian side. (Ghafouri, 2008, pp. 87-88; Gawdat, 2004, pp. 123-124)

Regarding the Russian side, as it has been mentioned above, Russia initially supported that the legal regime of the Caspian Sea is submitted to the Soviet-Iranian agreements of 1921 and 1940, which favored the common exploitation of the mineral reserves and permitted exclusive fishing rights to the newly Independent Caspian States in a 12-mile distance. In particular, Russia believed that the Caspian Sea has no natural link to the ocean or other seas and as a result the application of the international maritime law for enclosed seas was inadequate to this case. However, a great ambiguity can be noted in the Russian policy to the matter during ‘90s. Although Russia tried to block the exploitation of the Caspian reserves by Azerbaijan and Kazakhstan at first, its objective for the participation of the Russian oil companies in the exploitation of the Azeri reserves led to a more compromising proposal. In 1996, Russia proposed the acceptance of a 45-mile coastal zone and acknowledged the rights of the littoral states to exploit the mineral resources in their zones. However, this proposal was not accepted by Azerbaijan. (Ghafouri, 2008, pp. 87-89; Gawdat, 2004, p. 125; Yakemtchouk & Vignes, 1999, p. 104)

As a result, in the absence of a formal agreement among the five countries, some of them have proceeded to bilateral agreements to clarify their positions. In 1998 and 2001 Russia signed bilateral agreements with Kazakhstan and Azerbaijan respectively dividing the northern part of the seabed of the Caspian Sea along a modified median line for its exploitation and foreseeing the common use of the surface waters. Finally, in May 2003 Russia, Kazakhstan and Azerbaijan proceeded to the sign of a final trilateral agreement for the division of the northern 64 percent of the seabed on a median-line basis receiving 19, 27 and 18 percent of the divided part respectively, which solved many problems concerning the future exploitation of the reserves of the Caspian Sea and permitted the developments of several projects that

The change of the Russian policy can be explained by several key factors. First of all, one reason is the participation of Western oil companies in the exploitation of the Kazakh and Azeri oil and gas reserves and the possible elimination of the Russian oil companies from the exploitation of the region. Changing its policy Russia tried to stay present at the exploitation of the reserves of the region both economically and politically. (Ghafouri, 2008, pp. 88-89) As it becomes clear, its active economic participation in the region and the above mentioned trilateral agreement deprives the two countries of the right to proceed to common naval exercises with other third country outside of the 12-mile zone and to permit the implementation of NATO forces. For Russia this achievement was a serious security issue especially after the interest of the United States of America for the region and the rumors for a future implementation of a NATO naval base in Azerbaijan in ‘90s.

Last but not least, Iran follows a less compromising policy to the matter, as it strongly supports the application of the 1921 and 1940 Soviet-Iranian treaties. As a matter of fact, Iran supports either the condominium approach of common exploitation and management of both the seabed and the waters outside the 12-mile zone or the division of the sea into national sectors in which each state has full sovereignty. It supports the second one basically for economic reasons, as in this way it creates a buffer zone between Iran and Russia and limits Russian rights, which has a strong naval presence in the Caspian Sea. On the other hand, the division into national sectors gives Iran only 12-13 percent of the deepest part of the sea where there are few oil and gas resources. (Ghafouri, 2008, pp. 89-90; Gawdat, 2004, pp. 125-126) Therefore, Iran insists mostly in the condominium option and refuses to recognize any of the agreements signed by Azerbaijan and Kazakhstan with foreign companies, although their presence in the region creates a de facto situation in favor of Azerbaijan and Kazakhstan which is difficult to change in the future. Given this as a fact, the Iranian tough policy probably aims at achieving better participation of its companies in the exploitation of Azeri reserves. (Gawdat, 1999, pp. 202-203) Finally, regarding Turkey, another important regional actor, it fully supports the Azeri side to the matter and the division of the Caspian Sea into national sectors. (Dekmejian & Simonian, 2001, p. 111)
Nowadays, the five states have not agreed yet whether to define the Caspian as a sea or a lake. The main point of confrontation is the uneven distribution and exploitation of the potential oil and gas resources in the basin. This is the reason why the exploitation of the Caspian Sea is being held by a de facto regime based on ambitious and expensive deals between international companies and the state governments developing the Caspian offshore fields. (Gawdat, 2006, p. 972) However, the lack of the required pipelines for the transportation of these resources to the global markets is an important factor that leads to the development of the so-called pipeline diplomacy of the region, as it will be examined below.

In relation to the theoretical framework that was given at the beginning of this research, the issue of the legal status of the Caspian basin shows that neo-realism is the most appropriate theory to explain this situation. The above analysis of each country’s policy to the matter shows that states struggle for the preservation of their sovereignty and their interests, even though they support peaceful cooperation. The issue of the legal status of the Caspian basin and the problems that this causes to the exploitation of the Caspian energy reserves prove that states such as Iran, Azerbaijan and Russia are not always ready to quit from their interests and their rights for peaceful economical cooperation. However, the fact that Russia, Kazakhstan and Azerbaijan proceeded to bilateral agreements in order to manage a cooperative level, as this was of their interest, also shows that states do believe that complete anarchy limits their behavior and that they should find a way of cooperation in order to promote their interests. Finally, Kazakhstan’s and Turkmenistan’s change of policy to the matter gives also the opportunity of a neorealist analysis of the region, as it becomes obvious that the distribution of power within a regional subsystem and the number of actors that exist in it influence the way states act and interact.

### 3.3. Pipeline diplomacy

Apart from the legal status of the Caspian Sea one other problem concerning the exploitation of the energy reserves of Central Asia is the construction of pipelines. The expense of building new infrastructure, geopolitical considerations and unresolved frozen regional conflicts make the construction of pipelines more complex. However, the important oil reserves have led to the construction of several oil routes, while the increasing interest for the exploitation of the gas reserves of the
region leads to many proposals for the upgrade of the existing routes and the construction of new pipelines especially in the East where new markets develop such as China (see appendix 1). (Karagiannis, Energy and security in the Caucasus, 2002, pp. 137-138; Le Billon, 2005, pp. 162-164)

As the main subject of the present research is the Caspian gas energy reserves, the analysis will not proceed to an extended presentation of the oil routes of the region. Main goal of the present chapter is the analysis of gas geopolitics in the region through the examination of the existing and the future projects of gas routes and the interests that formulate each project.

In brief, as far as oil routes are concerned, in relation to the West one oil route is this to the Mediterranean Sea via Georgia and Turkey. This route includes the Baku-Supsa pipeline and the Baku-Tbilisi-Ceyhan (BTC) pipeline which was constructed with the support of the United States of America, despite the lack of support of the oil companies, in an effort of the United States to create multiple energy routes, to diminish the role of Iran in the area and to favor Turkey which is considered an ally that the United States can rely on. (Gawdat, 1999, pp. 204-205; Cohen, 2006, pp. 3-4; Talus, 2011, pp. 29-30) Another oil route is this to the North and Northwest via Russia. The competition for the export of the Caspian oil has imposed to Russia the creation of new pipelines, as it aims at becoming a transit center for the Caspian oil. This is the reason why the Caspian Pipeline Consortium from Tengiz to Novorossiysk and the Baku-Novorossiysk pipeline via Chechnya developed, which due to the conflict in the region was supplemented by a Chechnya bypass pipeline. (Gawdat, 2004, pp. 119-120) Other possible pipeline routes are the southern to the Persian Gulf via Iran, the southeastern to Pakistan via Afghanistan and the eastern to China from Kazakhstan. (Gawdat, 2004, pp. 119-120)

