

**THE ROLE AND STRATEGIC IMPORTANCE OF BALKAN COUNTRIES
IN CASPIAN BASIN'S ENERGY DIPLOMACY**

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Abstract

Being one of the important dynamics of countries' socio-economic development "energy" plays an important role for the countries with scarce natural resources which imports them from abroad. It is obvious that the more output in GDP means the more energy consumption. In fact, having higher income per-capita leads to higher energy consumption per-capita in world economy.

It is equally important for the countries besides their internal consumption also to deliver the rest of their resources to the global market. "Strategic Transportation Pipes" gives extra importance in terms of security and economic sustainability for the relative partners of this market. A small instability on these transport lines will cause depression effect for the economies and at same time will lead other kind of socio-economic problems such as recession, unemployment and scarcity.

In this regard, Europe Union very considered for the bilateral cooperation with Balkan countries, because of their geografic position as a gateway to the main energy basis in south-east countries. Having secured relations with these countries means sustainable energy flow to EU countries.

The importance of Balkan countries in regard of strategic and geographical positioning to pass through the Caspian Energy resouces to EU has been investigated in this study. An important issue has been stressed in this article are the energy resource and transportation security issues in energy politics and the stability of energy prices and the transportation of energy to markets in a requested quantity are also in the centre of attention.

Keywords: *Caspian Sea, Balkan Countries, energy, security, energy market, energy route lines.*

Introduction

The countries located in the Caspian basin that have a considerable proportion of high-quality oil and natural gas reserves, Azerbaijan, Turkmenistan and Kazakhstan, settled in the attention center of world energy policy after gaining independences in 1991. In the next 20 years, because of the increasing energy demand in major economies each passing day, the countries in the Caspian basin which is great potential for foreign sales of crude oil and natural gas, will become important competitive tools for the global politics in the regional and global demand for energy.

The primary target in the energy policy is to provide the security of energy supplies, safety of transportation and to ensure price stability. In addition, it is aimed to low the cost of the required energy, and to deliver demanded quantity and quality to the markets.

Even though energy resources, production and transportation are such competitive tools in the foreign policy behaviors, but also that offers new perspectives of cooperation. While the countries with energy sources and producing countries search for client diversity for economic independence, energy importers seek out diversity of sources for the same purpose.(Gasimov I.H., 2010). In this way, both sides aim to provide own energy safety. Any period of economic and political crisis, consumers contemplate not to meet with the problem of energy intake, producers, who do not wish to adhere to a single consumers, guarantee not to have export issues. In this view, the energy policy of Azerbaijan, one of the chief actors in the Caspian basin energy policy, is determined within the framework of competition and cooperation of the regional and global forces.

Energy Policies of Caspian Basin Countries

With the increase in political tensions and wars in the Middle East, as new exporter countries in the energy market, the Caspian basin countries tend to different centers to ensure the safety of supply of importing countries and for this reason, International Energy Agency has defined Caspian region as the new geopolitics of energy in the international arena (Gawdat, 2005).

Today, the energy, both in terms of resource states, and countries providing transportation, has become a factor of economic and political benefits. Energy resources provide a country to have a say in the international arena and to direct the events.

There are three main determinants of the European Union's energy policy: competitiveness, safety of energy supply and environmental protection. As a result of increasing dependence on foreign energy sources, European Union has established close relations with the Meiddle East, the Caspian Region and Russia. In

order to ensure energy safety and to maintain sustainable development, EU wants to create a single market for Eurasian energy. For this reason, following a policy of multiple pipelines, tries to create a diversity of sources in energy imports (Bayraç, 2009).

Caspian Basin contains extremely high amounts and high-quality natural gas and oil, while states in the region aim to provide economic development with reaching international markets, besides, are trying to increase the political realibility in foreign policy, and energy policies is seen as the key to diplomatic relations. It can be said that Russia is the biggest obstacle for the reach to global markets of these resources. Today's, Europe is the most important market for Russia that is trying to keep the transportation routes in the hands and for this reason, Russia tries to prevent others in order to be the only state that sells natural gas to Europe (Uğurlu, 2009).

