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REDEFINING SUPERPOWER RELATIONS IN THE CASPIAN: THE SAME OLD GAME

A critical analysis of competition and cooperation as well as Russia's perception of threat posed by China and the US

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RÉSUMÉ

Aujourd'hui, l'expression « Nouveau grand jeu » fait partie du jargon de la littérature scientifique et du discours politique. Cette expression établit une analogie avec le « Grand jeu », le conflit entre l'Empire russe et l'Empire britannique pour le contrôle de l'Asie centrale, et prétend que la compétition actuelle entre les puissances pour l'accès aux hydrocarbures de la région de la mer Caspienne demeure constante et intense. Ce mémoire conteste l'emploi de l'appellation « Nouveau grand jeu » pour qualifier les relations entre la Russie, la Chine et les États-Unis pendant les deux mandats présidentiels de Poutine. L'argument principal est façonné à partir d'une étude détaillée du contexte géopolitique régional et une analyse des données sur la production d'hydrocarbures sous contrôle de chacune des superpuissances. Ce projet de recherche démontre également l'influence de la hausse des investissements américains et chinois sur la façon dont Moscou perçoit ses rivaux et analyse l'impact de ces deux éléments sur l'articulation de la politique étrangère russe dans la région Caspienne.

ABSTRACT

The term 'New Great Game' has been used liberally in the foreign policy discourse as well as in the academic literature. By drawing a parallel to the 'Great Game' between the British and Russian Empires over control of Central Asia, the new catch phrase seems to insinuate a constant state of competition over oil and gas between the powers engaged in the Caspian. This thesis challenges the claim that relations between Russia, China and the US reflect the 'New Great Game' paradigm during Putin's two presidential terms. A detailed analysis of the regional geopolitical context and an assessment of the share of regional hydrocarbon resources under the control each of the three superpowers form the backbone of this argument. This paper will also illustrate the effects of increases in American and Chinese investments and Moscow's perception of its two competitors on Russian foreign policy in the Caspian region.

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Маме и Папе

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Map of the Caspian Region

The Caucasus and Central Asia



Source: mapsof.net

Chapter 1: Introduction

1.1 Introduction to the Problem

Originally, the Great Game referred to a 19th century geopolitical rivalry between the British and the Russian Empires over control of Central Asia. Competition for the fate of the region slowed down dramatically with the Bolshevik Revolution of 1917 and was eventually brought to a halt by the rigidity of the bipolar world order. With the collapse of the Soviet Union in 1991, the Caspian region,¹ believed to contain massive hydrocarbon deposits, resurfaced on the international agenda, bringing up the question of the Great Game's revival. Historian Alec Rasizade points out that since the demise of the Union of Socialist Soviet Republics (USSR) the term 'Great Game' has been used quite liberally by observers of the region to describe the endeavours of the great powers, ranging from military ventures to mere competition for natural resources, to fill the strategic void in a region.² This rivalry between the major players of the early 21st century has penetrated regional affairs on the political, economic and militarily levels.³ According to Ariel Cohen, an expert on the post-Soviet space, the principal powers and regional actors are playing a "New Great Game" centred mostly on the Caspian's energy resources, thereby attracting multibillion-dollar investments and becoming the subject of international intrigues.⁴

Located in one of the world's most strategic zones, between Russia, China and the troubled Middle East, the autocratic states of the Caspian hold the key to energy security for the West as well as the new economic powerhouses such as China and India. The conjunction of the political vacuum, which materialized after the fall of the Soviet Union, and the

¹ This paper considers that the states of Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan belong to the Caspian region. For the purposes of this research, Iran will be excluded from the analysis.

² Alec Rasizade, "Entering the Old Great Game in Central Asia," *Turkish Journal of International Relations* 1/2 (Summer 2002): 41.

³ Guo Xuetang, "The Energy Security in Eurasia: the Geopolitical Implications to China's Energy Strategy," *The China and Eurasia Forum Quarterly* 4/4 (2006): 120.

⁴ Ariel Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation* (Singapore: Central Asia- Caucasus Institute and Silk Studies Program, 2008), 11.

abundance of natural resources put the newly independent states firmly into geopolitical calculations of three principal world powers: China, Russia and the United States. Each of the three hegemon is vying to access the region's riches all the while seeking to expand its influence in the region.⁵ Russia has traditionally considered the area to belong to its sphere of influence – its 'backyard'. When former Russian President Vladimir Putin reformulated Russian foreign policy - in shambles after the two mandates of Boris Yeltsin in the 90s - he placed particular emphasis on the importance of former Soviet Republics to Russia's strategic interests. In a way, Putin masterminded Russia's homecoming on the international stage. For Russia, the first decade of the century was characterized by growing prosperity and recovery of lost political clout. The reforms of Russia's own hydrocarbon sector as well as the energy relations with the Caspian states were almost single-handedly responsible for this economic, and consequently political, renaissance. It should thus not come as a surprise that Moscow feels the need to safeguard its position in the region in order to secure long-term access to the hydrocarbon reserves. As a result, the fear of increased competition with the US and China in the energy sector must be a determining factor of Russian policy in the Caspian.

This project will examine two major questions. The first one will seek to discern the nature of relations in the energy sector between the three main exogenous powers to the region (Russia, China, and the US),⁶ with a particular focus on the Russian Federation, and determine whether these constitute in themselves a 'New Great Game'. The thesis will also attempt to evaluate the effects of Chinese and American regional engagement on the fluctuations in Russian foreign policy under Putin towards the four hydrocarbon-rich states of

⁵ Mustafa Ayidin, "New Politics of Central Asia and the Caucasus: Causes of Instability and Predicament," *SAM Strategic Research Center Paper* (2002): 2.

⁶ The EU is excluded as a principal regional power because the Block has failed to act in a unified fashion to various security related issues related to Russia, in particular in the energy sector. Therefore, for the sake of methodology, and in an effort to accurately represent the most important regional relationships the EU will not be considered a major actor in the Caspian region, despite the presence of certain European gas and oil companies (namely Total).

the Caspian region - Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan. The second part of this project will focus on the role Russia's threat perception of US and China plays in the articulation and execution of Kremlin's Caspian policy. It will argue that the aberrations in Moscow's perception of the above-mentioned powers shape its regional policy. Furthermore, they consequently account for the variations in Russian presence in the energy sectors of each of the four Caspian nations.

1.2 Methodology

To answer my research question I will resort to a mixed approach that will combine a comparative case study method of social inquiry with a primitive quantitative analysis. Since the latter method will be described below, this section is devoted to the discussion of the case study component.

Comparative research in social sciences focuses on the problem of understanding a relatively small number of cases that are selected because of their theoretical importance. Consequently, the N (number of cases) is often small because the cases are rare and unique.⁷ As the renowned political scientist Arend Lijphart states in his 1975 article, plural comparative methods actually minimize the problems of having a small N by increasing the span of analysis in time and space and by restricting analysis to key variables.⁸ The comparative approach is a method used to discover empirical relationships among variables; it is not a method of measurement.⁹ Despite the advantages of the comparative case study methodology, this research technique poses many problems for legitimate project design. In

⁷ Gary King, Gary, Robert O. Keohane, and Sydney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton: Princeton University Press, 2001), 45.

⁸ Arend Lijphart, "The Comparable-Cases Strategy in Comparative Research," *Comparative Political Studies* 8/2 (1975): 159.

⁹ Arend Lijphart, "Comparative Politics and the Comparative Model," *American Political Science Review* 65/3 (1971): 683.

particular, qualitative research is often accused of not being able to provide estimates of uncertainty of the researcher's inferences. This pitfall, however, can be avoided if no generalized and sweeping conclusions are made from the case studies in question. This thesis hopes to have steered clear of the drawbacks by wholeheartedly adhering the above-alluded remedy.

As a nod to the problem of traditional methodology when cases are picked in accordance with the hypothesis,¹⁰ I chose four separate cases for the study of Russian foreign policy: Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan. In all of these microcosms, Moscow exhibits very different relations with each of the local capitals. In addition, Russia's influence and presence has varied from state to state depending on the historical ties. For example, Kazakhstan quickly aligned itself with Moscow after its independence. However, in recent years Astana has embarked on a more independent policy by signing numerous agreements with China. In the case of Turkmenistan, despite Ashgabat's close-knit cooperation with Moscow, its foreign policy has never been categorized as pro-Russian. Uzbekistan has recently drastically changed course from a pro-American policy to a markedly pro-Russian one; whereas Azerbaijan has sought to limit the role of Russia in its hydrocarbon sector since independence. This so-called most different system design seeks heterogeneity in the sample when the case studies differ with regard to only a limited number of variables.¹¹ The most-different systems methodology also supports the argument advanced by scholars Przeworski and Teune. According to them, the criteria of generality and parsimony in social science suggest the need for the same theories to be evaluated in different systemic settings.¹² In other words, the ultimate purpose of using different systems design in this project is to evaluate whether the general trends of Russian perception of American and Chinese

¹⁰ Ibid., 684.

¹¹ Adam Przeworski and Henry Teune, *Logic of Comparative Social Inquiry: Comparative Studies in Behavioural Science* (New York: John Wiley and Sons, 1970), 39.

¹² Ibid., 22.

competition in the Caspian as reflected in Kremlin's foreign policy hold true for the four different states of the region.

1.3 Case Selection

All of the four Caspian nations that were chosen for this project possess considerable, although unequal, hydrocarbon resources. While all four were part of the Soviet Union, each had a unique relationship with the centre. Their rapports with the Kremlin have played a defining role in the former Republics' receptivity to Moscow's regional policies since independence. The differences among the four Caspian nations translated into other economic domains, particularly that of the hydrocarbons. The energy sector reforms undertaken by the national governments after the collapse of communism have varied greatly.

Shortly after gaining independence, the Caspian states had realized that their economic and political survival depended on the full utilization of their hydrocarbon resources.¹³ The abilities of the four countries to attract foreign investments to develop oil and gas deposits diverged from the beginning. In the case of Azerbaijan, whose riches were developed by the State Oil Company of Azerbaijan (SOCAR), the influx of foreign investment since independence has revitalized the country's energy sector. Nonetheless, Azerbaijan's future oil prosperity is highly uncertain, as several foreign investment projects have been unsuccessful due to disappointing drilling results.¹⁴ Kazakhstan possesses the Caspian Sea region's largest recoverable crude oil reserves and its production accounts for approximately two-thirds of the region's overall output. Since independence in 1992, Kazakhstan has aggressively pursued foreign investment by auctioning off its fields to international consortia.

¹³ Gawdat Bahgat, "Prospects for Energy Cooperation in the Caspian Sea," *Communist and Post Communist Studies* 4 (2007): 155.

¹⁴ *Ibid.*, 7.

The natural gas production of its neighbour, Turkmenistan, has been subject to intense fluctuations. The unpredictability of the country's political leadership has made certain international companies reluctant to invest in Turkmenistan. As for Uzbekistan, it has only developed energy ties with Russian firms, in spite of close military cooperation with the US that flourished until 2006. Evidently, the Caspian states, with Russia's own financial means remaining limited, have become increasingly dependent on foreign, particularly American and Chinese, capital since independence.¹⁵ These cases will be discussed in detail further in the thesis. This brief overview, however, sought to provide the justification for the choice of specimens for this project.

1.4 Interdisciplinary Component

Natural resources, particularly gas and oil, fuel our economies in both literal and figurative sense. Conflicts centered on access to these riches have been at the heart of political struggles of the 20th century and questions of energy inevitably find themselves at the crossroads of the political and economic realm. As a result, research on the topics touching oil and gas is inherently geopolitical. This project falls into the above category for it aims to describe interdependent relationships between international politics (i.e. superpower relations) and the geographical environment, which translate into various forms of control over the space (i.e. hydrocarbon resources of the Caspian).¹⁶ In addition, the study of geopolitics is also inherently interdisciplinary, as it requires a researcher to pool knowledge

¹⁵ Stephen Blank, "Russian Economic Policy in the CIS during a Time of Troubles," *Central Asia-Caucasus Institute Analyst* (January 28, 2009): 5.

¹⁶ Eduard G. Solovyev, "Geopolitics in Russia – Science or Vocation?" *Communist and Post-Communist Studies* 37 (2004): 86.

from the field of international relations with that of another discipline. In this case, economics was chosen as the discipline most capable of complementing the political aspects of analysis.

The other methodological approach that will complement the comparative case study research borrows from simple statistics to provide the backbone of this research project. As previously stated, this thesis makes it a point to evaluate the merits of the claims that refer to the competition in the Caspian energy market as a 'New Great Game'. In order to achieve this objective, an elementary approach of calculating the share of oil and gas that each of the regional hegemons 'produces' (controls) through their respective local oil and gas companies. Even though American oil majors in the region are not state-owned corporations like their Russian and Chinese counterparts, the dealings of energy companies are always linked to the political realm. In fact, US firms have always functioned under the directives and political security blanket of Washington.

In order to measure the share of output that Russia, China and the US control through the bias of their companies, their shares in each operational project in all of the Caspian countries for each of the years studied must be calculated. This is accomplished by multiplying the total production output of a specific project by the stake that each country's company holds in that venture. This operation is duplicated for each producing field in the Caspian states, one by one. However, reliable statistics on gas and oil producing developments are hard to come by. As a result, for each of the four Caspian states a year was chosen for which the data on either annual or yearly output of all functioning gas and oil fields was available.¹⁷ Then, the share of the production capacity of a single field was calculated using the total annual production statistics from the International Energy Agency's (IEA) website; this number was consequently used to obtain the estimated field production per year for the entire length of the period in question (2000-2007). The above process was

¹⁷ Data for the year 2008 available on the IEA website was used as it was the most complete.

repeated for all of the oil and gas projects in Azerbaijan and Kazakhstan. Finally, the data from these calculations was graphed in order to present the findings visually.

The modus operandi for calculating the country shares of oil and gas production in Turkmenistan and Uzbekistan had to be adapted to the lack of statistics on the individual output of fields. Turkmenistan and Uzbekistan exported their gas (there were no oil shipments leaving either of the two states from 2000-2007), almost exclusively, to Russia during the studied interval. Export data from IEA website was used to establish the annual volumes received by Moscow. While Uzbekistan supplied its gas solely to Moscow, Turkmenistan also provided gas to Iran and Ukraine. Therefore, for the former, the amount received by Moscow was assumed to represent the total export amount of energy, while for the latter the overall amount of gas shipments to Russia was calculated by using the data of exports to Iran and Ukraine with the IEA data for the time period.

1.5 Contribution to the Field

The method employed here to evaluate the genuine share of oil and gas production that each of the major regional powers control has not been seen in the literature on the Caspian energy sector. Although extremely simple in its conception, the mechanism provides an effective demonstration of the figures that are often misused and misinterpreted in the 'New Great Game' narrative, especially since most studies assume that such a competition exists without examining the actual data on gas and oil production. This paper does not claim to overhaul the entirety of the arguments in the literature. It simply provides a novel way of formulating one's opinion in, a hopefully, more enlightened way.

Aside from bringing to light the subtleties of the 'New Great Game' lexicon, the insights from the Caspian case study can be applied to other strategic policy areas. The main

research questions of this thesis strike at the heart of discussions of Russia's foreign policy in the energy sector and whether Moscow is capable of providing constructive solutions and options to the geoeconomic and geopolitical questions of the 21st century. The study also provokes a reflection on the future of Russia's policy in the Commonwealth of Independent States (CIS) space: whether Russia is seeking to build new ties and reach out to new elites or whether it is looking to reconstruct the Soviet-era arrangement of political relations. In addition, the issues addressed in this thesis probe into the web of superpower relations at regional and international levels, making conjectures about possibility of cooperation between the three states and the obstacles that appear to stand in their way on the road to achieving that goal. Finally, this project echoes the discussions of Russia's place in the world regarding its absolute and relative position in the international power hierarchy.

1.6 Chapter Summary

This thesis will labour on answering the research question in the six chapters. Chapter two will present the literature review and the International Relations theories that will form the backbone of the theoretical framework of the study. The third Chapter will speak to the methodological aspect of the research. The core of the analysis will be located in Chapters four and five that will respectively paint a portrait of the changing geopolitical status quo in the region and provide the economic analysis to explain the transformations. The summative findings will be advanced and discussed in the concluding Chapter 6 six of this work.

Chapter 2: Background and Theoretical Framework

The literature often tends to approach the topic of hydrocarbon development in the Caspian in conjunction with other strategic issues e.g. military cooperation, terrorism, ethnic conflict etc.¹⁸ The questions of energy are thus rarely treated in isolation even though the direct link between them and other security questions is often ambiguous as they are in the nations of the Caspian Sea. In addition, the vast majority of the authors equate the mere presence of exogenous actors (Russia, China, and the US) in the region to a constant state of competition that resembles that of the 'New Great Game'. This work will seek to provide a more nuanced analysis of the dynamics between the three superpowers in order to qualify accurately this renewed international rivalry for the natural riches of the Caspian. Because this thesis diverged with the literature on the above two points, it was faced with the problem of localising befitting sources. Having said that, the available scholarship on Russian foreign policy of the Putin era, as well as the texts that address the international competition in the Caspian supply the essential building blocks for this research project.

2.1 Literature on Russian Foreign Policy

2.1.a The Two Schools of Russian Foreign Policy

The scholarship on Russian foreign policy can be divided into two schools of thought with academics that have matured either before or after the end of the Cold War. The former usually appraise Russia as a threat to international peace and security due to its predatory

¹⁸ For the role of Islam in Central Asia see Rob Johnson; for post-Soviet democratic development see Leoung Buse, Paul Kubicek, Ahmet Kuru; for the question of natural resources see Hrair Dekmejian and Hovann H. Simonian's work entitled *Troubled Water: the Geopolitics of the Caspian Region* and Jennifer Cumming's work *Oil, Transition and Security in Central Asia*.

behaviour. The latter view Russia as more of a failed state that can either stabilize its situation by reforming its institutions or continue its inexorable decline.¹⁹ Subsequently, the academic 'newcomers' insist on the pragmatic character of Russian foreign policy under Putin, whereas the group of scholars that grew up during the Cold War tend to consider Russia's resurgence and its foreign policy to be following a new ideological paradigm. Maria Raquel Freire, a young International Relations (IR) specialist, argues that Russian foreign policy under Putin can be summed up as one of 'pragmatic nationalism' since it has sought to overcome the excessive focus on ideology of the Soviet era.²⁰ On the other hand, Cold War veterans, like Professor Ariel Cohen, specify that for over a decade Moscow has failed to articulate Russia's new ideology clearly, leading many among the Russian political elite to believe that ideas mean nothing in world politics and that only pure national interests matter.²¹ The proponents of this view insist that Moscow continues to maintain a highly asymmetric structure of energy and trade relations with its southern neighbours. These scholars insist that making Caspian states critically reliant upon the Kremlin's investment in their economic development provides Moscow with significant leverage over their internal political developments.²² They also regard the political developments in Russia as embodiments of the sentiment of nostalgia for the Russian Empire that once was – an opinion that is certainly shared among certain strata of the elite. Even Putin, in a telling remark during an address to the nation's Security Council in 2005, proclaimed the collapse of the Soviet Union as the greatest geopolitical catastrophe of the 20th century.²³ Conversely, scholars of the younger generation argue that the leader's articulation of foreign policy, centred on the idea of Russia's greatness, derives

¹⁹ George Friedman, "The Western View of Russia," *Stratfor*, August 31, 2009, http://www.stratfor.com/weekly/20090831_western_view_russia?utm_source=9NV75&utm_medium=email&utm_campaign=WIFLSFI9NV75091229151087 (accessed November 2009).

²⁰ Maria Raquel Freire, "Russian Policy in Central Asia," *Asian Perspectives* 33/2 (2009):128.

²¹ Ariel Cohen, "Domestic Factors Driving Russia's Foreign Policy," *Backgrounder the Heritage Foundation* (September 19, 2007): 6.

²² Jeronim Perovic, "From Disengagement to Active Economic Competition: Russia's Return to the South Caucasus and Central Asia," *Democratizatsiya* (Winter 2005): 1.

²³ Cohen, "Domestic Factors Driving Russia's Foreign Policy," 3.

less from an abstract notion of great power, or *mission civilisatrice*, than from a realistic assessment of Russia's resources and possibilities.²⁴

2.1.b Russia's Relationship with the CIS

The two camps do agree on the importance of the 'near abroad' to Russian foreign policy. The expression 'near abroad' that refers to Russia's self-declared right to assert itself and its interests in the Commonwealth of Independent States (CIS) space was introduced to Russian foreign policy discourse in 1994 by, the then Director of the Foreign Intelligence Service and future Prime Minister, Evgenii Primakov. The creation of this term implied the existence of coherent diplomacy that in its turn justified the invention of this very diplomacy. However, Russia's foreign policy toward the CIS had remained ad-hoc up to the end of Boris Yeltsin's presidential mandate (1999). In fact, Russia's diplomacy in general, lacked a strategic national concept that, according to some experts, was first introduced and operationalized by Putin. As a result, most of Russia-scholars agree that 'near abroad' was translated into a concrete foreign policy with Putin's arrival in the Kremlin. From that point on, energy security and consequently the Caspian region, became items of utmost importance on Moscow's agenda.

The policy reorientation left Russia with a lot of lost ground to make up since the Caspian diplomacy under Yeltsin focused on either stalling or completely blocking progress of projects that were perceived to be unfavourable for Russian interests. Russia's ability to achieve those objectives was greatly curtailed by the 1998 economic crisis. The regime's political weaknesses also played a role in significantly hampering its efforts to restore hegemony in the Caspian. Thus, while Moscow was very sensitive to growing foreign (particularly American) presence in the region and had tried to curb it, its own influence had

²⁴ Jeronim, "From Disengagement to Active Economic Competition," 5.

done nothing but decline leaving it no choice to accept the new geopolitical situation.²⁵ Putin recognized Russia's limited capacities on the world stage and the need to make a certain amount of geopolitical concessions, for instance through strategic partnerships.²⁶ This is precisely the reason why Richard Sakwa, an expert in the field of Russian and Eastern European studies, characterized the period of Russian policy between 2000 and 2006 as 'new realism'²⁷.