In relation to the existence of natural gas reserves (see appendix 4), the majority of these are located in the east side of the Caspian Sea in remote areas in Turkmenistan and Kazakhstan. This distance from markets, the lack of infrastructure and the regional conflicts have made their exploitation more difficult. Despite the difficulties, however, the amounts of reserves in the region and their importance have developed an increasing interest about the construction of more energy routes lately. (Gawdat, 2004, pp. 120-121) One existing route has been in the Northwest via Russia, which was the only option of export of Caspian natural gas until 1997. The Russian route includes the Yamal-Europe pipeline that carries gas from Russia to Poland and
Germany via Belarus, the Blue Stream, which connects the Russian system to Turkey underneath the Black Sea (Victor & Victor, 2006, pp. 122-125; Gawdat, 2006, p. 970; Percebois, 2008, p. 47), and plans for the construction of a north European gas pipeline which would bypass Poland and the Baltic states under the Baltic Sea from St Petersburg to northern Germany, then across the Netherlands and the English Channel to the United Kingdom. Given the Russian pressure and influence in the region as well as the Russian energy reserves and import capabilities, it becomes easily obvious the interest of Russia in supporting, maintaining and developing all these projects. (Gawdat, 2006, p. 970; Percebois, 2008, pp. 47-48) In addition, in 2007 Russia agreed with Kazakhstan and Turkmenistan to the construction of a natural gas pipeline that would carry gas from Turkmenistan to Russia via Kazakhstan, as Russia had already been an important buyer of Turkmen gas. (Ghafouri, 2008, p. 94; Cohen, 2006, p. 5)

Another route is to the West via Georgia to Turkey. Turkey is considered an important market and, apart from that, gas can be transported from Turkey to the European markets, whose interest for the region will be explained in continuity. In other words, Western interest for energy supply from the Caspian reserves has led to the promotion and support of this energy route in order to counterbalance Russia’s presence and influence in the region and to achieve diversification of suppliers in the framework of the Western energy policy. One such example is the construction of the Turkey-Greece-Italy pipeline (TGI) which is now developing. Another already existing pipeline is the South Caucasus Pipeline (SCP) which transfers gas from Azerbaijan to Turkey through Georgia. (Cohen, 2006, pp. 5-6; Talus, 2011, p. 30; Gawdat, 2004, p. 121) Apart from that, Nabucco is another developing project which is aimed at transferring natural gas from the Caspian Sea (mainly Azerbaijan) to the European Union by crossing Turkey, Romania, Bulgaria, Hungary and Austria. This project is obviously against the Russian interests and therefore led Russia to take the initiative to sign long-term supply agreements with Kazakhstan and Turkmenistan in 2007. Nabucco has been a direct competitor of a proposed pipeline called South Stream that would transfer natural gas across the Black Sea through Bulgaria and then to Central and Southern Europe. Basic supplier of this pipeline would be Russia, apart from Kazakhstan and other Central Asian producers, and therefore Nabucco is considered competitive to Russian interests. (Talus, 2011, pp. 30-31; Percebois, 2008, pp. 48-49) Finally, another proposal is the upgrade of the existing Central Asian
Pipeline which transfers an important amount of the east Caspian natural gas to the Russian natural-gas pipeline system. (Ghafouri, 2008, p. 94)

Other possible energy routes are the southern to Turkey via Iran, the southeastern to Pakistan via Afghanistan or Iran, which has failed several times in the past and is currently again under discussion, and the Trans-Caspian Western routes from Turkmenistan to Turkey via Azerbaijan and Georgia, which has been led to failure lately. Turkmenistan, as the most important energy producer of the region, plays a fundamental role in all these energy routes. The southern gas route via Iran aims at transferring natural gas of Turkmenistan to Iran and Armenia and the pipeline developed in this route is its first effort to bypass Russia in Central Asia. Turkmenistan has made other efforts as well to promote its natural gas reserves to other routes than the West. Such an example is the Central Asia Gas Pipeline via Afghanistan to Pakistan, whose development, however, is questioned due to the unstable environment of the region. (Gawdat, 2004, pp. 121-122) In fact, this is another possible route called Trans-Afghan Pipeline, which can lead either in the south to the Persian Gulf via Iran or in southwest to Afghanistan. However, each option has its disadvantages, the Afghan one due to security reasons given the political situation in the area and the Iran option due to the Iran-Libya Sanctions Act. Finally, the Trans-Caspian Gas Pipeline route from Turkmenistan to Turkey through Azerbaijan and Georgia is another possibility which, however, has stopped developing because of payment and price issues. (Percebois, 2008, p. 50; Ghafouri, 2008, p. 94; Cohen, 2006, pp. 5-6)
Chapter IV: Energy interstate relations

“At the crux of Caspian geopolitics is the network of relations among the five riparian states.” (Dekmejian & Simonian, 2001, p. 74)

In the present chapter there were chosen Azerbaijan and Russia as the cornerstone of the analysis of the bilateral relations of the states of the Caspian region and of their neighboring countries. The choice of these two countries was made due to their importance for the Caspian energy sector and for the formation of the Caspian geopolitics. Azerbaijan constitutes an important producer and exporter of the Caspian energy reserves, while Russia apart from its energy capacity is considered one of the most influential actors in the region because of its historical and cultural bonds with it. In relations to the legal status of the Caspian basin, these two countries can be considered representatives of each one of the debating sides, which has as a result the formation of certain alliances concerning the bilateral energy relations, as it will explained in continuity. So, firstly the present chapter will proceed to the examination of the Azeri bilateral relations with the important regional actors and, secondly, to the analysis of the Russian interstate relations with the Caspian independent republics and Turkey.

4.1. Azerbaijan

4.1.1. Azerbaijan-Georgia

Georgia is an important regional actor in the Caspian subsystem, as it constitutes one of the main transit countries of the region for oil and natural gas from the Caspian energy producing countries to the western markets. Having as its basic goal to participate as an ally to the western foreign policies in Central Asia and Caucasus, Georgia considers itself as a basic Euro-Asian corridor for the energy projects. Its amicable relations with both Azerbaijan and important international actors, such as the United States, had as a result the cooperation of the country with Azerbaijan for the transfer of its energy reserves in the West in order to facilitate the bypass of Armenia, where there is one of the frozen conflicts of the region in Nagorno-Karabakh, and to safeguard regional energy security.

In this regard, the relations of the two countries are considered amicable and cooperative especially in the energy field. The fulfillment of the Baku-Tbilisi-Ceyhan
oil pipeline and of the South Caucasus Pipeline and Nabucco gas pipelines reaffirms the above statement. In both cases Georgia is considered as an alternative route, as the Azeri-Armenian relations continue to be in tension and a possible cooperation of these two countries would put the security of the pipelines in danger.

Apart from the cooperation in the energy field, these two countries are also participants in the GUUAM organization after a Georgian initiative for the collaboration of the regional states and the promotion of their common interests at a regional level. Azerbaijan and Georgia have also proceeded to discussions with Ukraine for the development of a battalion of troops in order to safeguard the security of the Baku-Ceyhan pipelines in their territory. (Dekmejian & Simonian, 2001, pp. 112-114; Karagiannis, 2002, pp. 144-148)

The Azeri and Georgian bilateral relations can be explained by a neo-liberal approach of international relations, as the two countries promote their cooperation through their participation in international or regional organizations and by creating economical bonds between them, in order to safeguard regional security and the fulfillment of their interests.

4.1.2. Azerbaijan-Turkey

Azerbaijan constitutes one of the most important energy producers of the Caspian region and Turkey is a country which has tried to play a critical role in the Caspian and Central Asian region. The collapse of the Soviet Union was perceived by Turkey as an opportunity to develop a new role in its neighborhood and to promote its interests and these of its allies. (Dekmejian & Simonian, 2001, p. 107) As it was analyzed in the chapter of pipeline diplomacy, in the energy field, Turkey tried and succeeded important cooperation with the regional actors becoming an important alternative route for the pipelines to pass and transfer oil and gas resources to the West.