As being in the middle of The Caucasus, the Middle East and the Balkans, Turkey acts such a natural bridge between Europe and other importers. Because of having historical, cultural and economic ties to the regional countries, its geographical location, internal sources and population and also being a significant energy importer, Turkey has a strategic importance in the region (Yüce, 2005).

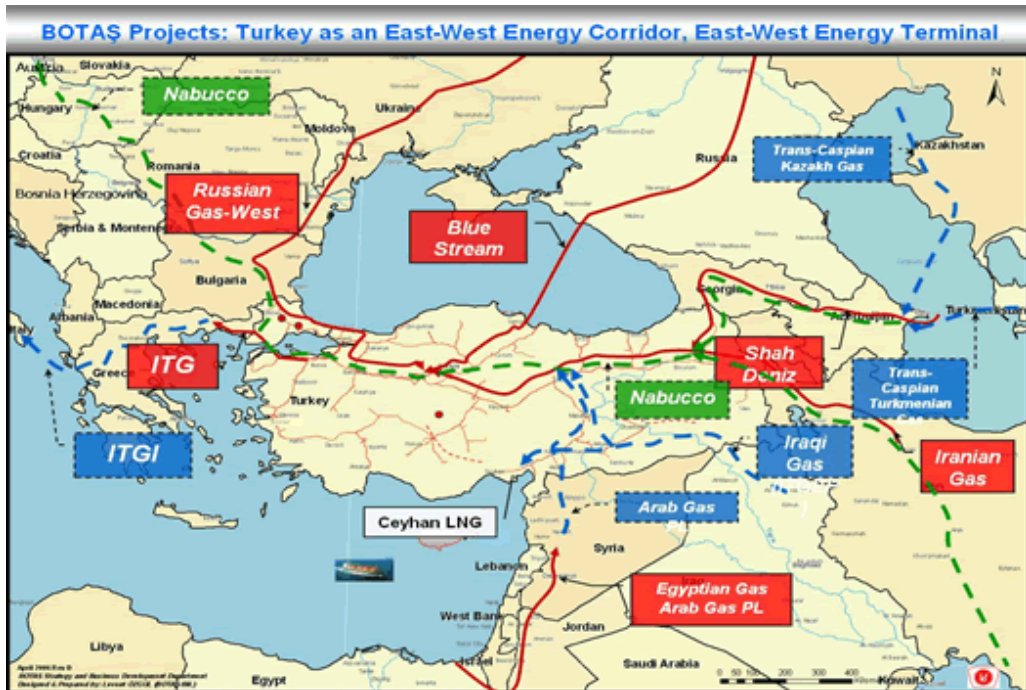
In the context of political relations, Turkey has also been serving as a bridge between the regional countries and Europe. Due to this close proximity, in Turkey-Russia relations, particularly in the energy transmission lines issue, Caspian Basin has been the most intense region having conflicts. Having developed relations with regional countries in military matters and being a member of NATO are significant factors that Turkey is making more progress to be more effective actor.

EU Interest to the Caspian Basin

Providing the safety of energy supply in the region, EU has taken important steps to create assistance programs based on economy domain stability and energy security in the Caspian region : TACIS (Technical Aid to the Commonwealth of Independent States), TRACECA (Transport Corridor Europe-Caucasus-Asia) and INOGATE (Interstate Oil and Gas Transport to Europe). With the Nabucco project signed on 13th of July, 2009, it is planned to carry the Caspian natural gas from Georgia and Iran to Austria via Turkey and Bulgaria (Gasimov I.H., 2010). This project is to ensure Europe's safety of energy supply through multiple pipelines and an important pillar of creating a single Eurasia energy market strategy.