Even though Putin infused the 'near abroad' policy with new life, numerous scholars either dispute the viability of this diplomacy or dismiss it completely. They argue that despite the long history of Soviet rule, Russian ascendancy in this part of the world should not be taken as a given, thereby making uncertainty and unpredictability the rules of the game.²⁸ This tension between the leaders' aspirations and the reality on the ground was exacerbated by Putin's Federal Assembly speech of 2003. The discourse echoed the sentiments of many Russian policymakers when the President declared the CIS countries belong to Russia's strategic sphere of influence.²⁹ Dmitry Trenin, the director of the Carnegie Moscow Centre, insists that while objectively, Russia clearly dominates the CIS space, it has no influence, let alone leadership there.³⁰ Pavel Baev, an expert on Russian military and energy policies, adds that while making a claim for a new empire and trying to reduce the American 'strategic footprint' in the Caspian, Moscow is in fact quite reluctant to accept any responsibilities that

²⁵ Aydin, "Black Sea and the Caucasus Region: Causes of Instability and the ways to deal with them," 220.

²⁶ Marlene Laruelle, *In the Name of the Nation: Nationalism and politics in Contemporary Russia* (New York: Palgrave MacMillan, 2009), 32.

²⁷ Richard Sakwa, "New Cold War of Twenty Years' Crisis? Russia and International Politics," *International Affairs* 84/2 (2008): 241.

²⁸ Mehdi Parvizi Amineh, and Henk Houweling, "Global Energy Security and Its Geopolitical Impediments—the Case of the Caspian Region," *Perspectives on Global Development and Technology* 6 (2007): 366.

²⁹ Ingmar Oldberg, "Russia's great power ambitions and Policy under Putin", in *Russia: Re-emerging Great Power*, ed. Roger E. Kanet (New York: Palgrave MacMillan, 2007), 25.

³⁰ Dmitry Trenin, "Russia's foreign policy: self-affirmation, or a tool for modernization?" *Open Democracy*, May 13, 2008, <http://www.opendemocracy.net/russia/article/russias-foreign-policy-self-affirmation-or-a-tool-for-modernization> (accessed October 2009).

such a role might entail.³¹ The official Russian attitude towards the CIS space is nonetheless significant for it reflects and is representative of the way that the decision makers of the Kremlin perceive the presence of other major powers in the region they claim as their fiefdom thereby determining Moscow's regional foreign policy.

2.2 Literature on the 'New Great Game'

The literature discussed above dealt with the general objectives of Russian policies in the CIS; the following section examines how those broad foreign policy concepts are applied to Russia's Caspian Basin strategy. This segment of the literature review also emphasizes the competition in the energy sector often referred to as the 'New Great Game' and brings a geopolitical slant to the understanding of international engagement in the region.

Since the disintegration of the Soviet Union, the conditions for a 'New Great Game' were created among the main state actors—Russia, China, and the US—interested in securing access to the region's energy resources. There is much scholarly debate regarding the nature of this competition and whether it embodies the pattern of engagement of the 'New Great Game.' According to Baev, the diffuse nature of interactions in the Caspian does not resemble the 'New Great Game' model but involves many small games and petty intrigues played by state, sub-state and non-state actors.³² Some scholars refer to the new Caspian contest as a "multidimensional rivalry."³³ Trenin states that the Caspian region has become a battlefield of two new, softer versions of the 'New Great Game': an overt one between Russia and the US and a covert one between Russia and China.³⁴ For others, such as Anne Bohr, this competition

³¹Pavel Baev, *Russian energy policy and military power: Putin's quest for greatness* (Rutledge: New York, 2008), 104.

³² Pavel Baev, "The Caspian Direction in Putin's 'Energy Superpower' Strategy for Russia," *38 National Convention of the American Association for the Advancement of Slavic Studies* (November 2006): 2.

³³Amineh Mehdi Parvizi, "Global Energy Security and Its Geopolitical Impediments," 366.

³⁴ Dmitri Trenin, "Russia and Central Asia, Interests, Policies, and Prospects," in *Central Asia: Views from Washington, Moscow and Beijing*, ed. Rajan Menon (London: M.E. Sharpe, 2007), 84.

is defined by the rivalry between US and Russia.³⁵ The proponents of this view believe that since both states supply the same products to the same set of foreign markets the energy-factor contributes to this competition.³⁶ There are also scholars who insist on the threat faced by the strategic interests of the West due to Chinese and Russian presence. Thrassy Marketos, an analyst of Eurasian politics, adds that the outcome of this geostrategic competition will determine which major power will control the region.³⁷ Given the Caspian's geostrategic location, Russia undoubtedly seeks to balance relations among the major powers (by pursuing a multi-vectored foreign policy).³⁸ According to Martha Brill Olcott of the Carnegie Centre, Moscow's offer of new European pricing formula for gas bought from Kazakhstan, Turkmenistan, and Uzbekistan exemplifies this policy and highlights the increasing Chinese role in the Caspian, the so called 'Chinese factor.'³⁹ Much speculation remains regarding the power that will be able to cast its dominance over the Caspian. Although Russia, Iran, Turkey, and China have large geopolitical ambitions in the region, every one of the players lacks the capability to establish an exclusive sphere of influence or achieve overwhelming dominance.⁴⁰

Still, other researchers refute both the benign nature of the 'New Great Game' and the unpredictability of its consequences. This group of academics, with Richard Sokolsky, a specialist on US foreign policy in Eurasia at its helm, attests that Russia remains the dominant player in the region notwithstanding the contraction of its power. These scholars believe that the weaknesses of the Caspian states and the constraints on the ability of other outside powers to project influence into the region make it unlikely that Russia's predominant role

³⁵ Annette Bohr, "Regionalism in Central Asia," *International Affairs* 80/3 (2004): 486.

³⁶ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 257.

³⁷ Thrassy Marketos, "Eastern Caspian Sea Energy Geopolitics: A Litmus Test for the US-Russia-China Struggle for the Geostrategic control of Eurasia," *Caucasian Review of International Affairs* 3/1 (2009): 4.

³⁸ Robert Levgold, "Russia's strategic Vision and the Role of energy," *NBR Analysis* (July 2008): 13.

³⁹ Martha Brill Olcott, "Russia, Central Asia and the Caspian: how important is the energy and security trade off?" *James A. Baker III Institute for Public Policy Lecture* (May 6, 2009): 21.

⁴⁰ Richard Sokolsky, and Tanya Charlick-Paley, "Look Before NATO Leaps into the Caspian," *RAND*, Spring 1999: 287.

will be supplanted by another hegemon in the medium-term.⁴¹ In addition, oil and gas account for about half of Russia's foreign exchange earnings and contributes significantly to its economy making, as argues the energy specialist James Dorian, Russia incredibly determined to maintain its grip on the lucrative Central Asian hydrocarbon resources.⁴² These academics indicate that Russia dominates the Caspian region today and will continue to do so in the near future since there is no outside power that can match Moscow's clout and its ties to the ruling elites in the region.

However, the game in the Caspian is only truly zero-sum to the degree that these clashing interests are a priority rather than mere secondary goals in each powers' hierarchy of strategic regional objectives. Moreover, the game is only 'Great' to the degree that these diverging regional preferences figure in the global strategy of each of the three powers.⁴³ Prolific scholar of Russia, Robert Levgold, argues that in "international politics, energy plays a role as a multiplier, i.e. it intensifies whichever trend either cooperation or conflict most marks a relationship."⁴⁴ However, since the relationships that define superpower engagements are constantly evolving, the only certainty is that they will fluctuate between the polar opposite end of the spectrum. The arrival of US military in Central Asia, to which Putin agreed after 9/11, not only altered the balance of power in the region but also intensified Moscow's perception of intensity of geopolitical challenges in the highly sensitive region.⁴⁵ Over the course of the past twenty years it became clear that the Caspian dominates the strategic thinking of other major world powers that are attempting to solidify their positions in the region. China is at the forefront of the new conquest. Its presence in the Caspian does

⁴¹ Sokolsky, and Charlick-Paley, "Look Before NATO Leaps into the Caspian," 288.

⁴² James P. Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," *Journal of Energy Policy* 32 (2006): 552.

⁴³ Kathleen A. Collins, and William C. Wohlforth, "Defying 'Great Game' Expectations," *Strategic Asia* 4 (2003): 293.

⁴⁴ Levgold, "Russia's Strategic Vision and the Role of Energy," 10.

⁴⁵ Baev, *Russian Energy Policy and Military Power: Putin's Quest for Greatness*, 93.

not directly translate into an increase in competition between the actors. In fact, the study of Gawdat Bahgat, an expert on energy policy, insists that despite the conflicting interests of the global powers their strategies should not be seen in zero-sum terms as they share many common interests.⁴⁶ Brill Olcott has also acknowledged on numerous occasions the increase in cooperation initiatives in the energy sphere in the CIS region since 9/11.⁴⁷ The essential question regarding the genuine commitment of the parties to implement these cooperative policies remains unanswered.

For the meantime, political rhetoric has underlined the conflicting interests in the region, particularly between the late Cold War rivals Russia and the US. When America proclaimed itself as the champion of geopolitical pluralism in the post-Soviet sphere over which Russia claimed a *droit de regard*,⁴⁸ Moscow became resolved to balance this 'undesirable', i.e. American, presence.⁴⁹ This pattern also manifests itself in the Caspian that Putin declared to be a zone of vital interest at his first Security Council meeting in the spring of 2000. Undisputedly, energy played a center-stage role in Russian foreign policy during the Putin era. The former President stressed before Russia's December 2005 session of the National Council: "The present and future prosperity of Russia depends directly on the place we occupy in the global energy context."⁵⁰ The foreign investments in the Caspian were therefore more than a mere nuance. Putin attributed the increase of Western involvement to the inactivity of Russian firms and urged the companies to vigorously engage in the region. It was during this time that the Russian government started to provide an active backing to the international expansion of Russia's major energy companies. This goal was to be achieved by

⁴⁶ Bahgat, "Prospects for Energy Cooperation in the Caspian Sea," 162-166.

⁴⁷ This is true more for the gas than the oil sector.

⁴⁸ Sakwa, "New Cold War or Twenty Years' Crisis? Russia in International Politics," 246.

⁴⁹ Freire, "Russian Policy in Central Asia," 128.

⁵⁰ Vladimir Milov, "Can Russia Become an Oil Paradise?" *Pro Contra Journal* 10/2-3 (2006): 17. Vladimir Putin in his introduction at the Session of the Security Council on the Role of Russia in Providing international Energy Security in Moscow on December 22, 2005.

attempting to tie Caspian producers of energy to Russian pipelines – a clear example of the persistence of Russian geopolitical blinders in the energy sector.⁵¹ The literature does not discuss the extent to which Moscow has achieved (or even attempted to) balance against American presence in the energy sector in the Caspian. This of course constitutes one of the main research questions to be evaluated in the thesis.

Ironically, while Russia claimed to aspire to thwart unwanted influence in the Caspian via strategic partnerships (presumably with China), Moscow has also supported some of the very same US-friendly projects it wanted to foil. For instance, the Kremlin's decision to soften its opposition toward Western-sponsored ventures that it had previously blocked, such as the construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline,⁵² demonstrated the collaborative as well as the competitive tracks in Russian foreign policy. Freire asserts that such instances of collaboration are achieved when agreements define the specific level of American engagement in a particular hydrocarbon project, which Russia only acquiesces to when convenient; competition, manifested through the use of political and economic leverage, occurs whenever Moscow believes its interests are under threat.⁵³ While this argument might describe the overall trend in Russian foreign policy in the Caspian under Putin, it is too general to carry any significant scholarly weight. If such 'collaborative' ventures occur both with the Chinese and the American companies in the region there needs to be a better term to not only describe Russian policy in the Caspian but also its bilateral relations with Beijing and Washington.

Such ambiguities in Russian foreign policy have caused much debate in the academic circles. They challenge the dogma that Russia is unwilling to concede on fundamental aspects

⁵¹ Bertil Nygren, "Attempts to Subjugate Georgia," in *Russia: Re-emerging Great Power*, ed. Roger E. Kanet (New York: Palgrave MacMillan, 2007), 118.

⁵² Perovic, "From Disengagement to Active Economic Competition," 14.

⁵³ Freire, "Russian Policy in Central Asia," 130.

of its diplomacy.⁵⁴ Levgold, however, insists that any concrete goals (aside from the objective to force economic concessions, acquire control over assets, or bind countries closer to Russian-dominated energy networks) are hard to discern in Russia's Caspian policy.⁵⁵ Moreover, the scholar makes a powerful argument for considering Russian foreign policy to be "more event-driven than a slave to preconceived purposes."⁵⁶ In fact, he adds that due to a lack of a clear strategy the danger that the policy's energy arm will soon be a motive or mechanism by which Russia colludes with China against the US is highly improbable.⁵⁷ This thesis will take up the above claim in order to evaluate its validity over the course of two presidential mandates of Vladimir Putin that saw both the renaissance of Russia, the re-imposition of American hegemonic presence in the Caspian region, and the gradual but unstoppable rise of China and the spread of its influence.

2.3 Theories of International Relations

2.3.a Neoclassical Realism

Neoclassical Realism is a relatively new theoretical approach in the field of International Relations. It combines the theory of distribution of power as the ordering principle in the international system elaborated by the Neorealists with the classic tenants of Realism: states are unitary actors; have similar but competing goals; are rational and power maximizing; on a perpetual quest survival due to the anarchy of the international system. The theory adds the domestic component of the state's political systems to explain a nation's foreign policy and interactions with other states on the world stage. Neoclassical Realism

⁵⁴ Ibid., 147.

⁵⁵ Levgold, "Russia's strategic Vision and the Role of energy," 16. Levgold argues that it is unclear if the above listed objectives are the ends or the means to an end that has never been clearly defined by the Kremlin.

⁵⁶ Ibid.

⁵⁷ Ibid.

seeks to rationalize why states pursue particular strategies in the international arena – it is essentially a theory of foreign policy.⁵⁸ Staying true to the other realist schools, Neoclassical Realism argues that the scope and ambition of a country's foreign policy is driven primarily by its relative material power.

Yet, the theory contends that the impact of power capabilities on foreign policy is indirect and complex because systemic pressures must be translated through intervening unit-level variables such as decision-makers' perceptions and state structure. Neoclassical Realism, according to Gideo Rose, holds that there is no immediate or perfect link between material capabilities and foreign policy behaviour.⁵⁹ Moreover, Aaron Friedberg notes that while structures (such as the configuration of the international system) exist and are important, there is always the question of how statesmen determine where they stand in terms of relative national power at any given point in history.⁶⁰ Perceptions of prestige and status also play an important role in world politics according to this theory. In fact, Wohlforth and Markey see states' desire to gain prestige and status as an integral part of competition. Nevertheless, there is also aversion to prospective loss of relative prestige and status that weighs heavily on leaders' calculations.⁶¹ Neoclassical Realism highlights the importance of power distributions, as well as elite perceptions of relative power and prestige, in shaping foreign policy.⁶² Understanding the links between power and policy thus requires close examination of both the international and the domestic contexts within which foreign policy is formulated and implemented.

⁵⁸ Ole R. Holsti, "Theories of International Relations and foreign Policy: Realism and Its Challengers," in *Controversies in International Relations Theory: Realism and the Neoliberal Challenge*, ed. Charles W. Kegley Jr. (Belmont: Wadsworth Group, 1995): 40.

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*

⁶¹ *Ibid.*, 42.

⁶² *Ibid.*, 50.

2.3.b Constructivism

Another theoretical perspective crucial for this research design is the constructivist approach.⁶³ Constructivism was a response to the 'classical' debates in International Relations. The approach, articulated by Alexander Wendt in his 1992 article entitled "Anarchy is What States Make of it: Social Construction of Power Politics," draws its influences from social sciences, particularly sociology and psychology.⁶⁴ The theory is based on two tenants: the structures of human association are determined primarily by shared ideas rather than material forces; identities and interests of actors are constructed by shared ideas - role-specific understandings and expectations about self. Identities are inherently relational and the commitment to and the salience of particular identities vary, but each identity is a social definition.⁶⁵ Thus, in unprecedented situations actors construct their meaning and interest by either analogy or invention. Identities and collective cognitions do not exist apart from each other; they are mutually constructive (co-constructive). This means that both the actors and the international systems are co-constructive. Constructivism thus accounts for both conflict and cooperation in the international system. Competitive systems of interactions are prone to security dilemmas perpetuating distrust and alienation. If states find themselves in a self-help system, this is because their practices made it that way. Consequently, changing the practices will change the inter-subjective knowledge that constitutes the system.⁶⁶

⁶³ Constructivism is often referred to as an approach and not a theory, I will use the two terms intermittently without wanting to embark in this debate.

⁶⁴ In the latter monograph, Wendt identifies three main streams of constructivism: the feminist one headed by Anne Tickner, the modernist one headed by John Ruggie, and the postmodernist one headed by Thomas Ashley. Here we will concern ourselves with the notions of constructivism explained by Wendt.

⁶⁵ Alexander Wendt, "Anarchy is What States Make of It: The Social Construction of Power Politics," *International Organization* 46/2 (Spring 1992): 397.

⁶⁶ *Ibid.*, 400.

Chapter 3: Methodology

3.1 Hypotheses

Neoclassical Realism incorporates the precept of soft balancing that is evocative of Russian foreign policy under Putin. Soft balancing is a non-military tool⁶⁷ used to “delay, frustrate and undermine aggressive unilateral policies”⁶⁸ by affecting the capacities of a rival. Although soft balancing relies on instruments such as international institutions and economic statecraft, it aims to have a real, even if indirect, effect on the military prospects of a superior state. The reorientation of Russian foreign policy in general (and especially towards the United States) is submitted to this logic of a balancing. Since the costs of the tools of traditional balancing, an intense showdown with an arms race,⁶⁹ are obviously too high for Russia with its desolate army, it has attempted to revert to soft balancing behaviour in order to counter American influence in such key regions as the Caspian.

The above postulates of Neoclassical Realism allow us to speculate about Russian foreign policy in the Caspian basin case studies. Vladimir Putin explicitly stated, “The economy is a synonym of security” in his last presidential address to the Federal Assembly. Russian energy policy, the backbone of Russian economy in the first decade of the 21st century, should therefore be studied in the context of a soft balancing framework. The conflicting interests of the regional and extra-regional powers linked to expected oil profits give rise to new strains on regional peace and stability.⁷⁰ It can therefore be assumed that all

⁶⁷ Some mechanisms of soft balancing include: diplomatic manoeuvres that delay a superior state’s plan for war, reduce the element of surprise and give the weaker side more time to prepare - delay may even make the issue irrelevant; restrictions on basing rights that can increase the logistical problems for the superior state in ways that reduce the overall force that can be brought to bear against the weaker one; and regional economic cooperation that excludes the superior state, making the balance of power less favourable for the superior state in the long run.

⁶⁸ Robert Pape, “Soft Balancing against the United States,” *International Security* 30/1 (Summer 2005): 10.

⁶⁹ Ekaterina Piskunova, “Intérêts géopolitiques et la guerre civile en Géorgie,” *CEPES* 31 (September 2006): 4.

⁷⁰ Ayidin, “New Politics of Central Asia and the Caucasus: Causes of Instability and Predicament,” 3.

of the actors involved in this region will attempt to maximize their national interests defined in terms of power. The first hypothesis contends that since Russia perceives the US as the world hegemon threatening Moscow's position in the Caspian region, it will cooperate with China in order to counter balance the US influence. Because this thesis is focusing on the energy sector, this hypothesis will be tested by examining the investments in the gas and oil projects in the Caspian and the extent to which they follow the logic dictated by the theory. Therefore, the question of whether Russian foreign policy 'reacts' differently to increases of Chinese and American investments will be either corroborated or discredited by the detailed analysis of the data on hydrocarbon production in the Caspian states. The aberrations in Russian foreign policy might resemble the following: attempts to block American investment where possible and/or make up for lost ground rapidly as opposed to cooperating more frequently with Chinese national companies in the region and/or leaving them freer rein by not pursuing actively a competitive policy. In addition, the logic of Neoclassical Realism would imply that Russo-Sino cooperation would be at its highest following 9/11 that saw a renewed American presence in the region in general and not just in the energy sector. This collaboration would slow down towards the end of Putin's second mandate as China's influence in the region rose.

The limits of a research framework entirely based on Neoclassical Realism justify the utility of the Constructivist approach for this research design. Constructivism supplies two valuable applications for the purposes of this thesis: it is able to explain threat perceptions and clarify how these attitudes can influence foreign policy. To begin with, this thesis will need to establish which regional actors Russia perceives as most threatening to its national interests. The above can be achieved by examining official Kremlin discourse. Judging by the survey of the literature, it would be plausible to assume that the turning point in Russo-American relations was the so-called Orange Revolution in Ukraine that signalled a significant

deterioration of Moscow's perception of Washington; the Kremlin accused the US of meddling in the Ukrainian election that brought a staunchly anti-Russian government to power.

The first hypothesis that follows from the postulates of Constructivism is Russia's foreign policy in the Caspian will fall in line with Kremlin's official discourse: Russia's negative perception of the US is accompanied by a lack of cooperation with American companies in the region's economic ventures. While Neoclassical Realism would argue that Russia's desire to cooperate with China to counter-balance the US would flow naturally from the above hypothesis, Constructivism would not jump to this conclusion. In fact, the evolution of Russian official perception of China will have to be examined in greater detail. Initially, when China and Russia signed the "*Treaty of Friendship*" in 2001, it was hailed to be the founding of 'a new international order.' Russian commentators described the agreement as an "act of friendship against America."⁷¹ However, the perception of China evolved as the nation secured its foothold in the Caspian during Putin's second mandate and Russia's policy reflected this change. This sub-premise deserves to be evaluated in order to fully comprehend Russia's Caspian policy and predict its future development. A second constructivist hypothesis would attribute the incongruities in Russia's regional diplomacy to the constantly evolving idiosyncrasies in the perceptions of US and China.

3.2 Variables

The rule guiding the number of variables for the comparative case-study approach states the number of cases must be greater by one than the number of variables. Since the project consists of four studies (Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan), there will be three variables.

⁷¹ Stephen M. Walt, "Alliance Formation and the Balance of World Power," *International Organization* 9/4 (1985): 126.