In relation to the bilateral relations of these two countries, these are characterized by Turkey’s policy and intentions to increase its influence in the region and to become indispensable transit country of the Caspian energy reserves. In this framework, in early 1990s Turkey promoted the development of a pipeline connecting Baku and the oil terminal of Yumurtalik in the Gulf of Ceyhan for the transfer of the Azeri oil. However, in 1993 the change of government in Azerbaijan had as a result
the cancellation of the above described agreement. (Dekmejian & Simonian, 2001, p. 110)

As a result of the above development, Turkey’s strong will to participate in the transfer of the Azeri oil from Baku to Ceyhan in order to promote its regional interests led the country to press in this direction by restricting oil tanker transit through the Bosporus Straits. Its main argument was that the increased traffic of the Azeri and Kazakh oil tankers could have catastrophic results for Istanbul in case of an accident. Apart from this decision Turkey proceeded also to an organized campaign promoting its indispensable role in the region and its advantages as a transit route in relation to Iran and Russia for the West. However, despite the improvement of the bilateral relations between Azerbaijan and Turkey and the support of the project by the United States it was not realized until 1999, when Azerbaijan committed itself in the agreement. (Dekmejian & Simonian, 2001, p. 110; Karagiannis, 2002, pp. 155-156)

Nowadays, the cooperation of the two countries in the energy field has not remained in the Baku-Tbilisi-Ceyhan oil pipeline, but it has proceeded to the construction of the South Caucasus Pipeline and plans for the construction of the Nabucco gas pipeline, which will transfer Azeri gas to the western markets and have been analyzed in the third chapter.

4.1.3. Azerbaijan-Georgia-Turkey

When the exploitation of the main Caspian oil began in 1992, one important issue that arose was the transfer of this oil to the western markets. The existing pipeline system was not enough in order to transfer the increasing amounts of oil from Azerbaijan. As a result, there were three proposals for the construction of a new pipeline, each one based on different interests. The first option was the construction of a supplementary to the already existing pipeline from Baku to the Russian Black Sea port of Novorossiisk. The second option was also a complementary pipeline to the one from Baku to the Georgian Black Sea port of Supsa and the final option was the construction of a new pipeline from Baku to the Turkish Mediterranean port of Ceyhan. Due to the cost of the third option and despite the support of the United States, in 1997 it was decided the construction of the first option. However, this option had some security problems as the first pipeline from the Soviet era passed
through the insecure region of Chechnya and this fact was an important obstacle for its construction. (Karagiannis, 2002, pp. 28-31)

In the meantime, Turkey’s will to promote the third option and itself as a basic transit route in the Caspian region favored the development of amicable relations not only between Turkey and Azerbaijan, but also with Georgia. In this way, the three countries could provide an important alternative for the transfer of the Caspian resources to the western markets. So, in 1999 the Baku-Tbilisi-Ceyhan pipeline became a reality, bypassing Armenia which had problematic relations both with Turkey and Azerbaijan. The construction of this oil pipeline with the blessing of the United States of America reaffirmed the cooperative relations of the three countries in the energy field and promoted their future cooperation in other projects as well, such as the South Caucasus and Nabucco gas pipelines. (Karagiannis, 2002, pp. 142-143, 147-148; Dekmejian & Simonian, 2001, pp. 110-111)

4.1.4. Azerbaijan-Kazakhstan

The bilateral relations of these two countries do not present serious points of tensions, as the two counties share common ethnic and religious backgrounds and interests up to a certain degree. Both countries are members of several organizations such as the Coordinating Council of Central Asian Leaders, the Commonwealth of Independent States (CIS), the Caspian Sea Cooperation Organization and the Economic Cooperation Organization. (Dekmejian & Simonian, 2001, p. 90)

As energy producers, Azerbaijan and Kazakhstan share also the same issues and problems concerning their energy resources, their foreign policy and problems with ethnic minorities. Regarding their cooperation in the energy field, since their independence the two countries have proceeded to bilateral agreements and a declaration of “strategic partnership” as well as to a memorandum concerning the transportation of Kazakh oil through the Caspian region via Azerbaijan in 1997. According to this agreement, a pipeline of 2500km long transfers oil onshore from western Kazakhstan to Turkmenbashi and then offshore to Azerbaijan. In addition, Kazakh oil is transferred also by tankers to the port of Baku and from there to Georgia. Cooperation between the two countries had also been agreed about the trans-Caspian pipeline which would supply the Baku-Ceyhan pipeline, but finally it didn’t proceed. (Dekmejian & Simonian, 2001, pp. 90-91)
As far as the legal status of the Caspian Sea is concerned, generally both countries followed common policy on the issue supporting the division of the sea into national sectors. However, in 1996 they differentiated their posture temporarily, as Kazakhstan supported the joint use of both the surface of the sea and its resources, while Azerbaijan insisted on the division of both sectors. (Dekmejian & Simonian, 2001, p. 91; Ghafouri, 2008, p. 87)

As it was explained above, the cultural and social bonds between the two countries influenced their cooperation, so here it can be found an argument for the support of the constructivist theory of analysis of international relations. However, this framework concerns only a limited extent of the analysis, as their bilateral relations were formed basically by the common energy interests of the countries and their cooperation in the transfer of energy reserves and less by their cultural bonds.

4.1.5. Azerbaijan-Turkmenistan

The Azeri-Turkmen relations cannot be considered amicable despite their cultural ties and common interests and cooperation in the energy field. In particular, both Azeri and Turkmen are Oguz Turks and they have close connections in their languages. (Dekmejian & Simonian, 2001, p. 92) In this framework, their lack of cooperation despite their cultural bonds weakens the possibility of the implementation of constructivism as a basis of analysis of the bilateral relations of the region.

In the economic field, the ferry-boat system between Baku and Turkmenbashi offers a connection between Transcaucasia and Central Asia and a reason for cooperation of the two countries. In regards to energy, Turkmenistan constituted the basic gas supplier of Azerbaijan during the Soviet era, although cooperation was broken in this field due to Azerbaijan’s inability to pay for these supplies. Apart from that, their relations present controversies in relation to the legal status of the Caspian Sea, their sea boundaries and pipeline projects. (Dekmejian & Simonian, 2001, pp. 92-93)

In particular, by the time Turkmenistan showed its interest to the exploitation of its Caspian energy reserves, Azerbaijan had already signed contracts with important oil companies and had been exploiting Caspian oil of offshore fields. As the legal status of the Caspian Sea was still unclear in 1990s, Turkmenistan considered the fields that Azerbaijan exploited part of the Turkmen sector and so demanded the
immediate stop of Azerbaijan’s activities in the area. As a result, a dispute concerning
the exploitation of these questioned sectors began in 1997. (Dekmejian & Simonian,
2001, p. 93) Meanwhile, it should be mentioned that in relation to the issue of the
legal status of the Caspian Sea, initially in 1994 Turkmenistan supported the division
of the Caspian Sea into national sectors like Azerbaijan and Kazakhstan did, but later
it changed its policy supporting the Russian side in an attempt to come closer to
Russia and because of its dispute with Azerbaijan. (Ghafouri, 2008, pp. 87-88; Dekmejian & Simonian, 2001, pp. 93-94)

The relations between the two countries became even more tentative in 1997,
thanks to a contract between the Azerbaijani SOCAR company and the Russian
ROSNEFT and LUKOIL companies for the exploitation of an offshore field in the
east to Baku, whose ownership was also controversial. (Soldatkina, 2010, pp. 37-41)
The result of this dispute was the development of a joint commission which agreed to
the division of the Caspian Sea into national sectors along the median line. This
agreement opened a new are in the bilateral relations of the two countries which tried
to proceed to a cooperation for the construction of a trans-Caspian gas pipeline.
However, Azerbaijan’s claims for the half of the capacity of the gas of the pipeline,
while Turkmenistan was willing to give only one sixth of it, resulted to the
cancelation of the project and the increase of their competition in the gas producing
sector. (Dekmejian & Simonian, 2001, p. 94)

As a result of the above analysis, it becomes clear that the failure of
cooperation of the two countries lies basically in the economic and energy sector due
to their controversial interests. This fact strengthens the argument of the neo-realist
approach that countries have as their primary objective the increase of their power and
that the promotion of their interests and cooperation is difficult to achieve and to
maintain, as it depends on power.