Due to entrepreneurial role of Turkey, the East-West Energy Corridor described as the 21st Century Silk Road has provided the delivery of the rich carbon-hydrogen resources of the Caspian Basin to the Western markets directly (Çelepçi, 2000). Pipeline projects linking the Caucasus and Central Asia to Europe are main factors in terms of integration with the West. It is foreseen that secure and commercially

profitable pipelines will provide a significant contribution to bring stability and prosperity in the region. Many multi pipelines have been constructed and new projects have been manufactured in order to provide the safety of energy supply needed by EU.



East-West Energy Corridor.

(Source: US EIA - <http://www.eia.doe.gov/cabs/Turkey/NaturalGas.html>)

Baku-Tbilisi-Ceyhan (BTC) is one of the most important crude oil pipelines and began to carry oil since June 4, 2006. Kazakhstan has been included in the BTC project officially on June 16, 2006 and beginning from 2008, began to pump oil to the pipeline. In new energy transports, Turkey is manufacturing new by-pass projects in order to limit movements through straits. For this purpose, works for Trans-Anatolian By-Pass Oil Pipeline were launched on April 24, 2007 (Turan, 2010).

Another important pillar of the east-west energy corridor, the Baku-Tbilisi-Erzurum Natural Gas Pipeline became operational on 3 July 2007. This line, which will at the same time provide the flow of natural gas from Kazakhstan and Turkmenistan named Trans-Caspian Natural Gas Pipeline Project, is considered as the first step (Kasim, 2009).

Turkey's goal is to be the Europe's fourth main artery of natural gas supply after Norway, Russia and Algeria, that will strengthen the links between Asia and Europe. Thus, it is obvious that Turkey has a strategic importance in transportation of oil and natural gas by multi pipelines to Europe. (Davutoğlu, 2010).

The only way to get the Caspian and Central Asian energy resources for Europe is through Turkey and the Balkan countries, that proves the strategic importance of these countries, and also, in terms of opening up to the Western markets, it has a great of importance for the Caspian region countries (Bayraç, 2009). Turkey that is a strategic transit country and the Balkan countries are becoming energy markets at the same time. Therefore, it is great importance for Turkey and the Balkans to develop wide range of energy transportation projects in terms of providing import diversity of oil and natural gas resources, ensuring safety and continuity.

Hence, to reduce the dependence on Russia partially, supplying natural gas from the Middle East and Central Asia through Turkey, as a more secure country, and the Balkans will serve the EU's policy of energy supply. Therefore, this energy corridor has a extremely important place for the diversity principle of the EU. Especially, East European and Balkan countries are much more dependent on Russia than the other EU member countries. From this perspective, the EU intends to implement an important and strategic decision in the policy of energy safety with Nabucco gas pipeline.

Azerbaijan's Energy Policy and Projects

Azerbaijan, which is one of the countries established oil industry in the world, is one of the important countries in the region in spite of experiencing a lot of problems caused by neighboring Armenia that rapes the territory of Azerbaijan, penetration efforts of great forces. Domestic and foreign policy priorities of Azerbaijan are Nagorno-Karabakh, delivery of energy sources to international markets efficiently, the development of non-oil sector and the country's economy diversification (<http://www.azerbaijans.com>). While determining foreign policy, Azerbaijan should protect own national profits and being the leading country in the region as well as maintain the relations which depend on having equal rights with neighboring countries and the other countries that have profits from the region (Turan, 2010).

The realization of the Baku-Tbilisi-Kars railway project could be specified as one of the most important achievements of Azerbaijan's foreign policy. A memorandum of understanding was signed between Turkey and Georgia about the project emerged depending on Azerbaijan's strategic policies in the meeting of Joint Transportation Commission held in Ankara on 26-29 July, 1993. Then, the talks on the project was suspended. No success was gained on the realization of the Kars-Ahalkalaki railway project in the meeting of the Transport ministers of both countries held in Istanbul on 20-21 July 2002 (<http://www.azerbaijans.com>). Finally, Azerbaijan raised its

diplomatic effort for the realization of this strategic project and made it the main priority of regional policy (<http://www.azerbaijans.com>). As a result of multiple attempts, on May 25, 2005, the presidents of these three countries (Turkey, Georgia and Azerbaijan) signed a new joint declaration on the realization of the Baku-Tbilisi-Kars railway project finally.