The dependant variable will represent the fluctuations foreign policy of Russia under the two mandates of Vladimir Putin and their influence on superpower relations in a given Caspian state. On the scale representative of the relations between the three hegemonic powers in the region, these changes will vary anywhere from intense competition (short of war) to intense cooperation. This variable will also account for the level of Russian investment in the region comparative to that of American and Chinese investments. It will clarify the economic presence of Russia, China, and the USA in the Caspian by examining the pattern of investments in the hydrocarbon sector. In order to evaluate the quantity of investments the following points will be covered: the overall investment in the hydrocarbon sector in each of the four Caspian states per project per company of each of the superpowers, the joint ventures, the pipeline construction and the shares of each of the countries' companies. The component will also cover the cooperative ventures between Russia and China, Russia and the US, China and the US, or ventures including all three players. This analysis should provide a breakdown of the participants in gas and oil development projects and their roles (ex. financing vs. negotiating a pipeline route). Information about the multilateral projects that failed to materialize is another crucial element that must be included in the assessment of cooperative ventures. Such an outline of the evolution of cooperation will speak volumes about the state of regional rivalry in the Caspian over the course of eight years studied. It will also provide an indication of the weight of each of the three outside powers in the region with respect to each other. The assumption is that Russia's threat perception of its two main competitors in the region is influenced by the 'gains' that China and the US make and the 'losses' that they endure. For the purposes of this research, several key agreements between Beijing, Washington and each of the Caspian states will be identified and a detailed analysis of Kremlin's official reaction following the signature of these projects will be evaluated. Russia's perceptions of the geopolitical threats posed by China and

the US in the Caspian will be examined through the analysis of official Kremlin statements, particularly in response to the announcements of new American and Chinese projects in the Caspian.

The explanations for these variations will be accounted for by two independent variables selected for this research project. The first one covers the geopolitical and geoeconomic context in the region before 2000. This research design argues that the historical differences in terms of Russia's relations with each of the four Caspian states as well as the relations between the superpowers will have a defining impact on patterns of engagement during the first decade of the 21st century. The economic aspects will also be included in the discussion. This will enable us to draw conclusions regarding the success of certain companies to implant themselves in a given Caspian state depending upon the history of their involvement in the country's oil and gas sector. Finally, the second independent variable represents the historical animosities (such as Cold War rivalries between Russia and the US as well as the ideological differences between China and Russia) between the three states. The assumption is that these antagonisms continue to influence the relations between the superpowers and therefore have a direct impact on the geopolitical configuration of the region. While the choice of the variables is never perfect, I believe that the ones chosen for this research project are able to capture more of the significant details than they miss.

The temporal domain of the research will focus on the two presidential mandates of Putin (2000-2004, 2004 -2007)⁷² since prior to his arrival, neither Russia's policy towards the Caspian nor its energy policy were particularly well developed. The long-term nature of investments in the hydrocarbon industry as well as the extremely lengthy and complicated process of negotiations that precede the signature of energy agreements provide another

⁷² While the second presidential mandate of Putin actually came to an end on May 7, 2008, for the purposes of this project December 31, 2007 was retained as the last day Putin spent in office as President.

justification for selecting of the whole seven-year period to study instead of focusing on just one of the Putin mandates in greater detail. Moreover, it is important to examine the evolution of economic competition on Russia's foreign policy and in order for these findings to be used even in a limited predictive manner a protracted time interval must be studied.

3.3 Limitations of the Data

The oil and gas sector is renowned for its secrecy. Most, if not all of the deals, even with the generally transparent companies in the industry take place behind closed-doors, away from the inquisitive press and the often-blasé public. As a result, any reliable information on a particular hydrocarbon investment project, either a future or an ongoing one, is extremely hard to obtain. One cannot emphasize enough, the difficulty of acquiring accurate and detailed facts about developments in politically sensitive area such as the Caspian Basin. Simply relying on the websites of the companies involved in the region will provide you, at best, with general figures on the enterprise's total yearly output of oil and/or gas at the world scale and sometimes at the regional scale. Moreover, when one, after hours of research, stumbles upon the necessary production data for a particular oil field for a given year it does not symbolize in any way that such data is available for the whole time period covered by this project.

In fact, it is impossible to access output data for a specific project unless you are able to resort to the services of firms that specialize in the creation of detailed reports on various oil and gas producing regions around the globe. Unfortunately, those documents come at an extremely hefty price and were not an option for this work. This decision can be justified by reasons other than financial in nature. The vast majority of the scholarship on the 'New Great Game' does not rely on statistics from these reports, which are targeted to industry insiders

and professionals and not necessarily academics. Indeed, most monographs reference the figures published in the IEA's annual statistics. These provide the total volumes of gas and oil produced and exported in each hydrocarbon-rendering nation in the world. The data published by the organization is, however, very basic. Another problem lies also in the fact that these reports are unavailable for the majority of the years covered by this study (2000-2007). This paper turned this hurdle into one of the key features of the research design by manipulating the numbers to create an estimation grid of the production of each oil and gas project in the four Caspian states over the seven-year period. As discussed earlier, these calculations were carried out with the help of statistics on per-field production published by the IEA in 2008. The complete reliance on IEA data poses a great problem to the literature on the 'New Great Game' since any mistake in the data would then be produced and reproduced in almost every article. Several inaccuracies, most of which in the latest detailed report on Kazakhstan from the IEA, were identified during the research of this project. While the aberrations remain minor and as a result do not question the complete validity of the scholarly works, they highlight the difficulty of data collection for this research project. The predicament also exemplifies the importance of verifying the information provided by the sources that are deemed trustworthy.

3.4 Limitations of Research

This thesis does not pretend to be able to explain the reasons behind the successes and failures of all the Caspian projects in the time period studied. Neither does it claim to be able to discern these answers through an examination, albeit a detailed one, of the official statements regarding announcements of new agreements as well as developments of on-going projects available in the press. The author is too well aware of the discrepancies

between the public discourse of political and economic figureheads and their actions. Nonetheless, such qualitative and quantitative research techniques are more than common in the field of political science precisely because a perfect methodology simply does not exist. The author has taken the liberty to continue in the same vein as countless other researchers in the past, remaining mindful of the pitfalls befalling such a track.

Despite all these obvious limitations, this M.A. thesis does intend to provide a unique outlook on the way in which the 'New Great Game' discourse is tackled in the academic literature. Through a simple, yet unique utilisation of facts and figures regarding various hydrocarbon developments, this work hopes to shed new light on this hot-topic. In addition, this project aspires to sketch a more nuanced portrait of the region and the superpower relations.

Due to the constraints of time and space, this project was not explored in its envisioned entirety. The initial proposal for this thesis ambitiously aimed to provide insight into the inner-workings of the political and economic elites that play a critical role in the definition of certain policy areas for Moscow, of which the Caspian energy policy is one facet. This level of analysis will undoubtedly provide more depth to the research project and will surely bring new insights into Russian foreign policy in the region. For now, it will remain a path for other scholars to embark on.

Chapter 4: Geostrategic Portrait of the Caspian: Then and Now

4.1 Geostrategic Context in the Caspian in the 1990s

The geopolitical situation in the Caspian region in the 1990s differed considerably from its current configuration. Several multibillion-dollar agreements that were concluded in Kazakhstan and Azerbaijan during the decade have since turned sour or stalled. Additionally during the 90s, a number of priority investment areas were established in the Basin's lucrative oil and gas industries such as the development of a system for gas collection and utilization; pipeline construction and rehabilitation; resuscitation of fields previously considered spent; refinery design, modernization, and construction.⁷³ In short, this decade hailed the modernization of the oil and gas sectors in the region.

It should come as no surprise that Russia was too preoccupied with its internal political problems to pay any considerable attention, let alone actively participate in the auction of Caspian resources. Martha Brill Olcott notes that Russian leaders had particularly struggled (and arguably still do to this day) with the idea that the former-Soviet republics are now independent sovereign states.⁷⁴ Kremlin's decision makers were constrained in their attempts to uphold their influence by the extremely limited (political and economic) power of the newly formed Russian state. In the 1990s, Russian oil and gas companies were as weak as the state they represented. They were thus in no way able to compete for contracts and production sharing agreements (PSAs) in the sector with more organized and more financially powerful American firms. Even though Moscow's presence in the region could not be effortlessly erased after decades of Soviet rule, Russia was counted out as a serious

⁷³ Dorian, "Central Asia: a Major Emerging Energy Player in the 21st Century," 552.

⁷⁴ Brill Olcott, "Russia, Central Asia and the Caspian: How Important is the Energy Security and Trade-off?" 11.

competitor (or buyer) for the region's oil and gas. Russia's sole way to influence the events in the Caspian was through its pipeline monopoly. At the time of collapse of the Soviet Union, every pipeline transporting oil and gas from the region passed through Russian territory and was therefore subject to Moscow's whims. The Kremlin resorted to such exercise of control over the distribution networks several times during the decade whenever Western majors were actively seizing opportunities to develop Caspian resources. For the short period from 1991 to 1992, Moscow cut off SOCAR's access to Soviet pipelines forcing Azerbaijan to turn to Turkey in hopes of securing the financial backing for a pipeline that would break the country out of Russia's grip. Similarly, from 1992 to 1996, Kazakhstan sought to secure an agreement with Russia to transport oil produced by Chevron through the Caspian Pipeline Consortium pipeline.⁷⁵ Despite Russia's general retreat from the region, its Caspian policy can be characterized as one of limited and withdrawn aggression.

Active US involvement in the Caspian began in 1992 when the US government decided to establish relations with, and open embassies in, all of the former Soviet Republics.⁷⁶ Official US policy priorities included "democratization" of the centrally controlled political systems and marketization of the centrally planned economies.⁷⁷ As a rule of thumb, American interests were well represented in the years leading up to 9/11. In fact, during the late 1980s and throughout the 1990s, American companies pioneered the development of hydrocarbons with the active support of the US government. Today, US-based firms hold stakes in some of the most important and profitable fields in the region, including Tengiz, Karachaganak, and Kashagan,⁷⁸ as well as in key pipeline systems, such as the Caspian Pipeline Consortium (CPC)

⁷⁵ Ibid., 12.

⁷⁶ Dan Burghart, "New Nomads? The American Military Presence in Central Asia," *The China and Eurasia Forum Quarterly* 5/2 (2007): 7.

⁷⁷ Ibid.

⁷⁸ All three of these fields make up Kazakhstan's resource-rich seabed plateau.

and Baku-Tbilisi-Ceyhan (BTC).⁷⁹ Without a doubt, the current omnipresence of the US in the Caspian is a result of Washington's active (and proactive) policies in the region during the decade that witnessed the fall of the Soviet Union. Since the mid-1990s, US policy in the Caspian has been primarily shaped by two main objectives. Firstly, Washington sought to keep Moscow from overwhelming its weaker neighbours. The by-product of this goal was American policy on pipeline infrastructure in the region: a multi-version system of oil and gas deliveries from the Caspian Sea to world markets. The US was equally adamant about preventing Iran from gaining any kind of economic or geopolitical advantage in the region.⁸⁰ Calls for pipelines bringing Kazakh crude southbound through Iran were hence stifled and, eventually, the US came to support the BTC project, which forms the backbone of American presence and policy in the Caspian today.

Prior to the collapse of the Soviet Union, China's presence in Central Asia was constrained not only by its inability to circumvent Moscow in building ties with the Republics but also by the entrenched ideological divide between the two communist nations.⁸¹ China, however, quickly moved to establish amicable relations with the newly formed states of the Caspian in 1992. Immediately after the disintegration of the Soviet Union, on December 27, 1991, China was among the first countries to recognise their independence in accordance with its "Five Principles of Peaceful Coexistence". Only a week later, Beijing formally established diplomatic relations with the successor states⁸² reflecting the Chinese worldview that is to this day premised on immutable sovereignty and the expectation of reciprocal non-

⁷⁹ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 94.

⁸⁰ Martha Brill Olcott, "A New Direction for US Policy in the Caspian Region," *Carnegie Endowment for International Peace* (February 2009): 1.

⁸¹ Yu Bin, "The New World Order According to Moscow and Beijing," *Comparative Connections* 7/3 (2005): 141.

⁸² Xuanli Liao, "Central Asia and China's Energy Security," *The China and Eurasia Forum Quarterly* 4/4 (2006): 62.

interference in internal affairs.⁸³ However, it was not until April of 1994 that the Chinese Premier at the time, Li Peng, made an official visit to Central Asia. By this point, China had become a net importer of oil but it was the security of its 3,300km western border that garnered a top place on the agenda.⁸⁴ Although China's agreement with Kazakhstan on the demarcation of their joint frontier left Beijing with a lot less than it bargained for, it allowed the dragon to advance with more economic-centred goals.

⁸³ J. Richard Walsh, "China and the New Geopolitics of Central Asia," *Asian Survey* 33/3 (March 1993): 274.

⁸⁴ Liao, "Central Asia and China's Energy Security," 62.

Map of the Crude Oil Pipelines from the Caspian Region



	Eastern Caspian states		
	Other states bordering the Caspian region		
	Other states (transit and oil importing countries)		
	Export routes via Russia		Major oil producing areas
	Other export routes		Planned

* due to explosion at BTC pipeline section in Turkey in August 2008 and military operations in Georgia, Azerbaijan initiated oil export to Iran (Neka) by tankers

Source: UNEP

Map of the Natural Gas Pipelines from the Caspian Region



Source: UNEP

4.1.a Country specific geo-strategic developments in the 1990s

Azerbaijan

Azerbaijan is considered to have been the birthplace of Caspian oil with commercial extraction blooming in the latter part of the 19th century. By the 1900s, Azerbaijan was the world's biggest oil-producing region.⁸⁵ Understandably, during the Soviet period, it held a leading oil role in production of energy.⁸⁶ It should be added that current opportunities for international oil and gas companies in the Caspian exist because the former Soviet Union did not have the technology to develop the Caspian's deeper water offshore oil and gas reserves.

Western, mostly American, majors have been present in Azerbaijan since the early 1990s. The so-called contract of the century was signed in September 1994 - a 30 year-long \$8 billion PSA to develop three offshore oil fields. The agreement resulted in a creation of a consortium of 11 conglomerates (AMOCO, BP, Exxon, Pennzoil, Unocal, Statoil, LUKoil, Ramco, Itochu, Turkish Petroleum AO, and Delta-Nimir) known as Azerbaijan International Operating Company (AIOC). This trend of American predominance in the sector continued up until the end of the decade. In 1998, Azeri and American companies began the initial development stage of exploring oil reserves of a promising Nakhichevan field. The same year, Richard Matzke, president of Chevron Overseas Petroleum Inc., met with the President of Azerbaijan and the State Oil Company of the Azerbaijan Republic (SOCAR) Heydar Aliev. In 1998, Union Texas Petroleum entered into a PSA with SOCAR. Another American firm, Statoil, signed an agreement with the Azerbaijan government for a 15 % interest in the Abikh Block. In addition, in 1999 Exxon South Caspian signed an agreement with SOCAR.

⁸⁵ Igor Effimoff, "The Oil and Gas Resource Base of the Caspian Region," *Journal of Petroleum Science and Engineering* 28 /4 (2000): 157.

⁸⁶ *ibid.*

Although Russian oil firms participated in certain projects in Azerbaijan, their presence was minimal. This was a consequence of Moscow's carrot and stick approach that sought to enforce Azerbaijan's compliance on Caspian energy issues.⁸⁷ . In 1997, Moscow signed a treaty of friendship with Baku, officially recognizing Azerbaijan's sovereignty.⁸⁸ This paved the way for a change in the course of Russo-Azeri relations as Moscow started to seek preferential participation in energy exploration projects brokered by Baku. It also presented several commercially attractive offers to Baku in order to lure the transit of Azeri oil through the CPC to Russia's Black Sea port of Novorossiysk. For instance, in February of 1998 LUKArco (The Arco - LUKoil joint venture) signed an agreement to assume LUKoil's 60 % interest in the D-222 block in Azerbaijan. Although by the end of the decade, Azerbaijan welcomed Russia's commercial participation in international energy consortia, it carefully regulated the shares allocated to Russian firms for the development of oil deposits in its self-proclaimed national sector.⁸⁹

China was not active in Azerbaijan during this period.

Kazakhstan

Kazakhstan accounts for the most substantial production of oil and gas in the region.⁹⁰ During the Soviet era, Kazakhstan comprised the *de facto* strategic petroleum reserve of the Union that remained practically unexplored until the mid-1990s.⁹¹ The majority of the country's hydrocarbon deposits are concentrated in its western regions. The offshore Kashagan field in the Caspian Sea is one of the largest confirmed oil deposits in the world and

⁸⁷ Adam N. Stulberg, *Setting the Agenda in the Caspian Basin: The political economy of Russia's Energy Leverage* (Pittsburgh: The Carl Beck Papers, Center for Russian and East European Studies, 2003), 21.

⁸⁸ *Ibid.*

⁸⁹ *Ibid.*, 22.

⁹⁰ Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 545.

⁹¹ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 13.

the only one among the top five outside the Persian Gulf.⁹² Another major gas and petroleum-producing project is the Tengiz field, discovered in 1981, that remains unrivalled in the size of its reserves by any other known natural formation in the world.⁹³

The development of the principal energy deposits of Kazakhstan (Tengiz, Kashagan and Karachaganak) was undertaken by three international consortia established in the 1990s.⁹⁴ In 1993 Kazakhstan signed its first agreement with a foreign oil company that established a joint venture with Chevron and the Kazakh national oil company for the development of the Tengiz oil field.⁹⁵ Tengiz was for a long time the largest oil project in Kazakhstan. TengizChevrOil is a joint venture between TengizMunayGaz (co-owner, 20%), ChevronTexaco (operator, 50%), ExxonMobil (co-owner (25%), LukAro, (54% of which belongs to LUKoil) – co-owner, 5%.⁹⁶ In November of 1997, Texaco, LUKoil and other Western firms signed another PSA for Kazakhstan's giant Karachaganak oil and gas condensate field. Also in November of that year, Texaco and KazakhOil signed an agreement to pursue the establishment of a joint upstream development company in Kazakhstan. In addition, on Jan. 19, 1998 LUKoil declared its desire to boost total investment in the Republic of Kazakhstan to \$740 million by 2000. Evidently, Kazakh riches found their ways to both American and Russian energy companies.

Russia's structural presence in the gas transportation sector limited export options for Kazakhstan. All Kazakhstan's primary oil and gas pipelines were constructed at the end of the 1960s and were in dismal condition by the time the Soviet Union collapsed. One of the paradoxes of the Soviet legacy was that Kazakhstan, despite its huge gas reserves, was left

⁹² Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 545.

⁹³ Ibid.

⁹⁴ Shamil Midkhatovich Yenikeeff, "Kazakhstan's Gas: Export Markets and Export Routes," *Oxford Institute for Energy Studies* NG 25 (November 2008): 13.

⁹⁵ Ibid., 14.

⁹⁶ Ibid., 13.

structurally dependent on Russia for its exports, at least in logistical terms.⁹⁷ The CPC originally founded in 1992 was intended to become the first pipeline not under full Russian control. Initially, the pipeline was the result of an agreement between the Omani,⁹⁸ Kazakh and Russian governments. However, by the time the project received final approval from Astana in 1998 Russian companies had retained key stakes in the venture.⁹⁹ Currently, Transneft owns 31% of CPC, and LUKArco 13.8%. Almost half of the initial investment came from US corporations, including ChevronTexaco and ExxonMobil.¹⁰⁰ The 1,510 km long pipeline has been carrying oil from the Tengiz field in Kazakhstan to the Black Sea port of Novorossiysk in Russia since 2002.

More generally, Astana opposed Moscow's preferred joint approach to ownership of Caspian Sea resources and actively solicited alternative foreign investors and options for developing and piping Kazakh oil to Asian and European markets. At the same time, it kept a distance from Azerbaijan's conspicuous defiance, opting instead to work closely with Russia to negotiate mutually acceptable approaches for accessing and exporting Caspian hydrocarbons.¹⁰¹ Ultimately, the Kazakh leadership opted to pursue a 'Eurasian' development model based on a 'multi-vector' foreign policy. Thus, from 1990 to 1994, Nazarbayev paid several official visits to the United States, China, Russia, Turkey, as well as many other European nations.¹⁰² Nonetheless, Kazakhstan's cooperation with the CIS states, and primarily with Russia, remained the most constant – partly because of the infrastructural problems that made close partnership with Russia unavoidable. Nazarbayev has often

⁹⁷ Stulberg, *Setting the Agenda in the Caspian Basin: The political economy of Russia's Energy Leverage*, 28.

⁹⁸ The General Director of CPC, Fedotov, argued that the strong relationships and deep knowledge of the consortium partner LUKoil have been key factors in moving this project forward.

⁹⁹ *Alexander's Gas and Oil Connections* 3/28, December 24, 1998, <http://www.gasandoil.com/> (accessed September 2009).

¹⁰⁰ "Caspian Pipeline," *Hydrocarbon Technology Com*, <http://www.hydrocarbons-technology.com/projects/caspian/> (accessed February 2010).

¹⁰¹ Stulberg, *Setting the Agenda in the Caspian Basin: The political economy of Russia's Energy Leverage*, 27.

¹⁰² Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 30.

declared Russia to be Kazakhstan's major foreign policy partner. On July 6, 1998, the two countries signed a *Declaration of Eternal Friendship and Cooperation for the 21st Century*, a unique diplomatic document.¹⁰³ While this statement might not have substantial political weight, it is full of symbolic importance and highlights the close relations that prevail in Russia's relationship with Kazakhstan in the 90s.

For the first decade after the Soviet Union's collapse, Moscow's leverage over Kazakhstan's energy policies fluctuated considerably. Kazakhstan neither succumbed uniformly to Russia's heavy-handed tactics in the Caspian contest, nor enjoyed complete autonomy.¹⁰⁴ In the oil and gas sectors, a number of agreements formalized strategic cooperation. Protocols part of the 1998 Kazakh-Russian intergovernmental agreement on the delineation of the Caspian seabed opened up further avenues for collaboration.¹⁰⁵ Another significant agreement of the decade stipulated the development of the CPC operation—a principal export pipeline for Kazakhstan. PSAs for the fields of Imashevskoye and Kurmangazy in the Northern Caspian on the once-disputed Russo-Kazakh maritime border similarly reflected a degree of bilateral cooperation.

China's presence in Kazakhstan was on the rise by the end of the 1990s. However, during the course of that decade, relations between the two were either limited to spontaneous agreements or remained "project-focused" in nature. Among the first of the vital agreements was the *Common Declaration about basis of friendly relationships between Republic of Kazakhstan and People's Republic of China* (1993). This document defined the expansion of bilateral relations on the basis of mutual respect, sovereignty and territorial

¹⁰³ Ibid., 85.

¹⁰⁴ Stulberg, *Setting the Agenda in the Caspian Basin: The political economy of Russia's Energy Leverage*, 27.