4.2. Russia

4.2.1. Russia-Azerbaijan

The bilateral relations of Azerbaijan and Russia are considered as an example
of the most tentative relations among the five littoral states. Since its independence
Azerbaijan managed to escape Russian influence and follow its own policy, which is a
fact that Russia has difficult in accepting. On the other hand, Azerbaijan accuses
Russia for the instability and the ethnic conflicts that exist in its territory, as it considers them result of the Russian policy during the Soviet era. Another source of tension between the two countries is the fact that Azerbaijan has developed close relations with Turkey and the United States of America since its independence, which causes fear to Russia about a potential increase of the Turkish influence in Caucasus and Central Asia and a decrease of the Russian power in the region. (Dekmejian & Simonian, 2001, pp. 88-89)

In relation to the energy field, the bilateral relations of the two counties present competitive aspects, as Russia shows discontent for the effects of the Azeri energy policy in the Russian position, as energy producer and transit country in the international energy market. Apart from the opposition of the two countries in the issue of the legal status of the Caspian Sea, the fact that Azerbaijan signed the Contract of the Century coming closer to the western oil companies and markets had as a result the Russian opposition and displeasure. However, their relations ameliorated after the Russian proposal of division of the Caspian Sea into national sectors to 72km from the coast in 1996. (Dekmejian & Simonian, 2001, pp. 89-90)

Unfortunately, this period did not last long, as the Azeri proposal to Turkey and the United States for the establishment of a NATO base on Azeri territory caused the Russian discontent once more. This discontent combined to the Russian will to diminish and control the Azeri efforts for cooperation with its Western allies led Russia to protest against the construction of the Baku-Tbilisi-Ceyhan pipeline in 1999, because this project would decrease its influence in the area as it would provide an alternative transit route to the western markets. However, despite all these sources of tension and competition between the two states, Azerbaijan and Russia managed to cooperate in the Baku-Novorossiisk pipeline, not with great success though. Their cooperation is problematic in this field as well, due to the unstable situation in Chechnya and the Azeri incapability to deliver its oil. (Dekmejian & Simonian, 2001, p. 90)

Summarizing, Azerbaijan and Russia have several sources of tension in their relations which are connected to the resolution of the legal status of the Caspian Sea, the limited role of Russia in the Azeri oil projects, the increased cooperation of Azerbaijan with Western actors and Turkey and the Russian policy in the Azeri-Armenian frozen conflict of Nagorno-Karabakh. As a result, all these reasons and contradicting interests lead the two countries to a conflictual relation. (Dekmejian &
In relation to the theories of International Relations, the Russian-Azeri relations constitute a typical example of neo-realism, as the relations of the two countries are formed fundamentally by their controversial interests, the will of Azerbaijan to maintain its independence from the Russian influence and their difficulty in achieving and maintaining cooperation, because of their primary objective to become influential regional powers.

4.2.2. Russia-Turkey

Russia and Turkey are two countries that present an antagonistic relation in many levels. On the one hand, from a neo-realist point of view, the disintegration of the Soviet Union left Turkey with the impression that this could be an opportunity for Turkey to fill the vacuum that the Soviet Union left in Central Asia and to maximize its influence in the region. Soon, it became obvious that this was not an easy task and so Turkey entered a phase of indifference for the region, until the point that Turkey realized that it could play an important role as regional power and transit country for the Caspian energy reserves. (Dekmejian & Simonian, 2001, pp. 107-108; Minchev, 2006, pp. 14-16) On the other hand, Russia has always considered Turkey as an antagonistic regional power whose increase of influence and cooperation with countries that up until then were in the Russian sphere of influence would consequently mean the decrease of Russian power in Caucasus and Central Asia. (Karagiannis, 2002, pp. 129-134)

However, as two important regional and international powers, both countries have shown their ability to cooperate in levels that this is of their interest. Their fields of cooperation are basically economy and energy. Both sides have tried and succeeded to develop a cooperative relationship based on common interests in these levels and to refrain from intervening into each other’s internal conflicts, at least in a very obvious way. (Minchev, 2006, pp. 15-16) As a result, Turkish trade with Russia has reached to be higher than this of all the Central Asian and Caspian countries. In the energy field, Turkish-Russian cooperation is expressed by the development of a gas pipeline project (Blue Stream) for the delivery of Russian gas to Turkey under the
Black Sea, which was decided in 1997 and, nowadays, it is considered a reality. (Dekmejian & Simonian, 2001, p. 111)

4.2.3. Russia-Kazakhstan

The Russian-Kazakh relations have been distinctive of the rest of the region since the Soviet era. During the Soviet times Kazakhstan was estimated as more important than the rest of the regions in Central Asia and so it continued to be after the disintegration of the Soviet Union as well. One reason for this peculiarity of the relations of the two countries can be the large Russian community that exists in Kazakhstan which constitutes one major factor that characterizes their relations. (Dekmejian & Simonian, 2001, pp. 83-84)

Regarding the energy Russian-Kazakh cooperation, due to its influence Russia has managed to succeed its participation and this of its companies to the exploitation of the Kazakh energy reserves. In particular, Russian companies are present in the Tengiz oilfield, in the Karachaganak oil and gas field and in the Caspian Pipeline Consortium. (Cohen & Rosner, 2006, p. 3) However, since 1996 the influence of Russia in the energy sector of Kazakhstan has decreased due to several reasons giving Kazakhstan more freedom and space for developing its own policy. The withdrawal of Russia from Chechnya and the increase of involvement of the United States in the region, particularly in the energy field, in combination with the disappointment of Kazakhstan from the Russian decisions concerning export of Kazakh gas to the international markets can explain such a change in their relations. As a result, Kazakhstan joined the other CIS (Commonwealth of Independent States) countries in their complaints against Russia concerning their problematic energy cooperation in 1997. The cooperation of the two countries, however, continued to develop with the construction of the CPC pipeline from Atyrau to Novorossiisk and the abstention of Kazakhstan from involving in the Chechnya issue. (Dekmejian & Simonian, 2001, pp. 85-86)

As far as the legal status of the Caspian Sea is concerned, Kazakhstan managed to resist to the pressure of the Russian and Iranian influence and to support the division of the sea into national sectors, although it tries to follow a non provocative and tentative policy. In 1998 Russia and Kazakhstan agreed to divide the Caspian seabed. However, some issues such as the joint exploitation of certain
questioned fields and the demarcation of their sectors were not clarified in detail leaving the issue open for further debate and discussion. (Dekmejian & Simonian, 2001, pp. 84-85; Blank S. J., 1995, pp. 2-6)

4.2.4. Russia-Turkmenistan

The bilateral relations between Russia and Turkmenistan present different periods of cooperation or competitiveness. In relation to Turkmenistan, after its independence its main will was to remain out of the Russian influence and to sustain a rather cooperative and neutral position. In this framework, Turkmenistan entered the non-aligned movement in 1995. Its geographical position and its limited Russian community gave Turkmenistan a sense of liberty in relation to Russia which advanced the decision to provide dual citizenship to resident Russians. (Dekmejian & Simonian, 2001, pp. 86-87)

In the energy field, the relations of the two countries are characterized as more competitive. Since the early 1990s basic objective of the Russian policy for geopolitical control in the Black and the Caspian Sea has been its active participation in the energy transit routes of the Caspian Sea and in the exports of oil and basically gas to the Western markets. In this framework, Gazprom, the Russian gas company, tried to obtain control over the whole region of the ex-Soviet republics in Caucasus buying the entire gas pipeline infrastructure. (Minchev, 2006, pp. 13-14) In relation to Turkmenistan, in order Turkmen gas to be transported in the West, it should follow the Northern route mostly through the old Soviet pipeline system in Central Asia. However, Russia blocked independent appearance of Turkmen gas in the European markets, as Russian companies either purchased Turkmen gas themselves or served as intermediaries in its supply to other post-Soviet countries (especially, Ukraine). (Stern, 1999, p. 155) In 1993 the decision of Gazprom to deny access to its gas pipeline network to Europe had negative results for Turkmenistan as important gas supplier of Gazprom, because it limited the clientele of Turkmenistan and, in this way, its profit. (Minchev, 2006, p. 13)

In an effort to approach the Russian side, Turkmenistan proceeded to the establishment of Turkmenrosgas giving Russia 45 percent share in 1995. However, in 1997 tensions concerning gas transit fees and unpaid dept between Russia and Ukraine influenced Turkmen-Russian relations as well and resulted in the dissolvent
of Turkmenrosgas. The crisis in the energy relations of the two countries did not end until 1999, when a new agreement was signed for the delivery of 20bn cubic meters of natural gas in 2000. This amount increased during the next years, but by that time Gazprom had already replaced Turkmenistan as the main gas supplier in Ukraine, Georgia and Armenia. (Dekmejian & Simonian, 2001, p. 87)