The importance of the project, Azerbaijan is as one of the leading countries in this work, is not only about the economy but also has geo-political character. For that reason, Armenia and Armenian lobby in the western countries strived obstacles towards the realization of this project. As a result of the strives, US Congress imposed a ban on the allocation of loan for the project by the U.S. Exim Bank. However, Azerbaijan earmarked low-interest loans to Georgia for the financing of this project, showing brave enough political stance. Thus, interventions directed to stop the project was a fiasco. February 7, 2007 in Tbilisi, agreements have been signed on the realization of the project. With the realization of this project strengthening Azerbaijan's position in the regions such a Europe-Caucasus-Asia (TRACECA) transport corridor connection, it will increase the status of Azerbaijan as a transit country.

A new leap, focused on safety and named New Neighbourhood Policy, has been taken in by European countries after European Communities. The main purpose of NNP is to create an effective security perimeter around the outside of EU where EU never expands. In term of EU, the economic and trade relations with the countries included in this policy are such a motive that can not be ignored (Clawson, 2000). Especially in the case of relations with Azerbaijan, New Neighbourhood Policy of the European Union is noteworthy which the size of economic interest can be seen.

Azerbaijan's cooperation with the EU gets out of the country's security needs, it grew in economic, political and social spheres. Within the framework of the European Neighbourhood Policy, EU-Azerbaijan Action Plan was adopted in 2006, having been reinforcing political dialogue between the EU and Azerbaijan, improved the cooperation in the fields of economic and industrial reforms. The importance of Azerbaijan in the energy safety of Europe has increased with being the leading state in the region (Şahbazov, 2012).

Not only as an energy producer but also as a transit country, Azerbaijan has become an important player and the center of the region with the realization of successful regional infrastructure projects such as The Baku-Tbilisi-Ceyhan oil pipeline and the South Caucasus gas pipeline for Europe.

Azerbaijan-EU Relations in the Caspian Basin Energy Diplomacy

Prior to the New Neighbourhood Policy, Azerbaijan-EU relations proceeded more with the TACIS program and projects INOGATE and TRACECA within the scope

of TACIS. The previous relations, limited with programs, conveyed to the political relations scope with NNP. With this new policy that the main objective is to create a security perimeter announced by the EU, the Union demonstrated the same inconsistency such in the case of expansion policy with Turkey (Şahbazov, 2012). Obviously, All of Nagorno-Karabakh and the surrounding regions have been in the invasion of Armenia for almost 20 years. Armenia that does not respond positively to the peace steps taken by Azerbaijan, is known with its intractable attitude in the resolution process. Unfortunately, Azerbaijan does not have much choices (only one) towards Armenia that does not want to retreat from the occupied lands of Azerbaijan and intractable attitude of Armenia, especially in recent clogged negotiations. President of Azerbaijan : "To take back our land through the basic to the way of peace is the solution, but if the Armenian side exhibits uncompromising attitude , we apply all required steps to any lengths to get back the Nagorno-Karabakh and the surrounding lands which were Azerbaijani lands throughout the history". This speech is the key word to show that Azerbaijani authorities have tried all the options to solve the issue, except the alternative mentioned in the speech. War is always the last solution and Azerbaijan is aware of that. In fact, this awareness was the main factor in peace efforts' continuation of such a long period of time. The size of Azerbaijan or Armenia in this issue is not pointed, but rather the attitude of the EU to the problems (Şahbazov, 2012).