¹⁰⁵ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 89. It stipulates that natural resource deposits located along the border area are subject to joint and equal exploration.

integrity.¹⁰⁶ Later, the Agreement on collaboration in oil and gas sector (1997)¹⁰⁷ opened the energy market's door for China's state-owned oil company, China National Petroleum Corporation (CNPC). The company became a shareholder in Aktobemunaigaz in 1997. Moreover, on November 1, 1997 China declared its commitment to the largest-ever, oil program sponsored by Beijing: construction of two trans-national pipelines.¹⁰⁸ With the exception of the above pipeline, the projects that China focused on in the 1990s were of a much smaller scale and size than the ones that Russia and the US participated in. Regardless, Beijing established presence, albeit limited, in the Kazakh energy sector.

Turkmenistan

Turkmenistan is an important gas and oil-producing republic of the region. While the steppe-nation has been playing a critical role in world energy markets in the 21st century-the country ranks 11th in world reserves of gas, above Iraq-¹⁰⁹ it was perceived as an obscure Central Asian Republic during the 1990s. Turkmenistan attracted much less attention, owing to what was believed to be at the time relatively limited oil resources and the logistical constraints associated with its more isolated geography.

Although the nation has officially adhered to a 'multi-vector' foreign policy since independence, pipeline geography and its late eccentric¹¹⁰ dictator had often stood in the way

¹⁰⁶ Zhanibek Saurbek, "Kazakh-Chinese Energy Relations: Economic Pragmatism or Political Cooperation?" *China and Eurasia Forum Quarterly* 6/1 (2008): 87.

¹⁰⁷ *Ibid.*, 89.

¹⁰⁸ *Alexander's Gas and Oil Connections* 2/27, December 8, 1997, <http://www.gasandoil.com> (accessed March 2010).

¹⁰⁹ Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 547.

¹¹⁰ Kathleen J. Hancock, "Escaping Russia, Turning to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas," *Central Asia-Caucasus Institute Silk Road Studies Program China and Eurasia Forum Quarterly* 4/3 (2006): 69. Niyazov goes beyond being simply eccentric. His state was dubbed by Freedom House as one of the 18 "Worst of the Worst: The World's Most Repressive Societies." In October 1990, Niyazov won the state's first presidential election (with 98 percent of the votes), ironically making this dictator the Soviet Union's first popularly elected president. In 2000, the 50-member Assembly unanimously elected him leader for life.

of Ashgabat fulfilling this claim. Similarly to the case of Kazakhstan, the value of Turkmenistan's gas is determined in large measure by access to markets.¹¹¹ The Gazprom-owned pipelines delivered Turkmenistan's exports to Russia and Ukraine. The customers of these nations accounted for the virtual totality of the Central Asian state's exports.¹¹² In 1997, Turkmenistan and Iran completed a short connecting export pipeline between their two states. The \$190 million Korpeje-Kord Kuy project includes a 25-year contract under which Iran will purchase between (considerably insignificant in relative terms) 5 and 6 billion cubic meters annually. With this deal, Turkmenistan became the first Central Asian state to bypass Russia by exporting natural gas via a pipeline.¹¹³ Regardless of this development that could have been perceived as a threat by Moscow, Russia's relationship with Turkmenistan suffered the least during the tumultuous decade of the collapse of the Soviet Union. The joint venture between the two states, TurkmenRosGaz, has been active since 1995¹¹⁴ and provided the only output for Turkmen gas not only in the 90s but also for years to come in the new millennium.

By the end of the decade, both American and Chinese firms began to implant themselves in the country. Mobil became the first US oil company to sign a PSA with Turkmenistan. In 1998, following President Niyazov's visit to the United States, Mobil signed a strategic agreement with the Turkmen authorities for exploration and development in the Garashsyzyk area, onshore in western Turkmenistan.¹¹⁵ A 1999 protocol of intent to probe for extraction of hydrocarbon resources in Turkmenistan on PSA terms was also signed with Exxon's Turkmenistan division. Beijing was not too far behind in the scramble for

¹¹¹ Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 547.

¹¹² Hancock, "Escaping Russia, Turning to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas," 71.

¹¹³ *Ibid.*, 75.

¹¹⁴ Brill Olcott, "Russia, Central Asia and the Caspian: How Important is the Energy Security and Trade-off?" 14.

¹¹⁵ Shirin Akine, *The Caspian: Politics, Energy, Security* (New York: Routledge, 2004), 82.

Turkmenistan's energy resources. In fact, by 1998, China had invested as much as \$ 14 million in its oil industry. A cross-border gas pipeline to China heralded to be the most ambitious joint project of the CNPC and the Turkmen Petroleum Ministry.¹¹⁶

Uzbekistan

Uzbekistan possesses abundant hydrocarbon resources, with 60 percent of the country's land area showing gas potential. Uzbekistan's oil reserves, however, pale in comparison to those of the other three Caspian states.¹¹⁷ Since independence, regional natural gas production has been characterized by modest annual increases. Uzbekistan was once the second largest natural gas producer in the CIS (after Russia) and one of the top ten natural gas-producing countries in the world. However, Uzbekistan's natural gas fields were heavily exploited in the 1960s and 1970s by the Soviet Union, and as a result, several fields are now beginning to decline in production. The oil sector found itself in an even more dire situation in the 1990s. Uzbekistan was classed as an oil-producing republic within the Soviet Union, when in fact it was a consumer of Russian oil. The amount of oil extracted (about 3.5 million tonnes in 1990) was not sufficient to cover its own needs, so it had to import additional supplies.¹¹⁸ After the disintegration of the Soviet Union, Uzbekistan began to increase its own oil extraction with the hope of gaining energy independence. Ironically, Uzbekistan is noted for being one of the few former Soviet republics that consistently increased oil output since becoming a sovereign state in 1991.¹¹⁹ However, it was only in 1996 that the extraction of oil had reached 8 million tonnes a year and Tashkent seized importing energy to meet its

¹¹⁶ *Alexander's Gas and Oil Connections* 3/24 , October 13, 1998, <http://www.gasandoil.com/> (accessed January 2010).

¹¹⁷ Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 548.

¹¹⁸ Vladimir Paramonov, and Aleksey Stokov, "Structural Interdependence of Russia and Central Asia in the Oil and Gas Sectors," *Defence Academy of the United Kingdom Conflict Studies Research Series: Central Asia* (June 2007): 9.

¹¹⁹ Dorian, "Central Asia: A Major Emerging Energy Player in the 21st Century," 548.

domestic needs. Due to the internal political climate as well as the obvious constraints imposed on its energy resources by the national market, Uzbekistan remained on the outskirts of the 'New Great Game' in the region. It did not sign a single PSA during this period with any of the three powers.

Conclusion

An important observation needs to be made from this brief sketch of the region regarding the relative absence of Russian conglomerates in both the oil and the gas sectors in the 1990s. While Russian firms secured minimal stakes during the initial stages of some consortia in Kazakhstan, overall, they fell victim to the economic clout of the US, which dominated project developments in Azerbaijan and Kazakhstan. Gazprom emerged as Russia's state controlled gas monopoly during that decade, continuing Russia's domination of Caspian gas transportation. Nonetheless, no major deals were signed between Gazprom and the regional states during the decade that proved turbulent beyond measure for Russia on both the economic and the political scale. The Central Asia Center (CAC) was the sole pipeline that connected Kazakhstan, Turkmenistan, and Uzbekistan for distribution of gas within the region and export to Russia.

4.2 Brief Portrait of the Geostrategic Context in the Caspian in 2000- 2007

4.2.a Russia's Involvement in the region: Homecoming

It was only during Putin's presidency that Russia became a bona fide 'petro-state' – and not only in terms of the share of the energy sector in terms of the gross domestic product

or the composition of exports, but also in self-perception.¹²⁰ When Putin came to power, Russia was set ablaze with the sentiment that “it was going to be a question of now-or-never”¹²¹ of taking control of transporting Caspian reserves. Putin’s first priority was to ensure Kremlin’s control over strategic decision-making in Russian companies in the oil and gas sector. Then, he set out to consolidate control for the now Kremlin-backed enterprises over gas and oil reserves abroad. Initially, Putin actively sought to meet every Caspian leader in order to create a personal bond. Following the establishment of these preferential relations, the Kremlin started encouraging Russian firms to take stake in projects in the region.¹²²

Some experts consider the 2002 creation of a “gas alliance” between Russia, Kazakhstan, Turkmenistan and Uzbekistan along with Putin’s arrival in the Kremlin to be a pivotal event in the Caspian.¹²³ However, Moscow’s relations with the regional states, while experiencing a breakthrough in cooperation were not without friction. For instance, the long-term agreement with Kazakhstan signed on November 28, 2001, which outlines the transit of Turkmen and Uzbek gas through the Caspian state as well as the purchase of Kazakhstan’s natural gas,¹²⁴ did not prevent Russia from unsuccessfully seeking to control Kazakhstan’s oil exports. In fact, relations with Kazakhstan remained mired over the CPC controversy due to Moscow’s refusal to expand the pipeline making way for an increase in Kazakh oil exports. These tensions were, at least partly, responsible for Astana’s slow but steady shift towards the West and China. Similarly, by spring 2000, a core cooperation document was drafted for a

¹²⁰ Pavel Baev, *Russian Energy Policy and Military Power: Putin’s Quest for Greatness*, 18.

¹²¹ Brill Olcott, “Russia, Central Asia and the Caspian: How Important is the Energy Security and Trade-off?” 15.

¹²² Ibid.

¹²³ Paramonov, Stokov, “Structural Interdependence of Russia and Central Asia in the Oil and Gas Sectors,” 1.

¹²⁴ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 164.

long-term, large-scale gas agreement between Russia and Turkmenistan.¹²⁵ However, a gas dispute halted exports, bringing uncertainty to their relations. For some authors this incident highlighted the increasing contradiction in the main trends of Turkmen gas policy.¹²⁶ Relations remained constant with Uzbekistan as supplies of gas to post-Soviet Russia began in 2004, following the political rapprochement between the two countries.¹²⁷ As for Azerbaijan, Putin's diplomatic dance with the country did not manage to raise actual engagement in the energy sector from its level of stagnation.

Martha Brill Olcott argues that relations between Russia and the region are defined by uncertainty that stems from the model of engagement Russia has put in place vis-à-vis the Caspian states in the 1990s. Russia's main goal in this model is to maintain its monopoly of transport of oil and gas from the region.¹²⁸ Moscow's interest in the Caspian is a consequence of the technically simpler extraction of hydrocarbons than that in Russia's North. This energy trade allows Russia to satisfy its domestic demand without simultaneously lowering the volumes of its hydrocarbon exports to European markets.¹²⁹ The Kremlin is pursuing a clear economic strategy by seeking to dominate the region's gas industry and secure its say, if not a veto, on legal questions concerning the development of offshore energy reserves.¹³⁰ The uncertainty of Russia's power and influence in the Caspian is exacerbated by the ever-mounting presence of China and the US in various sectors of the Caspian.

¹²⁵ Jonathan P. Stern, *The Future of Russian Gas and Gazprom*, (Oxford: Oxford University Press, 2005), 74. Turkmenistan committed to provide up to Russia 50 bcm/year for 30 years.

¹²⁶ Vladimir Paramonov, "The Future Supply of Gas from Central Asia to Russia: An Expert Assessment," *Defence Academy of the United Kingdom Advanced Research and Assessment Group* (February 2008): 14.

¹²⁷ Paramonov, Stokov, "Structural Interdependence of Russia and Central Asia in the Oil and Gas Sectors," 5.

¹²⁸ Martha Brill Olcott, "Great Powers in Central Asia," *Current History* (October 2005): 332.

¹²⁹ Vladimir Paramonov and Aleksey Stokov, "Russian Oil and Gas Projects and Investment in Central Asia," *Defence Academy of the United Kingdom Conflict Studies Research Series: Central Asia* (May 2008): 8.

¹³⁰ Brill Olcott, "Great Powers in Central Asia," 334.

The arrival of China and reinvigoration of US regional presence that tipped the geo-economic (and geopolitical) equilibrium¹³¹ in the Caspian, moulded Russia's relations with the other two powers. The official Russian position towards relations with China in the region was clear in the statements and comments of foreign ministry officials articulating 'balance' and 'equal distance' from power centers.¹³² In addition, what had been praised as a strategic relationship between the US and Russia following their unprecedented level of cooperation post 9/11 appeared to have reached a dead-end by mid 2004.¹³³ Stephan De Spiegeleire of *Rand Europe* argues that the sense of betrayal on the Russian side was heightened by a much tougher American position in the Caspian.¹³⁴ In addition, a host of American moves in Russia's neighbouring regions was perceived by Moscow as a direct attack on its vital interests: the Rose Revolution in Georgia, the American pressure on Moldova, the opening of US military bases in Poland, the dialogue on NATO's expansion.¹³⁵ The surface reading of Russia's response to the geopolitical developments seems to indicate that US rather than Chinese undertakings were of greater importance to Russia's geopolitical calculations.

Improved relations with 'challenger' states like China were thus instrumental in the pursuit of an order in which Russia would have more influence.¹³⁶ In fact, the Russo-Chinese Joint Declaration on a "*Multipolar World and the Establishment of a New World Order*" made a veiled reference to the US during the following passage: "no country should seek hegemony, conduct a policy based on force and monopolise international affairs."¹³⁷ The Sino-Russian

¹³¹ Kyrre Elvenes Brækhus and Indra Øverlan, "A Match Made in Heaven? Strategic Convergence between China and Russia," *The China and Eurasia Forum Quarterly* 5/2 (2007): 58.

¹³² Alexander Lukin, *The Bear Watches the Dragon: Russia's Perceptions of China and the Evolution of Russian-Chinese Relations since the 18th Century* (New York: M.E. Sharpe, 2003), 305

¹³³ M.K. Bhadrakumar, "Russia-US Relations: Impact on Asia's Strategic Stability," in *The New Asian Power Dynamics*, ed. Maharajakrishna Rasgotra (New Delhi: Sage Publications India, 2007), 232.

¹³⁴ Stephan De Spiegeleire, "Europe's Security Relation with Russia: Staying the Course," *CEPS-IISS European Security Forum* (March 2002): 8.

¹³⁵ *Ibid.*, 233.

¹³⁶ Helen Belopolsky, *Russia and the Challengers: Russian Alignment with China, Iran, and Iraq in the unipolar world* (New York: Palgrave MacMillan, 2009), 28.

¹³⁷ *Ibid.*, 27.

rapprochement was, admittedly, a result of years of adjusting to each other's domestic developments and the resolution of major huddles in their bilateral relations.¹³⁸ Nevertheless, both Moscow and Beijing felt that Washington's presence in the region was encroaching on their vital national interests. The US thus became the silent party at the table in all China-Russia meetings, in terms of mutual interest on the part of powers in constraining 'American hegemonic behaviour'. Grudgingly, Russia appeared to accept US supremacy, but Putin has made clear on numerous occasions that Moscow would like to see a multi-polar world.¹³⁹ Gradually, China came to occupy a more significant role in Russia's grand Eurasian strategy, echoing Moscow's calls for the upheaval of the unipolar international order.¹⁴⁰ It is undeniable that Russia's presence and influence in the region greatly improved during the two Putin mandates. Despite certain setbacks, it can be argued that Moscow gained a position that, at least in superficial terms, is comparable to the one it held during the Soviet times.

4.2.b USA's Involvement in the region: Jolted Diplomacy

Every American president since 1992 has claimed that engaging with the Caspian nations is a strategic priority for the United States.¹⁴¹ However, with the arrival of the Bush Administration and the polemic events of September 11th, the Caspian Basin lost its importance as an energy-producing region for US foreign policy. This trend was highlighted with the abolition of the special envoy post for energy issues in the Caspian Sea region.¹⁴² Instead, as Washington overhauled its foreign policy to make terrorism its priority, the Caspian states garnered a new place in this revised diplomacy. As part of the 2001

¹³⁸ Bin, "The New World Order According to Moscow and Beijing," 142.

¹³⁹ Brækhus and Øverlan, "A Match Made in Heaven? Strategic Convergence Between China and Russia," 51.

¹⁴⁰ Belopolsky, *Russia and the Challengers: Russian Alignment with China, Iran, and Iraq in the unipolar world*, 28.

¹⁴¹ Brill Olcott, "A New Direction for US Policy in the Caspian Region," 1.

¹⁴² *Alexander's Gas and Oil Connections* 6/7, April 5, 2001, <http://www.gasandoil.com/> (accessed February 2010).

Quadrennial Defence Review conducted by the new leadership in the Pentagon, Washington began to focus on what was referred to as an “Arc of Instability,” which ran from the Middle East to North Asia. The US allowed priorities established after 9/11 to completely pre-empt all prior understandings of its interests.¹⁴³ In fact, the Caspian neighbourhood became one of the cornerstones of Washington’s Afghanistan strategy. Uzbekistan particularly stood out as the geographic and political pillar of the success of Afghanistan’s military campaign.¹⁴⁴ While all five Central Asian states have been the recipients of US financial and technical assistance, it is Uzbekistan that was the primary beneficiary. However, before 9/11, the Department of State never really focused on Uzbekistan. For the matter of fact, Deputy Secretary of State Strobe Talbott’s 1997 statement of US policy in the Caspian did not even mention the country.¹⁴⁵ At no point did American business interests in the Caspian play a visible role in the new US policy towards the region.

Washington’s lopsided emphasis on a politico-military-centered agenda in the region left American influence in the economic sector at its lowest ebb in many years.¹⁴⁶ Following a 2005 policy review in Washington, Secretary of State Condoleezza Rice embarked on a diplomatic tour of the Caspian capitals in search of a new direction for US foreign policy. As a consequence of her visit, the “Greater Central Asia” concept was promoted to avoid the marginalization of the region in US statecraft.¹⁴⁷ US-Kazakh relations were significantly influenced by this regional strategy that, at least on paper, sought to balance Russia’s, Iran’s, and China’s respective regional influences. In 2005 and 2006, a number of high-ranking US delegations visited Kazakhstan, led by Vice President Richard Cheney, former US President

¹⁴³ John C. K. Daly et al., *Anatomy of a Crisis: US – Uzbekistan Relations 2001-2005* (Washington: Central Asia-Caucasus Institute Silk Road Studies Program, 2006), 6.

¹⁴⁴ *Ibid.*, 14.

¹⁴⁵ *Ibid.*, 6.

¹⁴⁶ Brill Olcott, “A New Direction for US Policy in the Caspian Region,” 1.

¹⁴⁷ Xuetang, “The Energy Security in Eurasia: the Geopolitical Implications to China’s Energy Strategy,” 123.

Bill Clinton, as well as some distinguished American policymakers and experts. These efforts demonstrated a redirection of policies to reflect broader regional goals concerning the pipeline distribution network and the overall American presence in the Caspian.¹⁴⁸ To this day, American role in the region continues to face several obstacles. For instance, despite the desire of political leaders for a sustained US role in the region to counterbalance Russia, many remain uncertain about the durability of considerable American presence. Moreover, America's (approximate and highly politicized) commitment to promoting human rights and democratic principles has also caused some irritation with Kazakh officials in particular. Bilateral tensions over the pace of reforms, as well as allegations of corrupt practices by Kazakh and their American partners in the energy industry, have persisted since the country's independence.¹⁴⁹

The United States has heavily relied on the BTC oil pipeline running from Baku, Azerbaijan to Ceyhan, Turkey, to weaken Russian and Iranian control of Caspian energy.¹⁵⁰ The BTC pipeline was originally proclaimed by British Petroleum (BP) as the "project of the century." Zbigniew Brzezinski, acting as a consultant to BP during the Clinton era, urged Washington to support the project. Indeed, Brzezinski embarked on an unofficial trip to Baku to meet with then- President Heydar Aliyev to negotiate new pipeline routes from Azerbaijan, including the now operational BTC pipeline.¹⁵¹ The US became actively engaged in the pipeline project following the celebration of the beginning of the Early Oil project in Baku in November 1997, attended by the US Energy Secretary as well as the Turkish and Russian

¹⁴⁸ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 95.

¹⁴⁹ Marketos, "Eastern Caspian Sea Energy Geopolitics: a Litmus Test for the US-Russia-China Struggle for the Geostrategic Control of Eurasia," 6.

¹⁵⁰ Xuetang, "The Energy Security in Eurasia: the Geopolitical Implications to China's Energy Strategy," 126.

¹⁵¹ *Ibid.*, 127.

prime ministers.¹⁵² After several months of negotiations, the intergovernmental agreement in support of the BTC pipeline was signed by Azerbaijan, Georgia, and Turkey; President Bill Clinton witnessed the ceremony and later said that the completion of these agreements was one of his “most important foreign policy achievements of 1999.”¹⁵³ Together with a parallel gas pipeline, the BTE, these projects embody the so-called “East-West Transportation Corridor” – a term that emphasizes the departure of these from the Soviet-era energy infrastructure and neo-Soviet (i.e. Russian) control.¹⁵⁴ Overall, despite the inconsistencies in American foreign policy, Washington’s successes in the Caspian are indicative of the relative clout that US maintains in the region.

4.2.c China’s Involvement in the region: Steady Rise

Since the beginning of the 20th century, China has followed a well-designed and integrated strategy in its regional policy.¹⁵⁵ China’s demand for oil and gas increased so dramatically during the last decade prompting Western observers to bestow upon it the title of the “new resource warrior.”¹⁵⁶ The result of the Asian tiger’s growth and bigger need for resources led to Beijing’s closer energy cooperation the Caspian nations. In April 2006, Turkmenbashi visited President Hu Jintao for the first time in 8 years; he arrived with a contract that would tie the two states together via a pipeline stretching to Shanghai.¹⁵⁷ China initiated a number of major infrastructure and energy projects in the region. Energy

¹⁵² Zeyno Baran, “The BTC pipeline – Implications for Turkey,” in *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. S. Frederick Starr and Svante E. Cornell (Uppsala: Uppsala University Press, 2005), 105. The first document on the construction of the Baku-Tbilisi-Ceyhan pipeline was signed between Azerbaijan and Turkey in 1993 in Ankara.

¹⁵³ *Ibid.*, 107.

¹⁵⁴ Jonathan Elkind, “Economic Implications of the BTC Pipeline,” in *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, ed. S. Frederick Starr and Svante E. Cornell (Uppsala: Uppsala University Press, 2005), 49.

¹⁵⁵ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 92.

¹⁵⁶ Saurbek, “Kazakh-Chinese Energy Relations: Economic Pragmatism or Political Cooperation?” 80.