Summarizing, Turkmenistan and Russia have cooperative relations in the energy field as Russia had been the only option for Turkmenistan to transfer its gas in the western markets for years. However, their relations presented also competitive periods, as both are important gas producers of the region. The reluctance of Russia to permit use of its pipeline network in order Turkmenistan to export its gas in the West and its intention to buy Turkmen gas at very low prices increased their competition and led their relations to crisis. Nowadays, the development of the Baku pipelines through Turkey and the increasing interest of other markets in the East such as China, India and Pakistan for the construction of pipelines and their gas supply from Turkmenistan have offered important alternative choices to Turkmenistan which permit it to act more independently and to negotiate in better conditions with Russia. (Dekmejian & Simonian, 2001, pp. 86-88; Blank S. J., 1995, pp. 2-6; Soldatkina, 2010, pp. 37-41)

The Turkmen struggle for independence from the Russian influence and their cooperation because of the lack of an alternative route for the transfer of Turkmen gas in 1990s show the formation of their relations on a neo-realist basis. In 1990s the influence of the Russian power in the bilateral relations of the two countries was obvious and, nowadays, the creation of a new balance of power between them is based on the fact that Turkmenistan managed to decrease its dependence from the Russian pipelines and increase its power because of its cooperation with new markets in the East. In this frame, the neo-realist approach is considered the most appropriate to analyze the development of the relations of the Russia with Turkmenistan.
Chapter V: External Actors

“The Caspian has emerged as a focus of world attention, reminiscent of the nineteenth century’s Great Game between the clashing imperial ambitions of Great Britain and Russia. However, the new Great Game over the Caspian is far more complex than the old in its scope, determinants and implications.” (Dekmejian & Simonian, 2001, p. 3)

This chapter will examine the supply of the international energy market by the Caspian natural gas. In particular, the situation regarding energy supply in the western and eastern energy markets and the energy demands and needs of Europe, the United States and China will be examined, as these are considered the basic possible energy markets of the Caspian resources. In continuity, the importance of the region as an energy supplier for each actor separately and for the Western and Eastern energy security will be analyzed.

5.1. Energy sources of supply for the Western and Eastern markets

5.1.1. Europe

Europe is highly dependent on foreign suppliers for the cover of its energy demands. It imports most of its oil from Russia, the Middle East, Norway and North Africa, while Russia and Algeria are its main natural gas suppliers via pipelines. In addition, Libya, Egypt, Qatar, Iran and Azerbaijan are exporting natural gas and negotiating agreements at different levels on their exports with Europe. In relation to other energy reserves, Europe has also significant deposits of coal, the consumption of which, however, has been limited lately because of pollution. Apart from coal, Europe, also, had high expectations about covering its energy needs by nuclear power, which eventually proved untrue, as health hazards and nuclear waste management didn’t permit a large-scale consumption of nuclear power. Consequently, it becomes obvious that Europe depends highly on Middle East countries, Russia and the countries of Central Asia, in order to cover its energy needs. (Gawdat, 2006, pp. 966-968)
More analytically, as far as its sources of supply are concerned, Europe and especially the countries of south-eastern Europe are mainly dependent up until 80 per cent on natural gas imports from Russia. On the one hand, this factor makes Russia an important supplier for Europe, but, on the other hand, it increases the need for diversification of suppliers in order Europe to decrease its dependence from Russia and safeguard its energy security. (Padgett, 2011, pp. 8-9; Gawdat, 2006, p. 970)

Other suppliers of natural gas and oil for Europe are the Middle East countries and particularly Algeria and Egypt, but the reluctance of these countries to accept a liberalization of their market, in order to proceed to a more extensive cooperation with Europe, limits the amount of supplies that Europe receives from these countries and consequently their interdependence, despite the geological advantages of the supplies of the Middle East concerning their quality and cost. (Padgett, 2011, pp. 9-11) In particular, Middle East has the world’s largest proven oil and natural gas reserves and it is well connected to the major consuming markets in Europe, the United States and Pacific Asia. Moreover, it has the lowest production costs for its resources and has developed close relations with the European markets based on geographical proximity and historical ties (Gawdat, 2006, pp. 973-974). However, the future development of these countries and the liberalization process of their markets are currently difficult to predict, as the development of the current political changes and how these are going to influence their energy cooperation with the West remain unknown.

On the other hand, Central Asian countries have considerable oil and gas resources and therefore they become more and more important for EU’s strategy of energy diversification (Gawdat, Europe's energy security: challenges and opportunities, 2006, pp. 970-971). Certainly, there are some disadvantages for an extensive cooperation between these countries and EU, as firstly these countries are subject to Russia’s regional hegemony and energy infrastructure and, consequently, gas routes pass mainly through Russia. Secondly, the authoritarian nature of domestic regimes in the region, both in energy and social sectors, come in contrast to EU’s liberal market and human rights norms (Padgett, 2011, pp. 11-12, 19-20) Such an example in relation to the nature of the domestic norms and regimes and how these can impede the extensive cooperation with foreign companies is described in detail in the analysis of Ostrowski regarding Kazakhstan. (Ostrowski, 2010, pp. 121-126).

However, despite the problems that the Caspian region may present, the presence of the European policy in the region, in order to promote its interest and to
increase its energy security, is a reality. The fact the Europe approaches the issue of its gas supply from the Caspian region as a security issue gives to the European policy in the region a neo-realist perspective. The development of the energy cooperation between Europe and the Caspian states is done on a basis of common interests and concerns, as Europe aims at safeguarding its diversification of suppliers and the Caspian states aim at developing in the western markets and increasing their exports. The international organizations play only a supporting role in the promotion of this cooperation, as the problems and the conflicts among the Caspian states remain unsolved. As a result, the above situation strengthens the neo-realist basis of the European policy in the region. (Cao, 2011, pp. 1-22)

5.1.2. The United States of America

As far as the United States of America is concerned, USA is an oil producer country itself. However, its production covers only 30 per cent of its oil daily consumption demands and therefore the country relies also on several foreign oil producers. These are mainly Canada, Mexico and Saudi Arabia followed by Venezuela, Nigeria and other regions that supply them with smaller quantities of oil. (Kelly, 2007, p. 57) The same situation exists in relation to natural gas imports of the country. The United States depend on natural gas for about 22 per cent of their total energy requirements, while 41 per cent is based on oil and 23 per cent on coal. Canada is also the basic supplier of U.S. in the case of natural gas, as it covers 80 per cent of the country’s gas imports via the construction of pipelines that connect the two countries. (Kelly, 2007, pp. 47-48) Such a fact is natural due to the proximity of the two countries and the more profitable transfer of gas via pipelines rather than gas tankers. This happens because gas can be transmitted in two ways, the first one is via pipelines and the second one is in gas tankers after following a very expensive procedure of liquefaction cooled down to -160°C. Both ways are more expensive than oil transportation, but the liquefaction process which is required in order to transmit gas in very distant areas with tankers is extremely expensive (Percebois, 2008, p. 34).

This dependence on foreign energy sources can cause economical problems to the country in case of an oil crisis or instability. This is the reason why the main goal of the energy strategy of USA is the diversification of its energy sources and of sources of supply and the investment to renewable sources of energy that will increase
the domestic production. This dependence is also related to the exercise of foreign policy of the country, as in the past U.S. forces have responded to political unstable oil-producing nations which the country relies for energy supplies on. (Kelly, 2007, pp. 48-60)

The involvement of the United States of America in the Caspian region can be seen in various levels, especially in the support of certain oil and gas pipeline projects. Despite the fact that the Caspian region does not supply USA with important energy sources, the American interest for the region is extensive, as many American companies participate in the exploitation of the Caspian energy reserves. (Rutledge, 2006, pp. 107-110) However, the importance of the Caspian energy reserves for the United States of America and the reasons of its involvement in the regional geopolitics will be analyzed in greater depth in continuity.