The course of the present issue of the occupation of Nagorno-Karabakh by Armenia triggers a new war in the region. Azerbaijan strategy basic motive is obviously the economic interest of the Union countries within the framework of the New Neighbourhood Policy. Particularly, the Nabucco project, functioning BTC pipeline and the oil consortiums, the Baku-Tbilisi-Kars railway project and new ideas are Europe oriented projects (Çelepçi, 2000). Indeed, Azerbaijan has set the priority of the foreign policy as Turkey and West oriented rather than the Russian Federation in the North so many years ago (Yüce, 2005). A probable war in the region undermines economically not only countries in the war, but also hits the EU that benefits the resources of the region. Therefore, The EU must be involved in the resolution process of the problems of the region to protect the economic interests within the scope of the New Neighbourhood Policy and to create security circle around.

Nowadays, it is observed that the EU has pursued only Armenia's interests with Azerbaijan policy within the framework of the New Neighbourhood Policy. EU sees Azerbaijan as an important business partner, ignoring the issue of the occupation of Nagorno-Karabakh, as if this is an ethnic conflict problem, which evaluates the two countries. The Union refers that the problem can only be solved between the two countries. Hence, the double standart is evident in the the South Caucasus policy of the EU.

To prove this idea, it is enough to take a look at the attitude in the problems with Russia in South Ossetia in Georgia, the other part of the New Neighbourhood Policy, in 2008, It is much more difficult problem than the occupation of Nagorno-

Karabakh process in terms of direct or indirect interventions of foreign countries. In 2008, events in South Ossetia, were down in the history as a conflict that the army of the Russian Federation took part. With the mediation of the European Union itself, the interventions of French President Sarkozy and German Chancellor Merkel, as a result of convince of Russia, Georgia has been recovered from being occupied by Russian troops. In addition, at the end of 2011, Russia was condemned by the European Union once again as an occupying country. Thus, in spite of having Russia against them, the EU undertook responsibility to solve the problem in Georgia, but, still saying the same word, "the problem between Azerbaijan and Armenia about Nagorno-Karabakh is region's problem." shows such an attitude of inconsistency of the EU(Şahbazov, 2012).

The EU, stopped the war in Georgia, has still insensitivity about the ongoing occupation of Nagorno-Karabakh by Armenia, in spite of the four decision, taken by UN at different times, demanded Armenia to evacuate occupied territories of Azerbaijan. Rather than solving the problem, on the contrary, the EU accepts the problem as region's own "internal problem" and even reluctant to mediate evaluating the solution.

Conclusion

In 21st century, energy has been one of the most important determinants in relations between states. Exporting countries want to have rights on decision on their own recourses, to keep their export revenues at a certain level by selling oil or natural gas to different consumers while importing countries want resource sustainability, provision of transportation security and the stability of prices. Both parts develop their ebergy policies in this way.

In order to maintain the sustainable development, source owner countries improve bilateral or multilateral relations for competitiveness with global forces, so that, they try to provide political and economic development.

The EU is the most intensive energy-consuming part of the world, in turn, due to insufficiency of its own sources, the EU wants to meet energy needs by using the advantage of geographical proximity to Euroasian countries that have a significant portion of energy sources in the world.

The EU, in addition to the regulations in the field of energy in their own, aims to establish policies taking into consideration the interest of energy security and the dependence on foreign energy sources that it will face near future. Indeed, the EU, adopting "multiple pipe lines policy", is trying to develop new approaches about the pipeline from the Middle East, Central Asian countries and North Africa to the Europe.

The Union would like to see the Caucasus as an alternative source of stabilized a region in reducing the dependence on Russia. The EU wants to create secure transport corridors where the pipelines pass through, Although, the EU supported the projects TRACECA, TACIS, INOGATE and the other projects which are also supported by the United States, when compared to other global forces, the EU is far to create a strong policy on the region these days.

In energy policy, It is one of the main priorities of Azerbaijan to get back the territories occupied by Armenia. And also Azerbaijan is the most important actor in the region. The situation that the demands of Azerbaijan are not met, reduce the importance of the EU in Caspian Basin energy policy.

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