¹⁵⁷ Hancock, “Escaping Russia, Turning to China: Turkmenistan Pins Hopes on China’s Thirst for Natural Gas,” 77.

cooperation has particularly accelerated in recent years after the Kazakh government fully committed to directing a share of its energy exports eastwards to China through the 1,300-km Atasu-Alashankou pipeline. This project marks the first eastward flow of Caspian oil and China's first use of a pipeline to import oil.¹⁵⁸ Beijing also dedicated itself economically to Uzbekistan by signing a multimillion contract to build a gas pipeline to China.¹⁵⁹ The agreements that China signed across the board with the Caspian states are impressive due to the limited recent history of Chinese presence in the region.

China's rise in the Caspian energy sector was accompanied by a rapprochement with Russia. It seemed that ideology has ceased to be an operating factor between Moscow and Beijing¹⁶⁰ and that the new Sino-Russian relationship was driven by trade and mutual economic interest.¹⁶¹ After all, by 1998, China was Russia's third largest trade partner.¹⁶² However, China's main interest in the Russian economy is first and foremost dictated by China's energy needs: Russia is the world's second largest oil producer after Saudi Arabia, and China the world's second largest oil consumer after the United States.¹⁶³ For China, the strategic importance of access to Russian raw materials is great, because other assets are largely dependent on open waterways, in particular the straits of Hormuz and Malacca. Nonetheless, the Chinese have a relatively benign view of their largest neighbour.¹⁶⁴ Bobo Lo, a noted expert on Russia, is more than sceptical about the genuine nature of this newly developed friendship between such longstanding rivals as Russia and China. In fact, he argues

¹⁵⁸ Marketos, "Eastern Caspian Sea Energy Geopolitics: A Litmus Test for the US-Russia-China Struggle for the Geostrategic control of Eurasia," 7.

¹⁵⁹ Cohen, *Kazakhstan: the Road to Independence, Energy Policy and the Birth of the Nation*, 92.

¹⁶⁰ Bin, "The New World Order According to Moscow and Beijing," 148.

¹⁶¹ Brækhus and Øverlan, "A Match Made in Heaven? Strategic Convergence between China and Russia," 42.

¹⁶² Belopolsky, *Russia and the Challengers: Russian Alignment with China, Iran, and Iraq in the unipolar world*, 71. The Beijing declaration of 18 July 2000 demonstrated an additional desire for the development of comprehensive, complex economic cooperation between Presidents Putin and Zemin.

¹⁶³ Brækhus and Øverlan, "A Match Made in Heaven? Strategic Convergence between China and Russia," 40.

¹⁶⁴ Bobo Lo, *Axis of Convenience: Moscow, Beijing and the New Geopolitics* (Baltimore: Brookings Institution Press, 2008), 3.

that the dynamic that better defines the relationship is one of strategic convenience, falling well short of strategic cooperation.¹⁶⁵ Bo perceives reconciliation as a tactical instrument of expediency and opportunism than of illusory like-mindedness. Nonetheless, the speed with which China built up its Caspian network can only impress.

¹⁶⁵ Ibid.

4.3 Key Events in the Caspian Hydrocarbon Sector (Timeline)

Throughout the course of this research, it became evident that a comprehensive chronology that delineates the relations between the three powers does not exist. I found it was essential for the purpose of this work, but also for the future benefit of other researchers, to create the said timeline. While this was an extremely beneficial exercise, it was quite challenging primarily due to the considerable amounts of information that needed to be amassed and assembled in the absence of any existing framework available in the literature. The compilation of these documents served as the starting point of in-depth research on the project as they helped outline the major vectors of change in each state of the Caspian littoral. In addition, these chronologies were used to select the most consequential agreements in the hydrocarbon sector for Russia thereby providing the foundation of Constructivist analysis.

A separate timeline was created for each of the Caspian states and is available in the Annex of this work. They documented the events from January 2000 to December 2007. The chronologies are meaningful because they catalogue both the deals and joint ventures that were signed as well as the ones that were simply discussed. Therefore, these timelines account for the agreements that have not yet materialized into direct increases in production of oil and gas i.e. the agreements whose impact is not felt in the country graphs of production and exports examined in the following chapter. These events, nonetheless, remain significant since the mere discussion of energy projects, often leaked to the press, could have contributed to influencing Russia's perceptions of the American and Chinese presence in the region and is thus extremely significant for the purposes of the project. In more general terms, the above-mentioned chronologies enhance the accuracy of the discussion of the geopolitical and geoeconomic environment of the region and paint a more nuanced portrait of relations

between the regional superpowers. The forthcoming analysis of the chronologies will be done on a by-country basis.

Azerbaijan

Azerbaijan is a state that seemed to make the most of its hydrocarbon resources by opening up to foreign investments. As it was previously stated, Washington got a head start in Baku by signing a number of key ventures in the 90s whose payoff not only continued but also increased in the first decade of the 21st century. Nonetheless, the 2000 announcement of an boost in Azeri oil exports destined for Russia signalled a positive change for Moscow's relative position in the Republic. It cannot be denied that Putin played a very significant, if not turning-point role, in the transformation of relations between Azerbaijan and Russia. For one, he was the first post-Soviet leader to visit the former Republic. His personal diplomacy also played a key role in the signature of a joint venture between SOCAR and LUKoil in 2001. However, despite the numerous attempts to increase exports of Azeri crude destined to travel north through the Transneft pipelines, these initiatives were almost brought to a complete halt by the momentum that the BTC project harnessed. As a result of which, numerous diplomatic visits of US dignitaries promoting the pipeline were received in Baku and development deals totalling millions of dollars were signed over the course of Putin's seven-year mandate. Russia was on a genuine offensive against the BTC in 2006 as its completion deadline loomed. It had proposed Azerbaijan a long-term agreement on oil transportation cooperation in light of the estimated drop of oil carried by the Baku – Novorossiysk pipeline due to BTC's launch. In addition, Moscow campaigned against the consequences of the proposed Baku-Tbilisi-Erzurum gas pipeline, which runs parallel to the BTC on the region.

Interestingly, Azerbaijan was one of the first among the Caspian states to welcome Chinese investments in its energy sector. China's accession can be explained by two factors. Firstly, Azerbaijan has been extremely open to foreign investment, a trend that was emboldened in the 1990s when the shackles of the Soviet Union fell. Therefore, Baku was more accustomed to and quite possibly more accepting of foreign firms looking to invest in its oil and gas sector. Another reason undoubtedly facilitating the establishment Chinese national energy companies on Azeri soil, was the absence of historical rivalries and antagonistic attitudes, which have proved to be a stumbling block for Beijing's political and economic relations with other Caspian states.

However, the overall number of PSAs and JVs in Azerbaijan declined towards the end of 2007 as fears regarding the insufficiency of Azeri oil reserves resurfaced. In fact, most of these apprehensions were taken very seriously as BTC investors (spearheaded by the US) began the push for Kazakhstan and Turkmenistan to start sending their oil across the Caspian to ensure the operation of the pipeline at a minimal capacity (there was no talk of full capacity). When Azerbaijan and Kazakhstan signed the bilateral agreement to this effect in 2007, this signalled not only a new era in relations between the Caspian states but also a significant modification in the transportation politics of the region. The success of the BTC project seriously shook Russia's grip on the region, which is bound to be forever changed by this sole pipeline.

Kazakhstan

A parallel can be drawn between the geoeconomic situation in Kazakhstan in 2000 with that of Azerbaijan. Both had the reputation of states endowed with large oil and gas resources. Both were particularly prized for their hydrocarbon wealth as a result of which

both opened up to foreign – particularly Western – investment in the 1990s. When Putin decided to mobilize Russian companies to take advantage of the oil and gas in Kazakhstan, many promising fields have already been auctioned off. As a result, when Moscow attempted to impose itself in that sector it was faced with the well-established American and Chinese competitors.

As the Caspian nation with the most abundant resources, Kazakhstan witnessed a slew of oil and gas agreements during the period in question. The year 2000 was very much representative of the bustling economic activities with the US securing Kazakhstan's involvement in the BTC project,¹⁶⁶ Hu Jintao urging for progress on the “long-stalled” oil pipeline,¹⁶⁷ and Putin signing a series of agreements on hydrocarbon development with Nazarbayev.¹⁶⁸ American involvement did become less aggressive from 2001 due to two wars that were too costly and complicated for Washington to concern itself with energy sector developments in Astana. Russia, on the other hand, stepped up to the plate filling the void left by the US. Moscow signed a number of agreements on geological surveys, JVs and even called for a creation of a gas cartel. In the meantime, the Chinese successfully pushed for a creation of the crude oil pipeline that would put an end to the Russian monopoly on transportation networks in Central Asia. Both, Moscow and Beijing, managed to score a considerable number of joint-projects.

Russia faced competition from another flank. As stated earlier, 2006 marked the year of intensive American involvement in securing the fate of the BTC project with the help of Astana: Azerbaijan's oil reserve estimates proved more generous than they were in reality and the pipeline desperately needed a secure long-term provider of oil. The period from 2000

¹⁶⁶ *Alexander's Gas and Oil Connections* 5/20, November 1, 2000, <http://www.gasandoil.com/> (accessed October 2009).

¹⁶⁷ *Alexander's Gas and Oil Connections* 5/15, August 18, 2000, <http://www.gasandoil.com/> (accessed October 2009).

¹⁶⁸ *Alexander's Gas and Oil Connections* 5/20, November 1, 2000, <http://www.gasandoil.com/> (accessed October 2009).

to 2007 can be characterized by a more active, although uneven, presence of all three major powers vying for Kazakhstan's riches in the Central Asian nation. The US operations culped before 9/11 and in 2006 - where they remained restrained to the diplomatic realm. China expanded its influence during the period and surprised many with the efficient completion of the infamous Kazakhstan-China oil pipeline, before which Astana was reliant on Russia for its two major oil export routes, the Atyrau-Samara pipeline and the Caspian Pipeline Consortium (CPC)'s Tengiz-Novorossiysk pipeline.¹⁶⁹ However, despite the setbacks and lost territory, Russia seems to have assumed the spot of a player most intimately involved in the Kazakh energy sector.

Turkmenistan

Russia had strong if not privileged relations with Turkmenistan in the 1990s. This trend was carried over into the new decade. In 2000 Gazprom declared the company's plan to purchase large amounts of Turkmen gas (at first the figure of 50 bln cm was mentioned) for a period of 30 years.¹⁷⁰ However, despite the seemingly endless declarations on ever-increasing amounts of gas bound for Russia that continued throughout 2000 and 2001, it was only in September of 2002 that an intergovernmental agreement was signed.¹⁷¹ Finally, in April of 2003 an agreement between Gazprom and the Turkmen government detailing the exact amounts of yearly shipment for the first three years was inked. Despite the abundance of diplomatic visits, declarations and even agreements between Ashgabat and Moscow before 2005, this activity was a prelude to the diplomatic storm that rocked the two capitals in 2006.

¹⁶⁹ Andrew Neff, "China Competing with Russia for Central Asian Investments," *The Oil and Gas Journal* 104/9 (May 2006): 42.

¹⁷⁰ *Alexander's Oil and Gas Connections* 7/7, April 27, 2000, <http://www.gasandoil.com/> (accessed March 2010).

¹⁷¹ "Turkmenistan signs new gas deals with Russian and Ukrainian firms," *Alexander's Oil and Gas Connections* 7/20, October 15, 2002, <http://www.gasandoil.com/> (accessed March 2010). It promised Turkmen gas supplies to Russia until 2020 with an amount that would increase annually

In February 2006, Turkmenistan stopped supplying natural gas to Russia despite the previously mentioned contracts. Ashgabat demanded that Gazprom pay a higher price for its gas than was previously stipulated. Back and forth negotiations lasted for months. Although Russia and Turkmenistan finally agreed on a new pricing system, the former's unrivalled position was usurped by a country that redefined energy relations in every Caspian state – China. Starting in November of the tumultuous year, Chinese delegations became a regular sight in the Turkmen capital. Notable dignitaries such as Chzchan Gobao (the vice chairman of China's State Committee), Wu Bengguo (China's top legislator), and finally the Chinese President himself testified to the growing cooperation between the two states. The signature of the framework agreement for cooperation in the hydrocarbon sector of April 2006 was a significant achievement for China. It also seemed to accomplish what Ashgabat was possibly hoping it would: Russia declared several days after the Chinese announcement that it will continue to buy Turkmen gas at a new (higher) price.¹⁷² However, China was rapidly continuing its conquest of the Turkmen lands with the revelation in September of 2006 regarding the construction of a gas pipeline that will bring much-needed fuel to the economic powerhouse. China continued to aggressively pursue expansion in Turkmenistan's gas sector in 2007.

Meanwhile, Ashgabat's resources became the object of two other competing bids. On the one hand, the US started a diplomatic initiative to secure Turkmen gas for the BTE pipeline. At the same time, Russia - in an attempt to foil Western efforts - proposed to construct an alternative route along the coast of the Caspian Sea that would carry gas from Turkmenistan and Kazakhstan to Russia.¹⁷³ Even though the Presidents of the three states agreed to implement this project in May of 2007 (just as the US obtained

¹⁷² *Alexander's Oil and Gas Connections* 11/19, October 13, 2006, <http://www.gasandoil.com/> (accessed March 2010).

¹⁷³ *Alexander's Oil and Gas Connections* 12/11, June 14, 2007, <http://www.gasandoil.com/> (accessed March 2010).

Berdymukhamedov's acquiescence for the BTE), the initiative resembled a desperate attempt on the part of Russia to avoid losing its footing in the nation that was Moscow's exclusive domain at the turn of the century. The eclipse of Russian power and economic presence in Turkmenistan corresponds to the undeniable regional trend: China's rise and Russia's gradual but inevitable decline.

Uzbekistan

In the 1990s, Tashkent was by far the capital least open to any type of foreign presence and involvement, be it in the political or economic domains. Uzbekistan has also had a very tense political relationship with Moscow since independence. It is therefore of little surprise that the economic relations were stagnant. However, the entire spectre of engagement between the two nations changed with the official call for foreign investors to develop its Northern Ustyurt region¹⁷⁴ in 2000. In fact, through the bias of Itera, Gazprom and LUKoil, Russia came to control the total majority of Uzbekistan's gas exports on long-term basis. For instance, in 2002, the Uzbek National Holding Company, Uzbekneftegaz and Russia's Gazprom signed an agreement on gas purchases from 2003 until 2012; in 2004 LUKoil concluded a 35-year long PSA¹⁷⁵ in order to develop three major gas fields in the Caspian state.

The US, although not active in the hydrocarbon sector, had a major military presence on Uzbekistan's territory because of the key role Tashkent played in Washington's Afghanistan strategy. The events of May 2005 – the suppression of anti-government protests in Andijan by brutal force – created public pressure on the extensive US ties with the

¹⁷⁴ Alexander's *Oil and Gas Connections* 5/10, June 9, 2000, <http://www.gasandoil.com/> (accessed March 2010).

¹⁷⁵ Sergei Blagov, "Uzbekistan Harbours Energy Development Plans," *EruasiaNet*, February 16, 2007, <http://www.eurasianet.org/departments/insight/articles/eav021507a.shtml> (accessed April 2010).

landlocked country. In fact, unwillingly, Andijan drastically altered the geopolitical orientation of Uzbekistan. Moscow, undecided about whether it should reprimand the state for its conduct during the demonstrations was at first critical of the government and then completely changed its rhetoric in support of the non-interference doctrine. This was the precise moment when China, which, at least publically, did not issue a criticism of Andijan, signed two PSAs to develop small oilfields in Uzbekistan. While it is doubtless that these agreements were in negotiation for months prior to the May massacre, Andijan can and does mark a certain symbolic departure for Uzbekistan from the US further east towards China.

Russia did not concede its place as the top player in Uzbekistan's oil and gas sector. Moscow undertook an agreement for a geological survey and a JV in 2006. In 2007, it launched a 36-year joint development project.¹⁷⁶ Whether Russia's final foreign policy stance on Andijan as Uzbekistan's internal issue was a reflection of Moscow's already existing economic ties with the country or a sign the Kremlin's apprehensions of China is not clear. What is certain however, is Russia's position was not jeopardized by the arrival of China. In fact, one of the rare JVs between two major players in the Caspian region: Russia and China, was signed in Uzbekistan. Although this the Aral Sea project also includes the Malaysian company Petronas as well as the Korean National Oil Company as partners, this cooperation initiative remains deeply symbolic. This agreement can be explained by the bandwagoning concept in political science in which nations form alliances to counterweigh a major power. In this case, China and Russia's move could be interpreted as a consorted effort to decrease US influence in Uzbekistan (even though Washington was only present in the politico-military arena). Although Tashkent could not resist the economic pull of China, overall, by the end of the Putin era, Uzbekistan remained Russia's bastion in a region that has become open to involvement of non-Russian companies.

¹⁷⁶ Ibid.

4.4 Attempt to Quantify the Chronology of Key Events

The constitution of oil and gas chronologies that were discussed above also prompted the creation a chart in order to adduce the significant developments in the hydrocarbon sector made by each of three regional hegemon. To begin with, all the entries included in the timeline were categorized as pertaining to either the PSA/joint venture category, diplomacy, cooperation in oil and gas sector, or other economic cooperation group. These categories were chosen because from the outset they appeared to sum up the vast majority of regional interactions in the realm of energy in the timelines. At first, the activities of Russia, China and the US (falling into the four categories) were split into the Caspian country host of the activity and the year the action took place. Subsequently, the initial charts (available in the annex) were regrouped and divided into three cumulative charts documenting the presence of Russia, China or the US as players in the four categories of engagement in the Caspian nations over the studied period.

Production Sharing Agreement is a common denomination of contracts signed between two or more parties (one which must be the government) that delineate the quantity (usually of some type of natural resource) to be explored, extracted and/or produced. By definition, a Joint Venture is an agreement between two or more companies that results in a creation of a new legal entity i.e. a new company. It appeared that there were virtually no JVs signed during the 2000-2007 period. Itera, the company that was once responsible for the sale of Turkmen gas, planned on signing one with Ashgabat. However, when in 2003, following a fund-stripping scandal¹⁷⁷ Putin ordered Gazprom to ban Itera from using its pipelines, the planned deal fell through. This incident was not included in the cumulative

¹⁷⁷ Marshall I Goldman, *Petrostate: Putin, Power and the New Russia*, (Oxford: Oxford University Press, 2008): 140.

chart because Itera was never on par with Gazprom in its representation of the Russian state's direct interests and also because the company simply ceased to exist. Therefore, the PSA designation only applies to signed agreements. Simple declarations and the like were classed in the 'cooperation in oil and gas sector' category described below.

The observations that were included in the diplomacy classification had to fall into the category of statements made by high-ranking officials regarding cooperation in the field of energy. The cases composing this category could either be characterized as positive or negative examples of diplomacy. Announcements in which parties explicitly stated their displeasure with an intensification of relations between a Caspian state and their rival were considered to be instances of negative diplomacy, whereas declarations simply calling for greater synergy in the oil and gas field were considered to be instances of positive diplomacy.

The economic cooperation category includes plans for projects, joint developments and other agreements that were not yet concluded at the time of the announcement. In this group, one non-materialized JV was included. In 2006, Russia and Kazakhstan announced the planned signature of a JV to develop the Karachaganak field. Four years later, the project is yet to be signed. This declaration was included in the cumulative chart because the official promulgations represent a certain desire of the parties to develop closer relations in the energy realm and are thus significant, if only for the purposes of evaluating the political climate of bilateral relations.

Finally, the agreements that focused on economic cooperation in sectors other than the energy one were placed in the 'other cooperation' category. Mentions of grants, establishment of business councils and the like were included in this group.

China

	2000	2001	2002	2003	2004	2005	2006	2007
Diplomacy	1	1	1		1	1	1	3
Coop in Oil / Gas				1	2	1	2	1
JV+ PSA			2	5	4	5	3	1
Other coop		1					1	1

Russia

	2000	2001	2002	2003	2004	2005	2006	2007
Diplomacy		2	3	2	3	5	3	2
Coop in Oil / Gas	1	1	4	4	2	1	4	3
JV	1	3	2	5	6	4	1	3
Other coop								

US

	2000	2001	2002	2003	2004	2005	2006	2007
Diplomacy	1	2					2	3
Coop in Oil / Gas		2		1	1	1	2	1
JV	2	1		1		1		
Other coop		1			1		1	

One of the first important observations to be made from these cumulative charts is that Russia seems to be very active in almost all categories of engagement, with the notable exception of other forms of cooperation. Despite perceptions of relative decline and lost ground in the Caspian its PSA total is only one count short of China's. The number of PSAs

peak during the 2003-2005 period prior to the arrival of BTC, the gas disputes with Turkmenistan, and the advance of China that became more evident towards the end of 2007. In fact, Moscow surpasses Beijing in the area of general energy cooperation. The same lead is found in the diplomacy category. However, such strong figures are somewhat superficial. As a result, Moscow's apparent advantage is somewhat misleading. Not only because these charts merely speak to the absolute advantages, but also because they do not reflect the relative weight of each of the agreements. In other words, despite the high number of Moscow's compacts their overall importance in terms of actual oil and gas resources they represent may be quite limited. In addition, the Kremlin's strong performance in the categories of energy cooperation and diplomacy are indicative of Moscow's desire to portray itself as a powerful player in the region by constantly calling for great cooperation and pushing for agreements most of which, the Kremlin knows, will never happen.

China's efforts to engage with the region have concentrated on securing actual development projects in the oil and gas sector. Beijing's progress in other domains remained at a constant but a relatively low level. Nevertheless, China has used its trump card – the economy – on several occasions during the examined time period. This, of course, with the Chinese economy on the rise in the international ranks foreshadows the geopolitical future of the region.

The cumulative chart on the US presence and engagement in the Caspian is very much representative of Washington's lack of attention to the region after the attacks of 9/11. The year 2006, when it was forced to start an active diplomatic campaign to save BTC marked a turning point for US's involvement. The increase in activity in 2006 and 2007, however, accurately account for the transformation in American policies towards the Caspian region.

These cumulative charts of superpower engagement in the Caspian easily indicate the geoeconomic trends and provide insights into the political climate governing their relations. This surface reading needs to be complemented by a detailed statistical analysis of the actual figures of gas and oil production and of Russian, Chinese, and American shares of that grand total. An examination of the evolution Russia's Caspian policy in the face of increasing American and Chinese presence will flow naturally from this analysis. Having said that, the somewhat superficial conclusions that can be made from the cumulative charts alone seem to disprove the claims made in the 'New Great Game' literature. This brief sketch of the relations between the three outside hegemony contradicts the oft-cited presence of extensive competition in the region between the three powers: US has been very much absent from the region and Russia did not in any way cede its position in the Caspian.