5.1.3. China

Looking eastwards, China is considered a large energy producer, particularly in terms of coal resources, but it has limited reserves of oil and natural gas. In 2010, its proven oil reserves were 14.8 billion barrels and its gas reserves were 2.8 trillion cubic meters (tcm). In the same year, China produced 4 million barrels per day (b/d), but it consumed 9 million b/d. Therefore, China had to import approximately 5 million b/d, making it the world’s third-largest importer of oil after the United States and Japan. In recent years Saudi Arabia, Angola and Iran have been the three largest suppliers of oil to China. (Karagiannis, 2010, p. 55; BP Statistical Review of World Energy, 2011)

Concerning natural gas, over the past decade it has been the fastest growing fuel source in China, mainly at the expense of coal, whose consumption has decreased sharply partly because of environmental reasons. China’s demand for natural gas accounted for just 3.4 per cent of China’s total primary energy demand in 2010. Both consumption and production of natural gas was multiplied between 1997 and 2010, with consumption increasing from 19.5 bcm to 109 bcm and production growing from 22.7 bcm to 96.8 bcm. Therefore, China began to import liquefied natural gas from Australia in 2006. (BP Statistical Review of World Energy, 2011; Downs, 2010, pp. 148-150)
Moreover, China’s oil and gas demand and imports are expected to increase dramatically in the following years. The International Energy Agency (IEA) projects that by 2030 China’s oil demand will increase to 16.5 million b/d and its production will decline to 3.4 million b/d. Consequently, oil imports will rise to 13.1 million b/d and China’s dependence on imported oil will increase to 80 per cent, while by the same year China’s natural gas demand of 238 bcm will be more than double of its production in 111 bcm. As a result, China’s dependence on natural gas imports will exceed 50 per cent. (Downs, 2010, pp. 148-150) To satisfy this vast increase in demand, Chinese suppliers will have to increase their delivery of all forms of energy, including oil, coal, natural gas, hydropower, nuclear, and renewable sources of energy, such as solar and wind. (Karagiannis, 2010, p. 55)

To cover its increasing energy demand in the early 1990s, China focused on expanding its relationship with major oil- and gas- producing nations in the Middle East and North Africa and finding long-term energy suppliers. China’s initial oil imports came from Yemen, Oman and other Persian Gulf states, because they produced oil suitable for the Chinese refineries. As Chinese energy needs increased, however, by the second half of the 1990s, China turned its attention to the larger OPEC producers such as Iraq, Iran, and Saudi Arabia. Iran and Saudi Arabia, in particular, have become the largest suppliers of oil and gas to China and they have also expanded their trade relations with Beijing. China has developed also energy relations with other countries of the region such as Qatar, Bahrain, Kuwait, United Arab Emirates, Syria, Egypt, Algeria, Libya and Sudan (Currier & Dorraj, 2011, p. 66).

China’s growing need for energy resources for its rapidly expanding economy has directed China to become an important player in the Central Asian energy market as well, where Russia and the Unites States have also vital interests. Since 2005, China has expanded its involvement –particularly in the Kazakh and Turkmen oil and gas industry- in various forms, such as by the purchase of operating energy companies, pipeline construction, and oil and gas import contracts. In May 2006, Kazakhstan began exporting oil to China through the Atasu-Alashankou pipeline, which was completed in November 2005. At 962 kilometers long, the $700 million pipeline will provide China with 20 million tons of oil once it reaches its maximum capacity. China imports also Russian oil via the Kazakh-Chinese pipeline. In addition, there are plans for the construction of a gas pipeline which will transfer gas from the
western Kazakhstan (near the Caspian Sea) to China and, initially, it is planned to supply 176.6 bcf to southern Kazakhstan and 176.6 bcf to China. (Peimani, 2009, p. 136; Gelb & Twyman, 2004, pp. 23-24; Xuetang, 2006, pp. 129-131; Christoffersen, 1998, pp. 24-28) In April 2006, China and Turkmenistan agreed in principle on the construction of a gas pipeline through which Ashgabat will supply China with 30 billion cubic meters of gas annually for 30 years. To that end, in July 2007 China signed an agreement for a pipeline project with Turkmenistan that would allow China to produce gas on the southern bank of the Amu Darya River, which would be pumped to China via a pipeline that would have been built by 2009. (Peimani, 2009, p. 136; Nichol, 2009, p. 36; Xuetang, 2006, pp. 135-137) In Tashkent, in April 2007, China and Uzbekistan signed an agreement to build a 530-kilometer Uzbekistan-China gas pipeline with an annual capacity of 30 billion cubic meters. (Peimani, 2009, p. 136; Xuetang, 2006, pp. 135-137)

Consequently, one of the main concerns among the European, American and Chinese policies is their energy security and the cover of their increasing energy demands. Europe’s dependency on imported energy has escalated the issue of energy security in the EU agenda and therefore EU energy strategy focuses nowadays on the diversification of its sources of supply and of their delivery routes. Equally important issue is the issue of energy security in USA as well. The diversification of their sources of supply and the investment in alternative forms of energy are basic goals of the U.S. energy strategies especially during the last decades. In the Chinese field, energy security focuses also on the diversification of its energy suppliers in order to cover the country’s increasing energy needs.

5.2. The importance of Caspian energy reserves for the Western and Eastern energy security

*Europe*

Despite the problems that have to be overcome concerning the Caspian region, oil and particularly gas resources of the region are extremely important for Europe. The reasons of this importance are multiple. Firstly, Central Asian countries play a
significant role in EU’s strategy of diversification of sources, as the creation of multiple pipelines both can counterbalance the dependence from the Russian market and Middle East countries, and favor the economic competition and eventually reduce energy prices for consumers. (Padgett, 2011, pp. 1-2; Karagiannis, 2002, p. 3; Gawdat, 2006, pp. 968-973; Tsantoulis, 2008, pp. 17-21) One other factor that makes Caspian energy resources important for Europe is their proximity, due to the difficulties of transporting natural gas with tankers that was explained above. This is the reason why approximately 80 per cent of natural gas is transmitted via pipelines and only 20 per cent by gas tankers (Percebois, 2008, p. 34). Europe due to its proximity can use the construction of pipelines in order to transfer gas from the Caspian Sea and avoid the second more expensive choice which is required in other cases.

Another important factor is that the energy demands of the region are limited, so great part of its reserves is available for export and Europe is one of the basic markets that the countries of the region aim at. In addition, the capabilities of exploitation of these reserves by the countries of the region are very low as they lack of the appropriate technology and capital. As a result, this is a sector that offers opportunities for investments to the Western companies, in contrast to other regions, such as the Persian Gulf, that are more closed to foreigners. (Karagiannis, 2002, p. 3)

Finally, the Middle East may present considerable advantages in relation to other areas. However, the difficulties that these countries present in order to liberate their state controlled markets and proceed to cooperation with foreign companies in combination with the unstable current political and social situation are factors that increase the importance of diversification of sources for Europe and consequently of the Caspian energy reserves in order to secure its energy efficiency (Padgett, 2011, pp. 9-11).

**United States of America**

As far as the United States of America are concerned, the importance of the region for USA does not apply only to its energy supplies to the country. Even though the Caspian oil and gas resources supply the American market as well, there are also other goals of the U.S. policy in the Caspian region that are expressed through their energy policy. Firstly, after 9/11 the Black Sea region has strategic significance for
U.S. due to the proximity of the region to the war of terrorism. Another strategic reason for the importance of the region for U.S. is the fact that it is close to Russia, China, Iran, Pakistan and India, which are important regional, but also international players of the political system. Apart from this political importance of the region, U.S. has always been a country that, in a neo-liberal framework, supported that energy and economic cooperation can solve political disputes. This is one of the reasons that Americans were involved in the Nagorno-Karabah resolution in order to bring the Armenian and the Azeri side closer (Blank, 2007, pp. 3-5; Gawdat, 2004, p. 117).