Chapter 5: Data Analysis on Yearly Production of Oil and Gas in the Caspian States

This chapter represents the core of the analysis. In it, an attempt will be made to put together the arguments and hypotheses made earlier regarding the state and nature of competition between Russia, China and the US with a discourse analysis to assess the fluctuations in Russia's Caspian policy. The first step in this process involved selecting the Chinese and American agreements (concluded with the regional states)¹⁷⁸ that either provided the powers with a strategic advantage in the Caspian energy sector (ex. a long-term extraction contract) or signalled a turning point in their relations (ex. the first ever agreement between two parties, or the first one after a dry spell in bilateral relations). These developments needed to be significant enough to elicit a reaction from the top Russian policy makers for that is the sole way to assess the variations in Russian diplomatic relations with the Caspian. For all of the Caspian states (with the notable exception of Uzbekistan) the milestones of American engagement in the region are tied to Washington's drive to secure long-term oil and gas supplies for the BTC and BTE projects. A focus on US activity in Azerbaijan, Kazakhstan and Turkmenistan, dedicated to the advancement of one cause will allow for conclusions to be drawn regarding Russia's perception of this venture in the Caspian region as a whole and in each of the three states separately thus analysing whether or not these perceptions vary. As for China, the successes and setbacks its hydrocarbon policy in the

¹⁷⁸ When possible, both key American and Chinese agreements were chosen for analysis. The archives from news publications covering the CIS region (ex. Ria Novosti, Kommersant, Itar-Tass etc.), especially for the first few years of the new millennium, were sometimes not available, thus limiting the discourse analysis on deals concluded during that period. For this project, there was only one instance when this created a minor obstacle, that in the case of Chinese agreements in Azerbaijan in 2002. However, after carrying out a thorough cross-reference search it appeared that Russian publications in general did not pay attention to the event indicating that there were no official reactions to these developments. Azeri newspapers that could have provided more insights into the matter were made unavailable by the language barrier.

Caspian seemed to fluctuate depending on Moscow's clout in a given country's energy market and the quality and length of Beijing's bilateral relations with the nation in question.

Then, a statistical evaluation of the yearly production output of American, Chinese and Russian firms is carried out using the country share per state concept discussed earlier. Linking together the country production data with the signature of the new agreements will allow us to evaluate the state and nature of competition between the superpowers. Finally, the analysis of Russia's official reactions to the signature of key agreements between China, US and the Caspian states will cast light on Moscow's threat perception of the other two superpowers, help explain its motivations of its Caspian strategy and permit us to forecast future developments in the geopolitical context (from Russia's perspective).

5.1 Key Chinese and American Agreements in the Caspian Hydrocarbon Sector

Azerbaijan

American engagement with the nation did not solely center on the construction of the BTC pipeline (understandably so, since Baku had declared its support for the project in the 1990s). However, BTC-related developments in Azerbaijan did not go unnoticed by Russia. One should note Russia's proposal in February 2006 (just months after Kazakhstan officially signed onto the BTC initiative) for a long-term cooperation agreement on transporting oil via the Baku-Novorossiysk pipeline. American presence in the country is highlighted by the AIOC consortium that embarked on a new phase of the Azeri-Chirac-Gunashli offshore oil field development in August and September 2004.

China was most aggressive in the region during the period from 2002 to 2003. In January 2002 CNPC acquired more than a 30% share in an Azeri consortium (developing

Kyursengi, Garabagly fields); by November it controlled over 50% of Salyan Oil - the other participant in the consortium; in January 2003 the company purchased the remaining 31.41% of shares in the development project. China's presence was highlighted by its Sinopec ShengLi 25-year contract with Azerbaijan's state oil and gas monopoly SOCAR to develop the Pirsaat field.

Therefore, the key developments in Azerbaijan's energy sector that deserve detailed examination are Baku's 2007 bilateral agreement with Astana on cooperation in the energy sector (i.e. shipment of Kazakh oil across the Caspian to the BTC), and the American diplomatic activity in Azerbaijan prior to the signature of that particular accord as well as the series of other agreements with China.

Kazakhstan

Although Kazakhstan is host to the somewhat rare international oil consortia combining both American and Russian companies, this is the case of the TengizChevrOil Consortium, such cooperation is more an exception than a rule. In fact, American presence in Kazakhstan during the Putin-years was highlighted by Washington's efforts to push for Astana's participation in the BTC oil pipeline. Just months prior to the signature of the "*Strategic Partnership Treaty*" (October 2006) between Astana and Baku, US Secretary of Energy Samuel W. Bodman, US Vice President Dick Cheney, and the US Assistant Secretary of State for South and Central Asia Richard Baucher visited the region pledging American support and vowing financial assistance for the project. Understandably, Russia's policy in Kazakhstan has been very sensitive to the developments of the BTC. Shortly after Nazarbaev signed the agreement with his Azerbaijani counterpart regarding a Trans-Caspian pipeline that would deliver Kazakh oil to BTC, Russia that has always been opposed to such venture,

issued a strongly worded statement condemning the initiative as environmentally unacceptable (January 2007).

Following the above reaction from Moscow, Kazakhstan offered to increase the transit of oil through the Atyrau-Samara pipeline (March 2007) and initiated talks with the Russian company Transoil to export Kazakh hydrocarbons. The two agreements that were consequently concluded between Astana and Moscow speak volumes about the importance of a strategic relationship to both parties. In May 2007, the talks between Putin and Nazarbaev yielded an expansion of the Caspian Pipeline Consortium pipeline that carries oil from the Tengiz field to Russia's port of Novorossiysk. It is important to note that Russia had "previously resisted this expansion, fearing that it would put the oil in competition for the limited number of tankers allowed to go from Novorossiysk through the overcrowded Bosphorus."¹⁷⁹ The same month, the governments of Russia, Turkmenistan and Kazakhstan agreed to construct a natural gas pipeline along the Caspian Sea coast that would carry Turkmen natural gas to Europe. Both of these agreements can be seen as attempts made by Russia to secure its hold on a fraction of Kazakhstan's natural resources that it felt were being slowly auctioned away and out of Moscow's control.

The Chinese National Petroleum Corporation has been present in Kazakhstan since 1997. It currently operates five major oil fields,¹⁸⁰ two exploration projects, the Kazakhstan-China Crude Oil Pipeline and the Northwest Crude Pipeline. The most significant undertaking of CNPC, and the one that arguably had the most impact on the Russia's perception of China and its foreign policy in the energy-rich state, was the 2005 (October) purchase of PetroKazakhstan. According to an agreement with Kazakhstan's Ministry of Energy and Mineral Resources, following CNPC's acquisition of 100% of the company's assets, it

¹⁷⁹ *Alexander's Gas and Oil Connections* 12/11, June 14, 2007, <http://www.gasandoil.com/> (accessed February 2010). Turkey has been under pressure to reduce the maritime traffic in the Bosphorus due to the environmental damage being caused by the intense economic activity in the straights.

¹⁸⁰ The five development projects are: CNPC AktobeMunaiGas, North Buzachi, PK, KAM and ADM.

transferred 33% of its shares to the Kazakh oil and gas monopoly, KazMunaiGaz in July 2006.¹⁸¹ This buy-out put China on an equal footing with Russia in terms of middle-sized fields in Kazakhstan. In an attempt to regain lost ground Russia's LUKoil filed a suit in the Swedish courts to ensure that it can acquire full control of its JV with PetroKazakhstan before CNPC completes the purchase. Similarly to the post-BTC initiative, Kazakhstan attempted to provide certain concessions to its Russian ally. In October 2005 Kazakh Prime Minister Danial Akhmetov offered Russian oil companies the possibility to transport oil to China through the Atasu-Alashankou pipeline.¹⁸² As a likely retaliatory measure against CNPC's purchase LUKoil purchased the controlling block of the Canadian oil company Nelson Resources in October 2005. In November of the same year Gazprom struck a number of deals with KazMunaiGaz on transportation of gas from Turkmenistan and Uzbekistan via Kazakhstan. Russia reportedly continued talks on gas-related issues through February 2006.

The crucial developments in the case of Kazakhstan are Astana's decision to participate in the BTC project, which ended Russia's monopoly on transit of oil and gas in the country, and China's decision to purchase PetroKazakhstan, which forecast the beginning of China's more aggressive energy policy in the country.

Turkmenistan

When the two states came to a head over the prices of Turkmen gas exports in 2005, Russia had been dominating the energy markets in Turkmenistan since independence. The events of 2005 were the turning point for Turkmenistan. Notably, as a result of the dispute with Russia, Turkmenistan opened up its energy market to China with the announcement of a

¹⁸¹ CNPC, <http://www.cnpc.com.cn/en/> (accessed January 2010).

¹⁸² It is however unclear whether or not Transneft applied for permission to transport oil through the pipeline prior to this declaration.

cooperation agreement between the two states in April 2006. Following its signature, other cooperation deals followed suit. It is important to note Russia acquiescence to increase the quantity of Turkmen gas purchased as well as its purchasing price, thereby resolving the dispute with Ashgabat, just weeks after the above mentioned deal with Beijing. Another milestone for Sino-Turkmen relations came in July 2007 when the two nations signed a 30-year contract for supply of Turkmen gas to China.

Washington's energy diplomacy also took on a different turn towards the end of the Putin years. In a possible retaliatory measure to China's advance in Turkmenistan as well as the American drive to secure gas for the BTE, the US orchestrated a small diplomatic offensive with the meeting between the former US Secretary of State Condoleezza Rice (September 2007), the visit of US Energy Secretary Samuel Bodman (November 2007) who, accompanied by several US energy majors, met the Turkmen president.¹⁸³

Both of these developments: series of contracts with China from April 2006 until July 2007; American diplomatic initiatives of 2007, represent the turning points in the geopolitical landscape of the Caspian. Therefore, Russia's reaction to these politico-economic thrusts merits further examination.

Uzbekistan

Despite the tense relations between Russia and Uzbekistan since independence¹⁸⁴ cooperation in the energy sector between Tashkent and Moscow continued to intensify. In fact, out of all the three major powers vying for the natural resources of the region only Russia was the recipient of (the majority of) Uzbekistan's gas. On the political front, however,

¹⁸³ In January 2008 US policy makers declared that they can convince the President of Turkmenistan to open up his country's reserves to the US. These efforts paid off as in March of 2008 Turkmenistan declared its participation in the Trans-Caspian pipeline project.

¹⁸⁴ Tashkent accused Russia's independent papers of slander and Moscow of pitting Uzbekistan against Tajikistan during the conflict between the two former Soviet republics; several Russian journalists were found dead in mysterious circumstances in Uzbekistan.

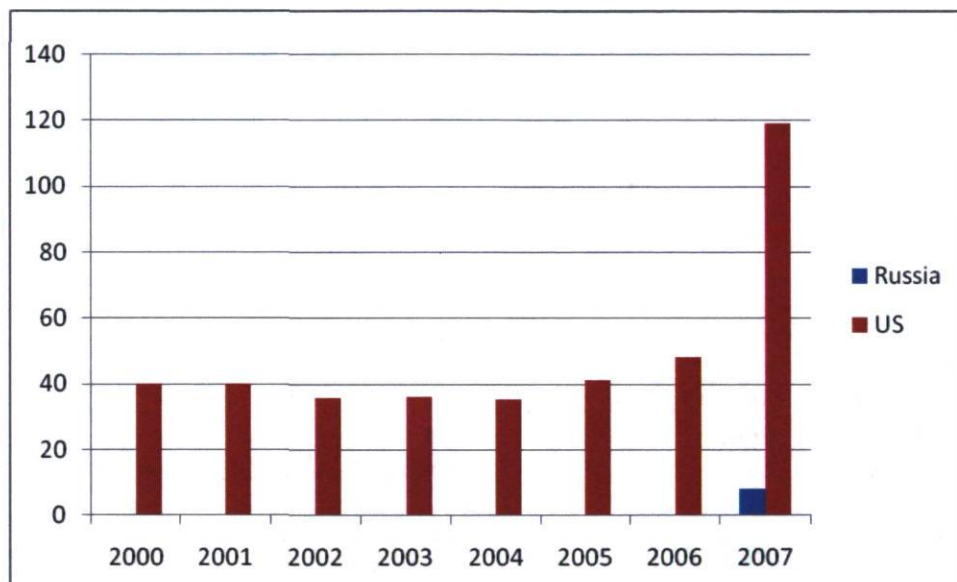
Tashkent was more opportunistic signing an agreement with the US regarding the lease of the Manas military air base in 2001.¹⁸⁵ Nonetheless, following the brutal suppression of pro-democracy riots in May 2005 in Andijan by government forces, the relations with Washington noticeably cooled. China, on the other hand, stepped up to the plate hoping to capitalize on these tensions. Beijing inking a number of agreements, amongst which, a rare JV with the Uzbek government. While Russia continued to be an imposing presence in Uzbekistan gas sector, after Andijan it was no longer the sole force on the ground.

¹⁸⁵ Bruce Pannier, "Uzbekistan: Factbox of Uzbek-Russian Relations," *RFE/RL*, September 27, 2005, <http://www.rferl.org/content/article/1061714.html> (accessed April 2010).

5.2 Production and Transportation Data: Russian, American, and Chinese Shares per Country

5.2.a Hydrocarbons in Azerbaijan 2000-2007

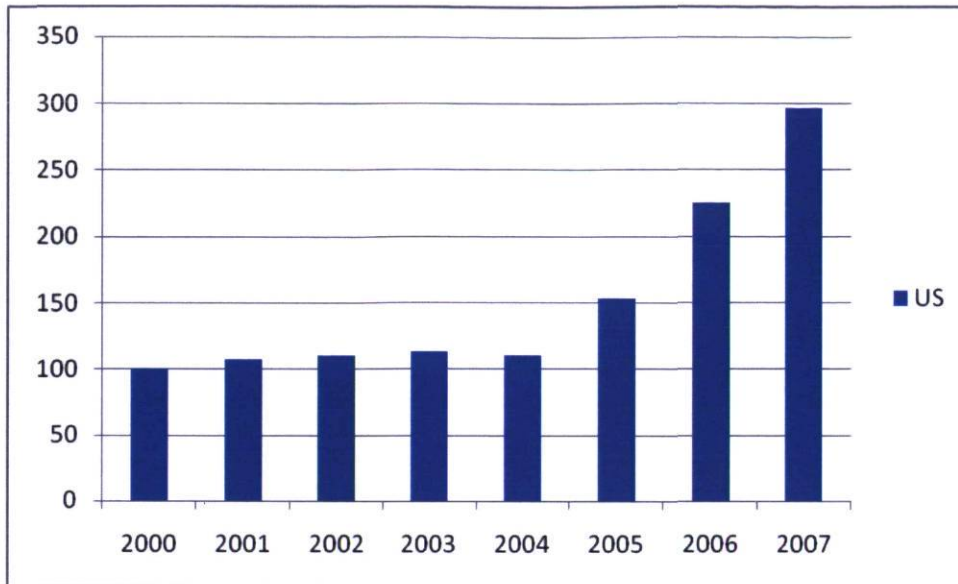
Comparative Graph of American and Russian Shares in Azeri Gas Production (Bcf)



Azeri-Chirag-Gunshali is the country's largest oil and gas field that has been in production since 1997. It is operated by the AIOC Consortium in which American firms (ChevronTexaco 10%, ExxonMobil 8%, Devon Energy 5.63%, and Delta Hess 2.7%) play a key role. The jump in American production shares visible on the graph is a result of the coming on stream of three new platforms part of ACG complex in 2006/7.¹⁸⁶ Shah Deniz, the new gas development, in whose development Russia's LUKoil has a 10% stake, became active at the end of 2006.

¹⁸⁶ "Azeri-Chirag-Gunashli (ACG) Oil Field, Caspian Sea, Azerbaijan," *Offshore Technology*, <http://www.offshore-technology.com/projects/acg/> (accessed February 27, 2010).

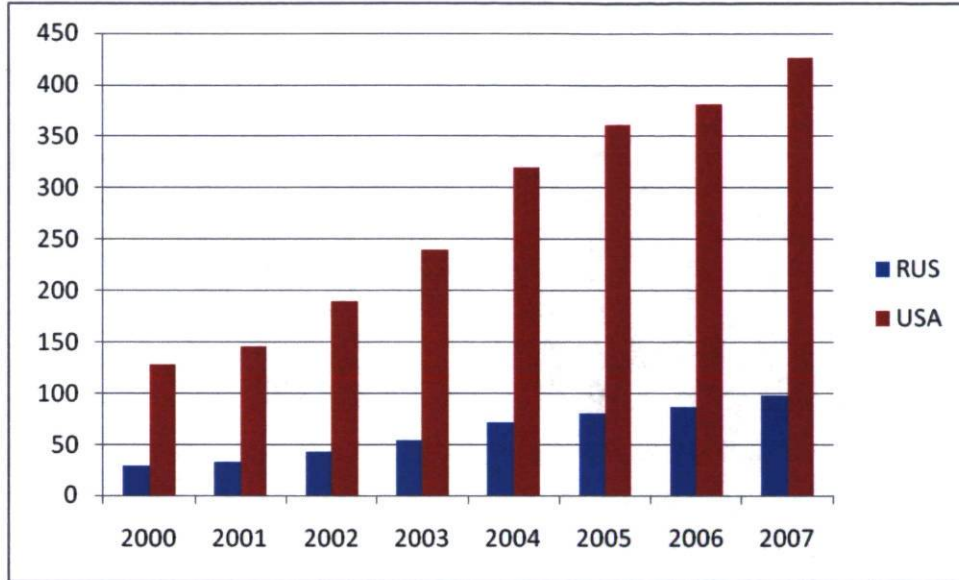
American Presence in Azeri Oil Sector



US is the only one of the three regional heavyweights that has secured its participation in crude projects up and running in the chosen period. However, in the case of Azerbaijan this is also a reflection of the limited number of hydrocarbon developments that have attracted the attention of foreign investors due to Azeri, largely, over-estimated reserves. The rise in the crude production is similarly a result of new platforms coming on stream and generating output.

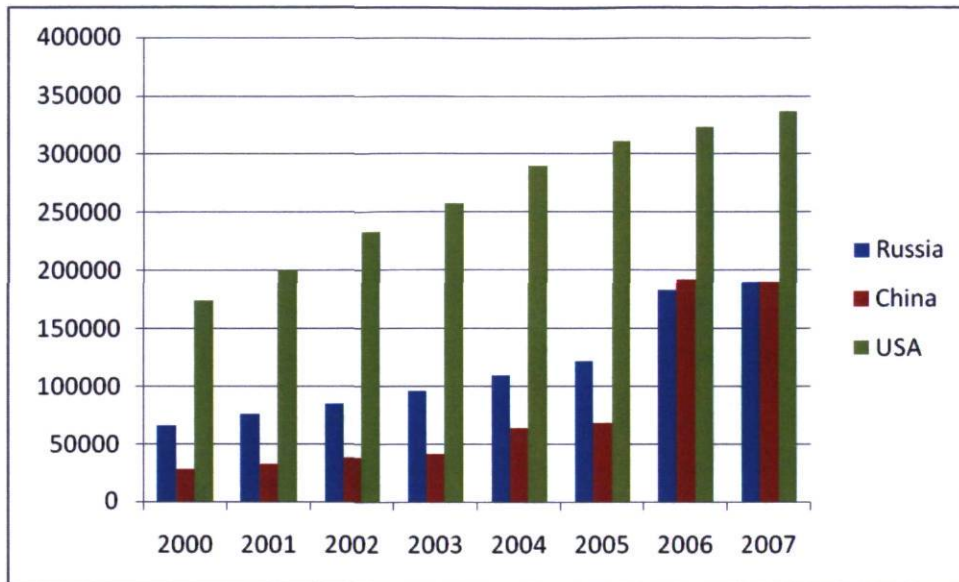
5.2.b Hydrocarbons in Kazakhstan 2000-2007

Comparative Graph of Russian and American Shares of Kazakh Gas (Bcf/year)



Tengiz and Karachaganak are the two main gas-producing developments in Kazakhstan. China, however, is absent from both of these projects and the Karakuduk field (active since 2006), in which only LUKoil (Russia) has stake.

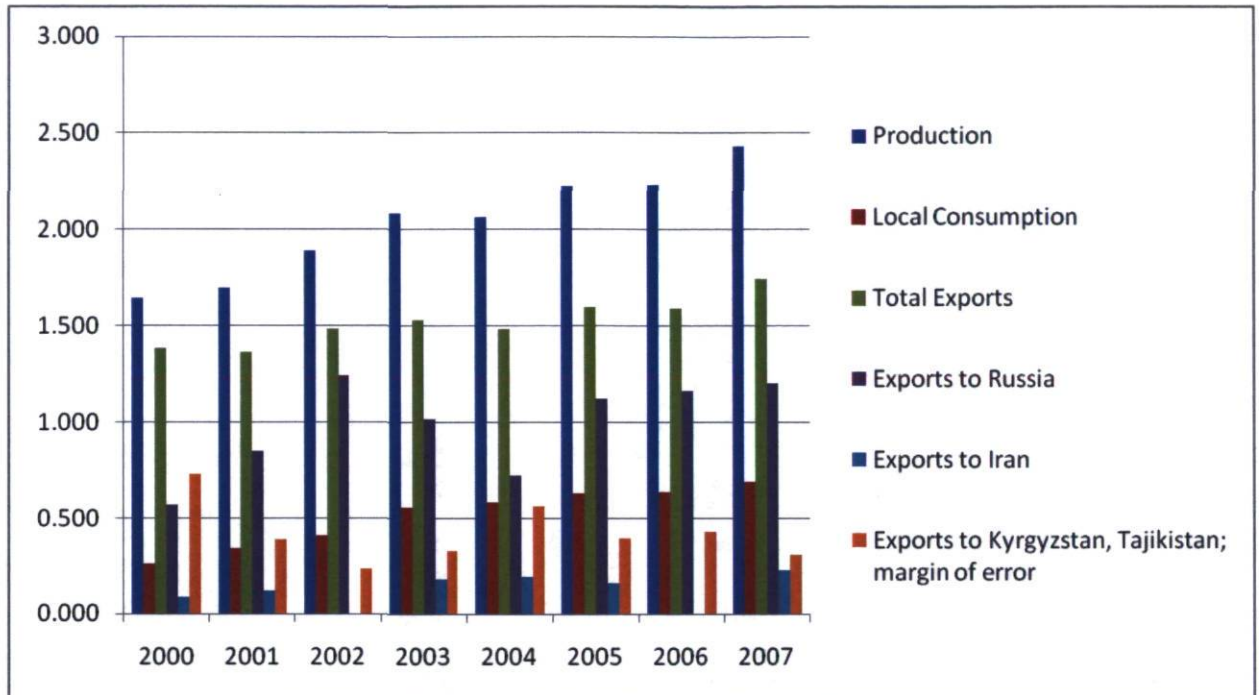
Comparative Graph of Russian, Chinese and American Shares of Kazakh Crude (bbl/d)



The Tengiz and Karachaganak fields are also great sources of crude. The other important producing fields, Uzen, Aktobe and Mangistau, are joint ventures concluded between the Kazakh government and either Russia or China. The dramatic rise in the Chinese share of Kazakh crude is a direct consequence of China's buyouts of smaller companies like PetroKazakhstan that gave Beijing the way into consortia working on already developed fields that were yielding concrete results.