In particular, USA tries to play a leading role in the resolution of cross-border and ethnic conflicts between the countries of Central Asia and in this way to increase its power and influence in the region, to counterbalance Russia’s power and to promote its interests in the Middle East. In addition, part of the policy of USA in the region is to block the transfer of oil and gas through Iran, as USA aims at the isolation and restriction of the power of Iran in the region, which is related to U.S. policy for this country, whose examination is not part of the present essay. Thirdly, USA energy policy in the region supports the construction of multiple export routes in order to achieve energy diversity, as the construction of a major transit route that would bypass both Russia and Iran which are energy competitors in the Caspian Sea would favor diversity and would decrease the dependence of Central Asian states from Russia both economically and politically. (Gawdat, 2003, pp. 148-149; Blank, 2007, pp. 3-5; Gawdat, 1999, p. 204; Cohen, 2006, pp. 1-2; Kalicki, 1998, pp. 145-149)

This will of decrease of dependence of these countries is also related to the U.S. economic interests (Blank, 2007, pp. 3-5). After the beginning of exploitation of the rich energy reserves of the region and due to the lack of local infrastructure and capital, the American energy companies took over an important role in the exploitation of the resources of the region (Karagiannis, 2002, pp. 19-21). So, apart from the political interest of the region, one of the basic reasons that the Caspian energy reserves are important to the U.S. is the protection of the interests of the private American energy companies. What they are interested to achieve and maintain is the equal access of U.S. firms to energy exploration, refining and marketing in the region. If these countries are dependent from Russia and their market isn’t free, this cannot happen. This is the reason, among others, that following a neo-liberal policy of promotion of stability and security through economic cooperation in the region, USA
seeks the diversification of energy routes and is interested in the increase of independence of these states, their sovereignty and their secure development. (Gawdat, 2003, pp. 148-149; Blank, 2007, pp. 3-5)

Another important factor related to the U.S. long-term economic and strategic interests is the fact that the increase of independence of Central Asian states and the diversification of energy supplies would reduce the world dependence from the Gulf States and their supplies, which is one of the other objectives of the American policy. The United States of America give particular attention to this aim as after the oil crisis of 1973 and the tendency of OPEC states to politicize energy and to take advantage of the Western dependency of energy in order to gain political advantages, these states are not considered such a reliable partner for the West. (Kelly, 2007, pp. 52-53; Le Billon, 2005, pp. 148-152)

These are the reasons why Caspian energy reserves and the creation of multiple energy routes are important for United States of America, although USA is not so dependent from the Caspian oil and gas as Europe is. Therefore, USA aims at playing a leading role in pipeline diplomacy in the region in order to promote the above interests. For example, the strong support of Clinton administration in the construction of Baku-Ceyhan pipeline reaffirms the above described interests of reduction of energy export dependence from Russia and of the effort to exclude Iran. In this certain case, apart from that, Turkey, which has been an important and faithful ally of the American interests for years and member of NATO as well, would also benefit from this pipeline and consequently these facts would facilitate the promotion of American interests in the region and their supply of energy resources. (Gawdat, 1999, pp. 204-205; Cohen, 2006, p. 2; Rutledge, 2006, pp. 114-117)

**China**

China is a growing power whose energy demands increase constantly in the last decade. China is also an oil producing country itself, since the Daqing oil field was discovered in western China in 1959. So until the early 1990s China followed a self-reliance policy in the energy field and created a closed economy which gave to the country independence, especially since the oil crisis of 1973 and 1979 did not influence its energy consumption (Karagiannis, 2010, p. 55).
However, since the mid-1990s, China’s biggest challenge has been to narrow the growing gap between its demand for energy and the ability of domestic production to cover that demand. Arguably, this is the country’s number one energy-security problem (Zweig & Jianhai, 2005, p. 25). Since 1980, commercial energy consumption has increased approximately 250 percent, due to the development of the industry of automobiles and other consumer energy-related goods, and therefore the government’s basic aim is to succeed in finding ways to cover these increasing energy demands for these sectors. This gap between energy demand and production is not explained, however, only by the industrialization of the Chinese market. A combination of factors, including the nature and location of most economic development initiatives (in the east, farther away from the source of energy supplies), insufficient investment, and poor management of energy infrastructure expansion, should be taken into account in order to explain the changing situation in the Chinese energy field. (Hall & Grant, 2009, p. 124)

This is the reason why in 1998 China initiated a plan of reforming its energy sector with basic aims to diversify its sources of supply by increasing imports from Russia and Central Asia and to enhance overseas energy investments by state oil companies. Other Chinese objectives were to increase investment in oil and gas infrastructure, to establish government-controlled strategic petroleum reserves, to adjust energy consumption structures and reduce dependence on oil through coal gasification, liquefaction, and development of nuclear power and to establish a regional energy-security system. (Hall & Grant, 2009, pp. 124-125; Xuetang, 2006, pp. 134-137)

The basic characteristic of China is the fact that China’s booming economy needs an adequate and secure supply of energy resources to maintain its current growth rate and this fact has as a result the influence of China’s priorities in the exercise of its foreign policy. As it has been mentioned before, in recent years, Beijing has focused its interest to energy-rich regions such as West Africa, Central Asia, and the Middle East and this a fact that Chinese oil companies like China Petrochemical Corporation (Sinopec), China National Petroleum Corporation (CNPC), and China National Offshore Oil Corporation (CNOOC) have been motivated to do so since the mid 1990s. Chinese companies have acquired oil and gas fields in Sudan, Angola, Peru, Canada, Kazakhstan, and elsewhere. But high oil prices and geopolitical concerns over supply security have as a result China to be alert in the
issue of energy and to modify its energy policy according to circumstances. Nowadays, China’s energy imports are among the most important of the world and consequently this means that China competes with Europe, the United States, and Japan for limited energy resources in the developing world. (Karagiannis, 2010, p. 54)

In 1991 there seemed to be only two choices of energy imports for China, the Asia-Pacific or the Middle East, each one with its advantages and disadvantages. However, the disintegration of the Soviet Union and the opening of the post-Soviet economies offered alternative suppliers such as Russia and the countries of Central Asia. On the one hand, as the Central Asian countries have rich energy resources, they could provide an alternative energy source that would decrease Chinese dependence on Middle Eastern imports and the resource competition in Northeast Asia with Japan and South Korea. On the other hand, Sino-Russian oil and gas projects could offer the same possibility of promoting peaceful cooperation with a neighboring country, Siberia and the Russian Far East, and would also decrease the Northeast Asian dependence on the Middle East. On this basis, China proceeded to Sino-Russian agreements in order to develop East Siberian natural gas fields and to build a gas pipeline from the Irkutsk region into China, and possibly continuing on to Japan and South Korea. (Christoffersen, 1998, pp. 7-8; Chow & Hendrix, 2010, p. 37)

Apart from the great energy needs of China and the intensive competition with the world’s most important energy importers of the world, another fact that directed China in search of new energy markets and suppliers is that China depends on sea routes to import large quantities of oil especially from the traditional suppliers of the Persian Gulf, the Middle East and Africa. Basic concern of Beijing is the fact that it does not have the military capacity to defend those routes. As a result, China’s economic stability can be put in danger in case of a possible interruption of its oil imports through these sea routes, a possibility that Beijing is increasingly aware of. The most characteristic example of this Chinese concern is the Straits of Malacca, a 600-mile long route connecting the Middle East and Africa to East Asia (see appendix 3). The reliability of the Straits and the fact that they can be easily closed by a competing or an enemy country in case of a crisis or a conflict has led China to search for alternative channels for receiving its energy and to huge investments to construct oil pipelines in neighboring countries. (Karagiannis, 2010, pp. 54-58) This aim in combination with the increasing energy demands of the country in recent years is exactly the point that explains the importance of the Caspian energy reserves for
China. The fact that China can have access to the oil and especially gas reserves, given the fact of the increasing popularity of the latter among the Chinese energy demands, via pipelines makes the collaboration with the Caspian countries of vital importance for the Chinese energy needs.