5.2.c Hydrocarbons in Turkmenistan 2000-2007

Graph of Turkmenistan's Gas Exports

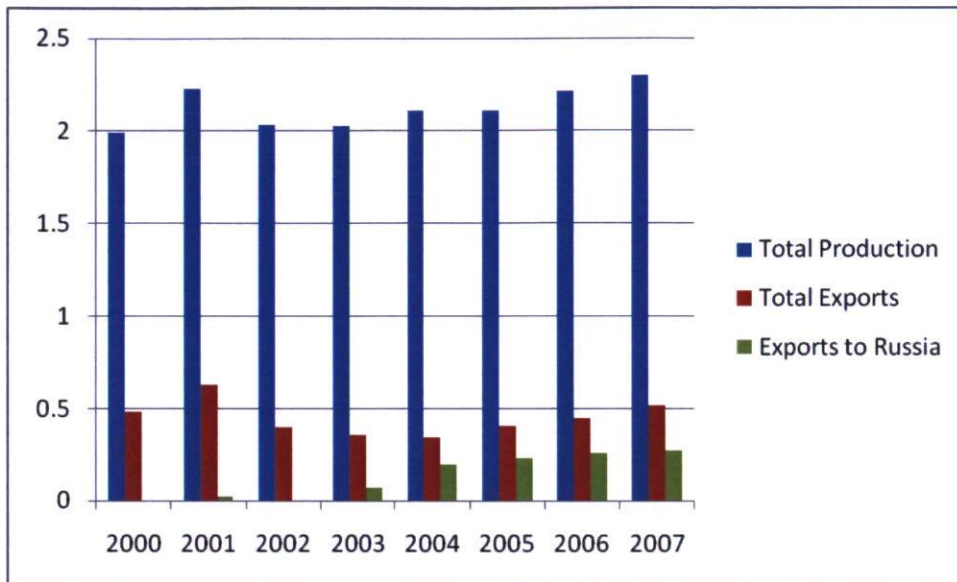


This dense graph showcases the fraction of Turkmenistan's gas exports destined for Russia. We notice the fraction of exports to Russia vs. total exports increase up to the year 2002, which coincides with Itera's departure from the market and the signature Ashgabat's first agreement with Gazprom in 2003. Russia's share dropped dramatically in 2004, mid-gas dispute, but stabilized in the last three years of the data.¹⁸⁷

¹⁸⁷ "Gas Purchases in Central Asian Countries," *Gazprom*, <http://www.gazprom.com/production/central-asia/> (accessed November 29, 2009). "Under the Agreement, GazpromExport (Gazprom's wholly owned subsidiary) and Gas Transmission Company Turkmenneftegaz concluded a long-term contract to purchase and sell Turkmen natural gas."

5.2.d Hydrocarbons in Uzbekistan 2000-2007

Graph of Russian Shares of Uzbek Gas Exports



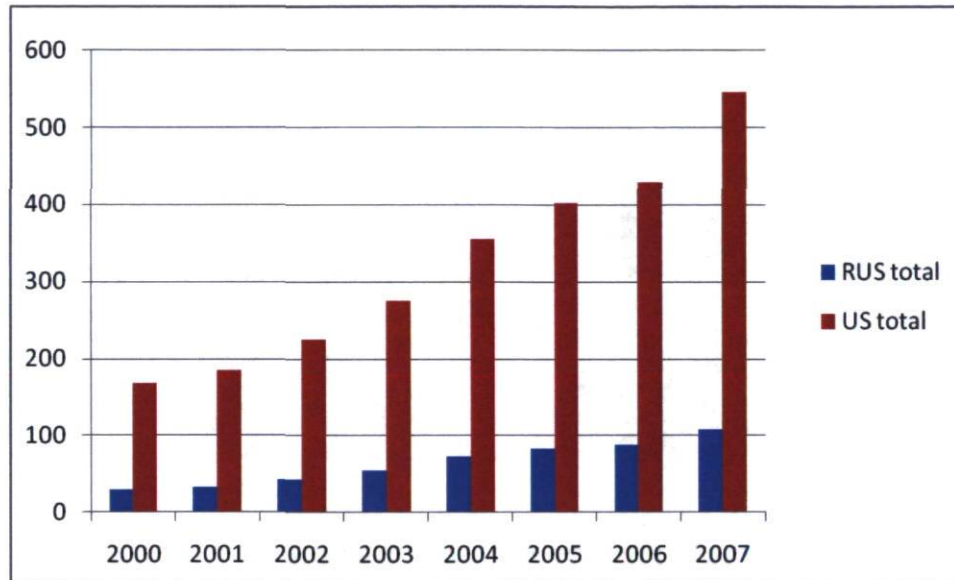
This graph exemplifies the complexities of the Uzbek gas market – the dismal share of hydrocarbons that is exported. Russia is the recipient of approximately half of all gas transported abroad. In fact, its allotment has been on the rise since 2003 due to the “*Agreement on Strategic Cooperation*” in the gas industry between the National Holding Company Uzbekneftegaz and Gazprom signed on December 17, 2002.¹⁸⁸ The contract stipulates long-term purchases of Uzbek gas for the period between 2003 and 2012, makes provisions for Gazprom's participation in developing natural gas production projects under PSA terms, as well gas transmission infrastructure.¹⁸⁹

¹⁸⁸ “Gas Purchases in Central Asian Countries,” *Gazprom*, <http://www.gazprom.com/production/central-asia/> (accessed November 29, 2009).

¹⁸⁹ *Ibid.*

5.2.2 Comparing Russian, American and Chinese Shares in Gas and Oil in the Caspian

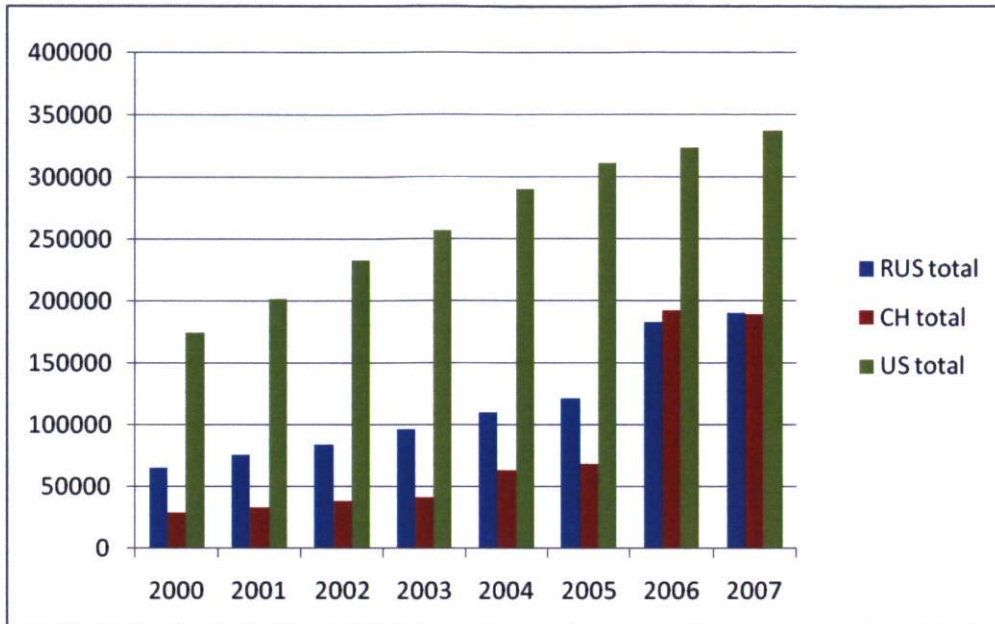
Total Gas Shares for the Caspian Region



It is evident from this cumulative graph that the US is dominating the gas production in the Caspian region. Russia's share also appears to grow at a similar rate. Moscow's share rose by 365%, while the fraction of gas production attributed to American companies augmented by 324%.¹⁹⁰

¹⁹⁰ For Russia, the gas production was at 29.436 (Bcf) in 2000 and it reached 107.437 in 2007. In the case of Washington, the share increased from 168.39 to 545.88.

Total Crude Shares for the Caspian Region



This cumulative crude graph is very similar to the oil production graph for Kazakhstan. Indeed, only US benefits from an increase of its shares in crude production outside of Kazakhstan – in Azerbaijan. Therefore, the totals for both Russia and China are equivalent to those of their oil projects in Kazakhstan. American share increased by 193%, Russian by 660%, and Chinese by 2889%. However, in absolute terms, Beijing and Moscow achieved virtually parity with 189181.1 bbl/d and 190113.03 bbl/d, respectively.

5.2.3 Brief Remarks on the Comparative Graphs

The cumulative graphs that represent the regional hegemons' share of Caspian oil and gas production allow us to draw specific conclusions about the so-called 'New Great Game' in the Caspian. For one, all three players benefit from increasing returns on their investments in the hydrocarbon sector. This is a natural process, especially in the energy domain, where at the beginning stages of production the project supplies low levels of oil and gas, but with on-going technological developments, this quantity normally increases. Therefore, the growth of the shares corresponds to the natural cycle of hydrocarbon infrastructures and does not at all represent an increase in regional competition for those resources. In fact, these statistics point to the overall absence of rivalry as the shares of neither Russia, US, nor China decreased i.e. the shares of one power did not augment at the expense of shares of another country. The only change that indicates a rupture in regional dynamics is China reaching the level of Russia's oil share quantity. It is, of course, a direct result of Chinese takeover of smaller companies in Kazakh crude market. This development does not translate into an imminent threat to Russia since Beijing has not dared to touch Moscow's companies; instead, Chinese tactics resemble more of an assault on the firms of Western countries. More significantly, Moscow has thus far appeared to perceive the actions of the US as increasingly dangerous. A detailed analysis of Moscow's reactions to these developments, its perception of the threat posed by China and the US, is needed to examine how Moscow's energy policy thinking has evolved over the Putin years.

5.3 News Chronology and Public Discourse Analysis of the Key Agreements in the Caspian

5.3.1 General Trends

Azerbaijan

The bilateral agreement between Baku and Astana on strategic cooperation in the oil and gas sectors that notably included the memorandum on the joint implementation of a trans-Caspian project was officialised on August 8, 2007.¹⁹¹ Just two days prior to the grand signature of the deal, Yuri Shafranik, the head of Russia's Union of Oil and Gas Industrialists, implored the West to pursue an energy policy based "on fair balance."¹⁹² Shafranik also called for "diversification of energy sources" and for a "concerted policy in terms of volumes, prices and markets."¹⁹³ Mid-way through the summer, when it was clear that the agreement would go ahead, Russian Industry and Energy Minister Viktor Khristenko announced, "Russia welcomes any new energy projects, especially if they are not politicized."¹⁹⁴ It is evident from these statements that Russia perceived the agreement that would secure BTC's future as an encroachment on its geostrategic position in the region and a challenge to its control of the pipelines in Kazakhstan.

This protocol fits in the larger framework of the American diplomatic tour that aimed to promote the Trans-Caspian project. It must therefore be examined in this context. In August of 2007, Washington signed a \$1.7 million deal to develop the technology necessary

¹⁹¹ "Kazakhstan, Azerbaijan Sign Oil and Gas Cooperation Accords," *ITAR-TASS*, August 8, 2007, <http://www.itar-tass.com/eng/index.html> (accessed through World News Connection, May 11, 2010).

¹⁹² "Russian Official Urges Europe to Balance Oil and Gas Interests," *ITAR-TASS*, August 6, 2007, <http://www.itar-tass.com/eng/index.html> (accessed through World News Connection, May 11, 2010).

¹⁹³ *Ibid.*

¹⁹⁴ "Russia Welcomes Any Non-politicized Energy Projects-minister," *ITAR-TASS*, June 24, 2007, <http://www.itar-tass.com/eng/index.html> (accessed through World News Connection, May 11, 2010).

for the construction of the pipeline.¹⁹⁵ In July, US Deputy Assistant Secretary of State for European and Eurasian Affairs, Matthew Bryza declared, “monopolization efforts will not benefit anyone.” This was undoubtedly a statement directed against Russia, which is said to possess a monopoly on Kazakhstan’s exports. In reality, this monopoly vanished with the construction of the Kazakhstan-China pipeline. Moreover, despite the fact that Russia might control the pipelines transporting crude to Kazakhstan, the US (via its firms) produces almost half of Kazakh oil per annum. Thus, while Russia does benefit from the transit fees of its pipeline system used to transport ‘American’ crude from Kazakhstan, those profits are negligible compared to the financial benefits garnered by the US from the sale of oil. In addition, throughout the Putin decade there have never been issues with transporting Kazakh oil through the CPC pipeline to the Russian port of Novorossiysk.¹⁹⁶ Washington’s desire to pursue the Trans-Caspian pipeline has no other justification than that of US trying to ensure the viability of BTC, another project pioneered by the Washington that has faced difficulties due to the flawed estimates of Azeri oil reserves.

Attempts to justify the necessity of the Trans-Caspian project were not necessarily founded in economic thinking or logistical terms. Admittedly, Russian CAC network that transported oil and gas from the region dates back from the Soviet times; however, it has been recently restored. Moreover, prior to the construction of the China-Kazakhstan pipeline, the CAC and CPC have managed to solely uphold the transportation of all of Kazakh oil and accommodate the increases in production. In fact, US interests in the Caspian were never damaged by Russian monopoly on pipelines. It was the survival of Washington-backed BTC project, which could not have been ensured without the supply of Kazakh oil, that was at

¹⁹⁵ Natalie Grib, Michael Zagir’, and Alexander Gabyev, “Pipelines Leaking Away,” *Kommersant*, August 21, 2007, <http://kommersant.ru/doc.aspx?fromsearch=08951200-4522-4a2a-a14e-af019f8d9df4&docid=796916> (accessed May 15, 2010).

¹⁹⁶ There was a dispute between Kazakhstan and Russia regarding the expansion of CPC, which Moscow initially resisted. However, Washington never made a single statement regarding the financial damage of this un-expanded pipeline on the volumes of crude it transited through CPC.

stake. Therefore, American decision to use the monopoly rhetoric merely resembles an excuse for Washington to disguise the lethal flaws of the BTC pipeline – the US brainchild of the 1990s. It is thus understandable why Azerbaijan’s President Heydar Aliyev echoed the discourse of American officials when he exclaimed that the project “was not spearheaded against anyone.”¹⁹⁷ While officially the project might not have been spearheaded against any particular state - although pro-Russia pundits would find this statement extremely doubtful, it was definitely favouring only one player – the US.

To an extent, the Trans-Caspian exploration agreement was the crowning glory of American diplomatic efforts in 2006. Indeed, a ‘New Great Game’ of words seemed to be in full swing at the time. Following the agreement between Russia, Kazakhstan, and Turkmenistan to build a pipeline adjacent to the Caspian coast, the Azeri press cried out, “Azerbaijan and Russia were not rivals in supplying energy to world markets.”¹⁹⁸ Indeed, Russia and Azerbaijan are not adversaries. For one, Azerbaijan’s oil reserves are dwindling and are definitely not a match to those of Kazakhstan. In fact, the only attractiveness of Azerbaijan to Western investors is precisely that: the West has invested millions in the construction of the BTC pipeline. Azerbaijan’s only real long-term value to the US (and Europe) lies in the pipeline that runs through its territory. Regardless of this, Washington and Moscow’s diplomatic rivalry for Baku intensified with the visit of Russian Foreign Minister Sergei Lavrov to Azerbaijan on the eve of Baku’s security consultations with the US.¹⁹⁹ In July when the tanker at Ceyhan lifted the first crude oil exported via BTC, the former American President George W. Bush referred to this culminating moment in the project as opening “the gates to

¹⁹⁷ Dzheikhun Nadzhafov, “Azerbaijan between East and West,” *RIA Novosti*, November 8, 2006, <http://en.rian.ru/analysis/20061108/55467454.html> (accessed May 15, 2010).

¹⁹⁸ *CIS Press Review*, *RIA Novosti*, May 24, 2006, <http://en.rian.ru/analysis/20070602/66562851.html> (accessed May 16, 2010).

¹⁹⁹ *CIS Press Review*, *Azdaliq*, *RIA Novosti*, May 26, 2006, <http://en.rian.ru/analysis/20070602/66562851.html> (accessed May 16, 2010).

the world oil market.”²⁰⁰ He even advocated their protection by the “Caspian Guards, for which Washington was ready to pay \$150 million.”²⁰¹ This statement demonstrates the pride that American administration took in the successful accomplishment of the initiative.

There is no doubt that such American achievement was interpreted as a threat by Moscow. In fact, when the US announced that it was “ready to support the energy projects of the GUAM countries,”²⁰² Vladimir Putin proposed -on the very same day of the American announcement- to build a canal between the Caspian and the Black Seas thereby creating an alternative route to the BTC for supplying oil to Europe. To add insult to injury, this declaration was made at the Caspian Summit in Tehran, home to a staunchly anti-American regime. This highlights the symbolic significance of the move, despite the fact that the project has not even (and will likely never) make it to the drawing board. It also underlines Russia’s sensitivity to the subject of energy transportation, which is undoubtedly indicative of Moscow’s perception of US assailing Russia’s position in the Caspian.

The statements discussed above exemplify Russian sentiment regarding the steady progress of the Trans-Caspian pipeline. It is undeniable that the Kremlin perceived these developments as a clear challenge to its position in the Caspian. This reaction coming from Moscow is just as understandable as American desire to save the BTC, after all, who would wish to see one’s project, no matter how flawed, fail. The US diplomatic *tour de force* succeeded primarily because Kazakhstan wanted to diversify its export routes. Astana’s decision to participate in the Trans-Caspian route should worry Moscow more than the actual agreement, especially because Azerbaijan never espoused an overtly pro-Russian policy since

²⁰⁰ “Russian and Azerbaijani Presidents, No Quarrel over Pipe,” *RIA Novosti*, July 26, 2006, <http://en.rian.ru/analysis/20060726/51885165.html> (accessed May 16, 2010).

²⁰¹ *Ibid.*

²⁰² GUAM Organization for Democracy and Economic Development has traditionally been the institutional body that brought together nations with the most tense relations with Moscow in the post-Soviet world.

independence, for it is indicative of Russia's waning influence in a country that it could once consider its foothold in the region.

Kazakhstan

A comparison must be made with Russia's reaction to Kazakhstan's declaration of participation in BTC/Trans-Caspian project in order to evaluate whether or not Moscow perceives the 'defection' of Kazakhstan, one of its key allies, to the West differently from cooperation between Washington and Moscow-neutral regimes like that of Baku.

As mentioned earlier, relations between Kazakhstan and Russia during the early Putin years appeared to be excellent. Aside from the cooperation agreements in the hydrocarbon sector, many symbolic gestures highlight the friendship between the two nations. For instance, 2003 marked the year of Kazakhstan in Russia. This was reciprocated by Astana when it designating 2004 as the year of Russia. Nonetheless, by 2005 Nazarbayev officially committed his country to the BTC project. However, he did justify this decision by stating, "Kazakhstan wants oil routes to be diverse because of the growing oil production."²⁰³ From that point on, Russia began emphasizing fairness in its discourse on new energy ventures in the Caspian. For instance, at the G8 session of Energy Ministers, Putin argued that the "key to global energy security [was] a fair distribution of the risks among energy producers, transporting countries and consumers."²⁰⁴ The US Energy Secretary Samuel Bodman on his visit to Astana retorted, "Kazakhstan should lead the efforts to develop the energy sector infrastructure and set up additional transit routes."²⁰⁵ He also admitted that the US was

²⁰³ "Kazakhstan Announces Affiliation to Baku-Tbilisi-Ceyhan Pipeline," *ITAR-TASS*, May 24, 2004, <http://www.itar-tass.com/eng/index.html> (accessed through World News Connection, May 11, 2010).

²⁰⁴ Igor Tomberg, "Energy Market: guarantees against unpredictability," *RIA Novosti*, March 17 2006, <http://en.rian.ru/analysis/20060317/44488927.html> (accessed May 15, 2010).

²⁰⁵ Andrei Grozin, "The 'New' US Strategy in Central Asia," *RIA Novosti*, April 4, 2006, <http://en.rian.ru/analysis/20060404/45179007.html> (accessed May 15, 2010).

“trying hard to turn Kazakhstan into its strategic regional partner.”²⁰⁶ The day of the American declaration, Putin hailed the extent of cooperation between Russia and Kazakhstan.²⁰⁷ There was a certain sentiment of defeat present in Russian rhetoric that reflected the lack of confidence Moscow had in its position in the region.

Kazakhstan proved to be quite the battleground for Russian and American diplomacy. Bitter political attacks continued with the arrival of former Vice President Richard Cheney to discuss the construction of Trans-Caspian pipeline; this visit came days after his address in Vilnius during which he accused Russia of slacking democratization.²⁰⁸ Kazakhstan and Washington signed the agreement on its participation in the BTC/Trans-Caspian project a day before Putin’s meeting with Nazarbayev;²⁰⁹ two months later, Senator Richard Lugar accused Russia of “using energy as a political weapon”²¹⁰ and bluntly pointed out that US priority in the Caspian was to construct “pipelines that circumvent Russia and Iran.”²¹¹ That same month US signed a military cooperation agreement with Astana, endorsed its bid for WTO membership, and agreed to exclude Kazakhstan from the Jackson Vanick Amendment, to which Russia is still subject.²¹² In an attempt to revamp its clout, Moscow created the Business Council for Border Cooperation²¹³ and signed an agreement to organize direct ferry service to

²⁰⁶ Ibid.