The above described situation is the reason why China has proceeded to the construction of the Chinese-Kazakh and the Chinese-Turkmen pipelines in Central Asia (Currier & Dorraj, 2011, pp. 86, 94-95), as well as to the Eastern Siberia-Pacific Ocean pipeline which is currently under construction. In Southeast Asia, several pipelines are specifically designed to bypass the Straits of Malacca, such as the China-Myanmar pipeline, the Kra Isthmus’ pipeline, and the Pakistan-China pipeline. However, the basic disadvantage of this strategy is pipeline security. In fact, pipelines can be also vulnerable such as tankers, when they cross unstable or conflict areas. For example, the confrontation between Chinese authorities and the Uighur population in Xinjiang province or the presence of militant Islamists in Central Asia can also jeopardize the safety of cross-border pipelines as they can be attacked. Malacca bypass lines cross militarily insecure areas in Pakistan, Myanmar and Thailand as well. (Karagiannis, 2010, pp. 57-58)

Summarizing, the Chinese expanding economy in recent years, which has as a result a constantly increasing demand of energy resources in combination with a de facto competition with the world’s most important energy importers such as the United States, Japan and Europe, has led China to the reorganization of its energy policy and to the aim of diversification of its suppliers in order to safeguard its energy security. The distance of the main energy suppliers of the Middle East and Africa, the increasing energy prices and the unstable energy market, the dependence of China on sea routes and especially on the Straits of Malacca that can be vulnerable to attacks for the transportation of its imports and the increasing need of gas in its energy consumption, which is much cheaper to be transferred via pipelines than via tankers, make the Caspian states a considerably important alternative source of energy supplies which cannot be underestimated or neglected by the Chinese government and energy policy.
Chapter VI: Conclusions

6.1. The strategic importance of the Caspian natural gas

As a conclusion, the importance of the Caspian energy reserves is a non-debatable fact. Although there are much more important international energy suppliers such as the Middle East, the Caspian region can be considered also a significant alternative, especially in the case of Europe and China, which can be used for the diversification of sources of energy supply. This diversification is part of the energy strategies of Europe, USA and China, as it can lead to useful results. Such an outcome is that multiple export routes increase energy security for consumers, producers and international markets, as they decrease dependence from one and only actor or route and the changes that can affect it. This factor is extremely important both for the Western markets and China, as their main concern for the future is to diminish their dependence either from specific regions and actors or from specific sources of energy such as oil.

As it is natural, pipeline diplomacy plays a significant role in the development of the Caspian region as energy supplier and in the importance that the region acquires globally. As it has already been mentioned, USA’s strategy in the region is closely related to the choice of the most appropriate route for the construction of new pipelines in order to promote the interests of the country and of its allies. As a result, the importance of the region for the West is also expressed through the competition that exists between strategic and economic interests of different parts as far as the construction of oil and basically gas pipelines is concerned. However, the construction of most of the pipelines by companies usually makes the economic interests more important than the strategic ones of the governments.

In brief, certainly the Caspian region can contribute to the diversification of oil and gas supplies and therefore its importance increases. However, it cannot be considered that it can substitute the importance of the Middle East, as it doesn’t have the same resources or production capabilities. In regards to Europe, the Caspian energy reserves are more important as the region is a basic natural gas supplier for Europe and, as it has been explained, a significant piece in the energy strategy of the European Union. As far as USA is concerned, the Caspian region is quite important basically for strategic and political reasons and not so much as an energy supplier, due
to distance and the difficulties that this implies in relation to the transportation of the supplies and especially gas. Finally, in relation to China, the Caspian region constitutes a major alternative energy supplier, as it offers security to the transfer of the reserves through pipelines bypassing the Malacca Straits and contributes to the diversification of the Chinese energy suppliers.

In other words, the Caspian region has certain importance in relation to certain areas and policies such as the diversification of sources of supply. It cannot substitute other basic global energy suppliers, but it can function as a regional actor that can contribute to the counterbalance of global energy dependence both politically and economically and therefore its future development is important and imperative for the global energy markets.

6.2. Interpretation of Caspian geopolitics from perspective of the theories of International Relations

Caspian geopolitics presents a complex concept of relations among the regional and international actors, which has as a result certain difficulty in analyzing them according to one and only theory of International Relations. The analysis of the bilateral relations of the Caspian littoral states and of the important regional actors showed that these are characterized basically by neo-realism, as in most cases the bilateral relations of the Caspian states are formed by national interests and their will of independence and increase of their power. The Russian-Turkmen, the Azeri-Russian, the Russian-Turkish and the Azeri-Turkmen relations constitute examples of the neo-realist approach of analysis, either because of their lack of cooperation due to national interests, or because of their cooperation despite their competitiveness for the promotion of common interests. Another evident example of neo-realism in the Caspian geopolitics is the issue of the legal status of the Caspian basin. The incapability of the Caspian states to reach to an agreement, because of their will to protect their national interests and the influence of each actor exercising its power to the development of the issue are considered concepts of the neo-realist theory.

However, the Caspian region is considered a region where, apart from security and conflicts, there are also characteristics that neo-realism does not include in its
concept. Economic globalization through the presence of important non-state actors, such as foreign companies that participate in the exploitation of the Caspian energy reserves, and new challenges are closer to the concepts of neo-liberalism. In particular, the Azeri-Georgian relations and their participation to international and regional organizations for the promotion of the regional cooperation and peace are such examples. Finally, as it became obvious from the analysis of the researched topic, constructivism is the least applied theory in the area, as it presents a rather idealistic analysis of cooperation among the states, which was proved inadequate for the Caspian subsystem.

In relation to the policies of the external actors in the Caspian region, these can be described as a complex issue which includes elements of all three aforementioned theories of International Relations as well.

Regarding Europe, the basic characteristic of the European Union’s policy and Strategy in the Caspian region is the fact that EU pays more attention to the issue of security and stability in the region, rather than to economic development, social progress, moral and legal norms. In this regard, it could be supported that its policy corresponds more to the concept of neo-realism than to this of neo-liberalism. Despite the fact that on an idealistic level the establishment of the cooperation of EU with the Caspian states is adjusted to the needs of these countries and so encompasses concepts of constructivism, a more realistic approach to the matter would support that national interests of the European Member States and security play a more important role to the European policy than the adjustment to the Caspian needs. Especially in the energy fields, European investments in the oil and gas sectors of Kazakhstan and Turkmenistan in order to achieve diversifications of its energy suppliers, bypass Russia and safeguard its energy security are close to the concepts of neo-realism. The neglect of the European moral norms of promotion of democratization and human rights, which are concepts of neo-liberalism, in order economic cooperation to be achieved makes the neo-realist approach of the European policy in the region even more evident.

In relation to the policy of the United States of America in the Caspian region, this is basically characterized by a neo-liberal concept. The United States of America consider that stability and security in conflictual regions can be achieved only through economic cooperation, which is a neo-liberal approach. In this framework, USA promotes economic cooperation of the countries of the Caspian Sea especially
through the construction of pipelines in order mutual interests to be created. However, the presence of the American oil and gas companies in the region and their active participation in the exploitation of the Caspian energy reserves demonstrate that the promotion of the economic cooperation in the region is not based only on moral norms and on their belief of responsibility to promote democracy worldwide, which are considered concepts of neo-liberalism, but it is instigated also by their national interest for participation in a free market and the increase of the profit of the American companies, which are closer to the neo-realist approach.

As far as the Chinese policy in the Caspian region is concerned, the above analysis of the importance of the Caspian region for China and of the reasons of its development in the area make evident that the Chinese policy in the region encompasses basically concepts of neo-realism. Main reason for the Chinese cooperation with the Caspian and Central Asian countries in the energy field is the diversification of its energy suppliers in order to safeguard its energy security, as its energy demands increase constantly due to its economic development. So, the cooperation of China with the regional actors is a matter of national interests and security, which are the basic concepts of neo-realism.

Summarizing, dominant theory of International Relations in the region can be considered neo-realism, as it encompasses most of the analyses of the relations in the region and it represents the theoretical framework in which the greater part of the Caspian geopolitics is developed.
### APPENDICES

**Appendix 1**

**Realized, failed and proposed pipelines in Central Asia**

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<th>Realized</th>
<th>Failed</th>
<th>Proposed</th>
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<td>Trans-Caspian gas pipeline</td>
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<td>Promoter-led Caucasus pipelines</td>
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(Chow & Hendrix, 2010, p. 42)
Appendix 2

Pipeline Routes of the Black Sea region

(Le Monde Diplomatique, 2011)
Appendix 3

Securing the Oil Supply Chain

(Heartland Eurasian Review of Geopolitics, 2009)
Appendix 4

Selected Gas-fields and Pipelines Delivering Natural Gas to Europe

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