²⁰⁷ “Russian President Praises Cooperation with Kazakhstan,” *ITAR-TASS*, April 4, 2006, <http://www.itar-tass.com/eng/index.html> (accessed through World News Connection, May 11, 2010).

²⁰⁸ Michael Zigar, “Dick Cheney Exploring Caspian’s Bottom,” *Kommersant*, May 6, 2006, <http://kommersant.ru/doc.aspx?fromsearch=433d904e-a836-4edd-b370-b3d91d6271d0&docsid=671588> (accessed May 15, 2010). No comments to the regards of Kazakhstan’s equally unimpressive democratic journey were made.

²⁰⁹ Tomberg, “Special Path of Kazakhstan and Russia.”

²¹⁰ Vladimir Soloviev and Dmitry Sidorov, “Energy Insecurity,” *Kommersant*, August 31, 2006, <http://kommersant.ru/doc.aspx?fromsearch=20a04506-f59f-48c2-a5e2-40ac140998ea&docsid=701335> (accessed May 16, 2010).

²¹¹ “US’s priority is to create oil and gas pipelines that avoid Russia and Iran,” *RIA Novosti*, September 11, 2006, <http://rian.ru/politics/20060911/53754609.html> (accessed May 14, 2010).

²¹² “Bush and Nazarbayev Agree to Enlarge Cooperation,” *RIA Novosti*, September 24, 2006, <http://rian.ru/world/20060929/54390669.html> (accessed May 14, 2010).

²¹³ “Russia, Kazakhstan Create Border Cooperation Council,” *ITAR-TASS*, October 2, 2006, (accessed through World News Connection, May 11, 2010).

transport Kazakh oil to a Russian refinery.²¹⁴ However, these ventures barely made up for the advance made by the Americans. In just two years, Russian relations with Kazakhstan soured visibly and Moscow certainly lost much political ground with Astana. Kazakhstan, due to its natural resources, is a real jewel of the Caspian. While this explains the staunchness of the American response, it does not account for the meekness of Russian rhetoric.

Finally, Astana and Beijing agreed to construct a pipeline from the Caspian coast, through Turkmenistan all the way to China. This declaration received only minimal coverage in the Russian press and did not elicit any official statements from Russian policy makers. In fact, the three states jointly organized and attended the *Fourth Oil and Gas Conference*. The gathering was deemed significant by Russian policy makers such as Deputy Prime Minister Alexander Zhukov, who described the conference as a “unique possibility for discussing prospects for development of energy cooperation of the three countries.”²¹⁵ Evidently, Russia seems to perceive China as less of a threat than the US despite China’s huge economic demand for energy. The scale of the project between Beijing and Astana is equivalent to, if not bigger, that of the BTC/Trans-Caspian deal. In addition, Russian access to gas and oil is doubly under threat since the pipeline passes through Turkmenistan. Yet Russian political elite did not publically voice a single protest against the project. Admittedly, unlike the US, China did not pursue an offensive, outwardly anti-Russian, policy in the region, nor did it couple its achievement with vehemently instigative rhetoric. Nonetheless, the absence of Russian retaliation in the field and in the papers is startling. In fact by mid 2007, when China signed the previously mentioned agreement with Astana, Russia appeared to have resigned itself to a new diminished role it will likely play in the future in Kazakhstan.

²¹⁴ “Kazakhstan, Russia to Organize Rail-Ferry Service between Ports,” *ITAR-TASS*, November 10, 2006, (accessed through World News Connection, May 11, 2010).

²¹⁵ “China, Russia, Kazakhstan Forum Discussing Energy Cooperation,” *ITAR-TASS*, December 5, 2007, (accessed through World News Connection, May 11, 2010).

Turkmenistan

Russia held a unique position in Turkmenistan in the 90s that was compromised by China's growing energy demand and diplomatic assertiveness during the first decade of the 21st century. Starting in 2006, following the infamous gas dispute with Russia, Turkmenistan starting publically acknowledging its decision to sign a gas agreement with China, the two finally inked the deal in August of next year. The accord's provisions stipulated for the construction of a pipeline across the country by CNPC and the delivery of 30 Bcm to China annually.²¹⁶

Possibly because of the inevitability of the rapprochement between Turkmenistan and China, Russia was proactive in protecting its interests in the country. In May 2006, Putin discussed the launch of Russo-Turkmen Economic Commission²¹⁷ and in June the CEO of LUKoil, Vagit Alekperov, declared that the company was invited to develop three Turkmen fields.²¹⁸ Russia had tried to further cement its economic ties to the Caspian nation in light of the Chinese gains. In December, on the first day of the *Russo-Turkmen Economic Forum* attended by some 100 Russian businessmen and entrepreneurs, Moscow and Ashgabat announced the signature of a deal seeking to boost direct trade and economic relations.²¹⁹ While it is still not clear whether this accord will bear any *bona fide* fruits, it is indicative of the desire of both parties to pursue the intensification of the bilateral partnership. In an uncharacteristic departure, Russia also resorted to a more cultural type diplomacy. With financial backing from Moscow in September of 2007 Ashgabat hosted the 'Days of Russian

²¹⁶ "China to Fund cross-country Gas Pipeline from Central Asia," *RIA Novosti*, August 27, 2007, <http://en.rian.ru/business/20070827/75032294.html> (accessed May 14, 2010).

²¹⁷ "Economic Components of Putin's Visit to Central Asia," *RIA Novosti*, May 10, 2007, <http://rian.ru/interview/20070510/65202691.html>, (accessed May 14, 2010).

²¹⁸ "Turkmenistan grants Russia's LUKoil access to three fields," *RIA Novosti*, June 13, 2007, <http://en.rian.ru/world/20070606/66773758.html>, (accessed May 14, 2010).

²¹⁹ "Turkmen-Russian partnership accord signed," *ITAR-TASS*, December 4, 2007, (accessed through World News Connection, May 11, 2010).

Language' for the first time since independence²²⁰ and increased the quota for Turkmen students in Russian institutions of higher learning.²²¹ During these instances Russia appeared to harness its soft-power potential, an undeniable advantage Moscow possesses over Beijing in its relations with Turkmenistan. It is unclear whether this is a new trend in Russian foreign policy or an exception, but capitalizing on cultural ties dating back to the Soviet era is certainly an avenue that Moscow should explore in its Caspian policies.

The December intergovernmental agreement on the construction of the Caspian gas pipeline that will run along the Sea's eastern coastline and join Russia's gas transportation system was both a triumph against China and the US. Ashgabat guaranteed to devote a further 20 Bcm of gas to this project.²²² It is probable that since Russia was the sole super power present in Turkmenistan prior to 2006, China's arrival in the country rang alarm bells in Moscow and the Kremlin decided to put bountiful energies into repairing the relations with Ashgabat. China was perceived to be more of a threat on the territory of a country that Moscow considered to belong to its sphere of influence. If Russian leaders do adhere to this logic, it is nothing but pure wishful thinking. Turkmenistan and Russia never shared the amicable relationship of Russia with Kazakhstan, and the gas dispute of 2005 should have made this clear to the Kremlin. China's accession was swift and unexpected, as the two regimes did not boast prior cooperation. The absence of US firms from the Turkmen energy market, certainly made China appear more threatening. Beijing's conclusion of tangible agreements with Ashgabat only could have created more anxiety for Moscow.

²²⁰ "Turkmenistan Holds Days of Russian Language After 15-Year Lull," *ITAR-TASS*, September 24, 2007, (accessed through World News Connection, May 11, 2010).

²²¹ "Turkmenistan Regards Russia as Its Great Friend and Partner," *ITAR-TASS*, November 25, 2007, (accessed through World News Connection, May 11, 2010).

²²² "Russia, Kazakhstan & Turkmenistan to Sign Caspian Gas Deal," *ITAR-TASS*, December 19, 2007, (accessed through World News Connection, May 11, 2010).

Of course, the diplomatic efforts of the US in Turkmenistan – hoping to ensure its participation in the BTC/Trans-Caspian project – did not go unnoticed by the Kremlin. Washington’s sales pitch was almost identical to the discourses in Azerbaijan and Kazakhstan: support for “diversification of export routes”²²³ was declared; the “importance of economic reasoning”²²⁴ was mentioned; Matthew Byrza stated that US-Russia relations “would only gain from robust competition”²²⁵ and that “pipelines bypassing Russia did not spell confrontation with Gazprom;”²²⁶ another US official noted that the Trans-Caspian project “is more profitable and commercially advantageous for Turkmen gas exports.”²²⁷ Since the Turkmen President did not make any official promises following his meeting with US officials, little can be interpreted from the effect of American diplomatic efforts. In addition, the US-Turkmen deal was not made official until the end of 2008, leaving China as the only real competitor to Russia. While Russia did not retort with statements defending its financial interests, Moscow pursued an undeniable zealous policy-restructuring initiative in Turkmenistan that focused on concrete agreements and left little room for empty rebuttals. Its success in Turkmenistan (compared to a relative failure in Kazakhstan and Azerbaijan) is partially if not entirely due to Moscow’s commanding position in the market, which of free of American and Chinese investments well into the 21st century. In addition, the long-standing bilateral relationship, regardless of its ups and downs, with its Ashgabat provided Russia with an obvious advantage over both Beijing and Washington. Russia took advantage of this unique opportunity to consolidate its place in the country’s energy sector. From this perspective

²²³ “Bush Administration: Pipeline Agreements Must be Apolitical,” *RIA Novosti*, May 15, 2007, <http://rian.ru/economy/20070515/65478225.html> (accessed May 14, 2010).

²²⁴ *Ibid.*

²²⁵ “US says Caspian Pipelines Bypassing Russia not Against Gazprom,” *RIA Novosti*, June 6, 2007, <http://en.rian.ru/world/20070606/66773758.html> (accessed May 14, 2010).

²²⁶ *Ibid.*

²²⁷ “US envoy meets Turkmen leader to shore up its energy project,” *ITAR-TASS*, June 1, 2007, (accessed through World News Connection, May 11, 2010).

Russian policies in Turkmenistan must be seen as a response to the efforts made by both China and the US to secure gas procurement agreements.

Uzbekistan

Russia's diplomacy in Uzbekistan fell very much a victim of Moscow's myopic foreign policy. The Kremlin's turnaround with regards to Andijan massacre irrevocably hurt its standing in Uzbekistan. Just two weeks after the tragic events, the Russian Duma and Sergei Lavrov called for the creation of an independent commission to investigate the events in Andijan.²²⁸ These demands were made the day of President Islam Karimov's visit to China during which a series of agreements from economic cooperation (including a provision for general cooperation in the energy sector) to military partnerships were signed.²²⁹ However, Russia soon abandoned all calls for inquiries into the suppression of pro-democracy riots. This change of policy track coincided with the signature of an exploration agreement of several oil and gas deposits between Beijing and Tashkent.²³⁰ Four days later, in a frantic move, Russia created an energy club within the Shanghai Cooperation Organization.²³¹ Moscow was evidently hoping to create an institutional body that would allow it to manage developments in the energy market, thereby hoping to constrain China's advance in the region. What Russia did gain from Tashkent, was its consent to return to the Collective Security Treaty Organization – a dysfunctional institution that has dismal political clout and weight in the region. While Russia remained the sole recipient of Uzbek gas export in the

²²⁸ "Duma Deputies for Creation of Committee to Investigate Andijan," *RIA Novosti*, May 26, 2005, <http://www.rian.ru/politics/20050526/40423386.html> (accessed May 14, 2010).

²²⁹ "CPR and Uzbekistan Signed a Friendship and Cooperation Agreement," *RIA Novosti*, May 26, 2005, <http://www.rian.ru/politics/20050526/40418473.html> (accessed May 14, 2010).

²³⁰ "Uzbekistan, China ink Oil and Gas Prospecting Deal," *RIA Novosti*, June 12, 2006, <http://en.rian.ru/world/20060612/49349864.html> (accessed May 14, 2010).

²³¹ "Russia's President Putin Proposes SCO Energy Club," *RIA Novosti*, June 16, 2006, <http://en.rian.ru/world/20060615/49512082.html> (accessed May 14, 2010).

period studied, Moscow had once again lost ground to China and got only a symbolic concession in return.

5.3.1.a Trends in Russian Foreign Policy Approach to the Region and to the Countries Individually

Russia's approach to the Caspian varies greatly by country. There is definitely an illusion of Russian retreat from the region created by the Western media. However, the analysis presented in this paper prompts a different conclusion - Moscow is very much present in all of the Caspian countries. The chronologies have pointed out to the consistency of Russian policies across the board. While Russia hasn't gained much ground in the last decade, it hasn't lost much ground either.

Understandably, the historical footprint left by communism continues to influence the state of today's relations between Moscow and the Caspian capitals. The Kremlin has been aggressively protecting its interests in most of the former Republics. Its policies in Kazakhstan and Turkmenistan have been exceptionally remarkable. However, Russia appeared to resign itself to a secondary role in Azerbaijan, to which it has become accustomed since the fall of the Soviet Union. While it did not let American rhetoric go without a response, Moscow has remained complacent to many of Washington's initiatives partly because Azerbaijan did not perceive Moscow as a viable partner. Even Moscow's more successful 'campaigns' have not always translated into accomplishments on the field. In Kazakhstan, in particular, whatever political capital Putin had earned in Astana seemed to evaporate with the American diplomatic initiative of 2006.

Moscow's success in Turkmenistan really stands out on a regional scale – especially since the two countries were locked in a bitter gas-pricing dispute for a significant part of the studied period. However, it is possible that therein lies the explanation for the success: both states needed the agreement to work. Turkmenistan was sending the overwhelming majority of its exports to Russia and it had to profit from this trade, while Russia needed Turkmen gas to fulfill its contracts with European countries. Of course, it was Moscow that gave in to Turkmen demands - with Chinese pressure had undoubtedly played its part - but Russia's gains in Turkmenistan did not end with that agreement. On the other hand, Moscow's inability to capitalize on existing energy cooperation with Uzbekistan can hardly be surprising given the tense political relations between the two states. Moreover, Uzbekistan possesses by far the least significant gas and oil reserves making its Caspian future bleak and rendering Russia's failure in its energy sector insignificant.

5.3.1.b Trends in American and Chinese Foreign Policy Approach to the Region and the Countries Individually

Due to other geostrategic preoccupations (i.e. Afghanistan and Iraq), Washington's only real initiative in the Caspian during the 2000-2007 period was its campaign for the creation of the Trans-Caspian pipeline extension for the BTC. The White House orchestrated a storm with its promotion of the project that elicited much anger from Russia. The diplomatic *tour de force* was an expression of American power and skill. It also highlighted the attractiveness of Washington's policies among the Caspian leaders. Russia was simply not a match for the US. In comparison, Moscow's regional approach appeared sloppy, lacking the drive and the well roundedness of the American programme. Washington was able to conquer

both Kazakhstan and Azerbaijan in mere three months, signing a slew of political, economic and military cooperation agreements along the way. It is undeniable that Washington was fighting for the fate of the entire BTC project, which has no long-term attractiveness, if not future, without the reserves of Kazakhstan and Turkmenistan.

Amid the frenzy surrounding the US-backed pipeline project, Beijing moved quickly and efficiently in the Caspian region. Its agreement with Kazakhstan, Turkmenistan and Uzbekistan will certainly change the geostrategic portrait of the Caspian in the years to come. China has chosen to avoid flamboyant rhetoric by focusing on the consummation of accords in the energy sector. Chinese political and economic prowess has enticed the Caspian leaders who have begun to see China as their long-term regional partner and protector.

5.3.1.c Trends in Russia's Reaction to American and Chinese Diplomatic Efforts in the Region

Russia's reactions to American and Chinese efforts and advances in the energy sector have been contingent on the relative geostrategic clout (with respect to the other two powers) Moscow had in each of the Caspian states. In both Turkmenistan and Uzbekistan, where Russia was the only hegemon present in the energy sector, China was viewed as a powerful menace. This contrasts with Moscow's attitude to Beijing's advance in Kazakhstan, where it was Washington that received the Kremlin's wrath and was the target of Moscow's undivided efforts of retaliation. It can be concluded that Russia has apprehensions about both China and the US. In the Caspian states of Azerbaijan and Kazakhstan, where both of its competitors are present, Russia is likely to concentrate its diplomatic and political efforts on

countering American policies and cooperating, even if minimally, with China. Evidently, Moscow still sees the US as its staunchest adversary – a mentality that has not evolved much since the end of the Cold War. On the other hand, in nations whose energy markets were only penetrated by China i.e. Turkmenistan and Uzbekistan, Russia is not likely to cooperate with Beijing. In fact, due to the reclusive nature of the Turkmen and Uzbek regimes, which have not developed extensive bilateral ties with their regional neighbours aside from Russia, Moscow is likely to have an advantage. Such was the case of Turkmenistan where the Kremlin led an effective offensive against Chinese incursions into the hydrocarbon sector. In Uzbekistan the policy failed because Moscow's relations with Tashkent have been the most complicated out of all the Caspian capitals and Kremlin's initial reaction to Andijan did not in any way benefit Moscow's reputation in the Uzbek capital.

5.3.2 Interpreting the Production and Transportation Data with the Help of Public Discourse Analysis

The production data insinuates that we are not witnessing an increase in regional competition over the 2000-2007 period in the Caspian. However, the examination of public discourse manifests an undeniable animosity amongst the actors, particularly Russia and the US, which has not yet been translated into concrete gains on the field. Of course, the fruits of the diplomatic labour, particularly that of the US, have not yet ripened. One can safely say, that the Trans-Caspian project is decades away from completion. In fact, the results of the evaluation of the pipeline's feasibility are yet to be released. Therefore, it is impossible to evaluate the impact of this project on the region. In fact, if all of the proposed pipelines (the Trans-Caspian, the Caspian pipeline along the coast, and the Chinese-Turkmen Caspian one)

are constructed, Turkmenistan will likely be faced with the issue of over commitment of its resources; critics are already voicing their concern about this possibility. Since no new major discoveries have been made in the last years of the Putin decade, in neither the gas nor the oil sector, the geoeconomic situation in the Caspian will likely remain very similar to the status quo at the end of 2007.

5.3.2.a How if at all Does Russian Foreign Policy Parlay into Actual Field Presence (Re: Russia's per country share)

Putin's presidential term has definitely turned the tide for Russia in the Caspian. At the start of his mandate, the Russian leader oversaw a genuine resurgence of Moscow on the energy scene with the conclusion of long-term agreements with Kazakhstan, Turkmenistan and Uzbekistan. However, while Russian gas and oil shares grew at an impressive rate by the end of Putin's second presidential mandate, the advances made by China in the region left Russian position shaken. Despite the numerous economic and political agreements that have been signed between Moscow and the Caspian capitals these have not directly translated into the hefty gains that one might have expected them to bring. To an extent, an argument can be made that Russia has the flair for inking deals, which Moscow knows in advance will have little concrete influence on its share of oil in gas, but has difficulty concluding influential compacts. The tactic of 'empty-deal' making employed by the Kremlin to attempt to maintain its image and its political clout with the regional leaders. The failure of this strategy has been brought to light in the literature and is discussed in detail in this paper. Moscow's interests will be undoubtedly better served in the long run if it concentrates its efforts on bringing agreements that will increase its tangible presence in the energy sector.

5.3.2.b How if at all Do American and Chinese Foreign Policy Parlay into Actual Field Presence

As mentioned earlier, it will be years before one will see the direct consequences of the agreements between the Caspian states, China and the US. Because there was little political focus on greater cooperation with the Caspian nations from 2000 to 2005, the respective country shares in the region's oil and gas sector reflect the earlier agreements. That is precisely why the US still emerges as the top oil and gas beneficiary - it had concluded a multitude of accords in the early 90s. The only foreign policy actions that directly parlay into an increase of field share are the by-outs of smaller, companies in the energy sector. This, of course, was the strategy of Beijing. It was a tactic that has largely paid off since China converged on Russia in terms of total shares of crude thanks to its purchase of PetroKazakhstan and a few other companies.

5.4 Comparative and Summative Findings of Russian, American and Chinese Presence in the Caspian Region

All three actors vying for hegemony in the Caspian have been attempting to construct their discourse in non-threatening, friendly, and non-competitive terms. All three players tend to emphasize the absence of rivalry and the win-win nature of their engagement in the region. However, in reality their relations are anything but amicable. Every state is actively lobbying for its national energy companies and their projects. The warring factions convene behind closed doors and only major disagreements seep into the public sphere, exposing the political dealings to the world. While the US and Russia openly call for a de-politicization and de-monopolization of the sector, it is politics and only political means that triumph and that we have seen triumph over the period in question.

Although the oil and gas data points to the relatively stable situation in the Caspian – and definitely not one of intense competition resembling that of the ‘New Great Game,’ the public discourse and diplomatic activities signal Russia’s relative decline in the region. Moscow’s influence and authority are not yet to be discounted, but the Kremlin’s concentration on the US as its main adversary and number one threat is somewhat unfounded. The American share (especially in the crude market) grew at a much slower rate than that of Russia. In fact, it was China that had gained the most ground solely in the course of the past three years. Moscow seems to be ignoring the facts and its policy makers to this day remain paralyzed and blinded by the Cold-War rivalry with the US, unable to accurately assess the geopolitical situation and respond to these changes accordingly. Undoubtedly, this handicap in Russian foreign policy is partially responsible for the ease with which China rose to the position that it occupies now in the energy market in the Caspian. Naturally, this

misplaced and perhaps somewhat unfounded, perception of American threat to Russian interests is responsible for the wane of Russian influence in the region.

Chapter 6: Conclusion

The Caspian basin and the littoral states that share its significant oil and gas deposits represent a new region of importance for international peace and international (in)security. Even after the collapse of the Soviet Union, Russia continues to perceive this zone as its own backyard. It considers itself to be entitled to the gas and oil reserves of the Caspian countries by forfeit. Moscow's perception of its position in the Caspian is juxtaposed with the geopolitical reality: the arrival of Chinese and US companies in the energy sector has forever erased the possibility of the situation reverting to the Soviet days of Russian dominance.

Putin's oft-repeated goal is for "Russia to firmly take its place among the truly strong, economically advanced and influential states of the world."²³² Russian economic growth will continue to be susceptible to fluctuations in the world prices of oil, gas, metals, and other Russian export commodities. The country will also remain geopolitically hamstrung by its inefficient and still unreformed military establishment.²³³ Russia's access to hydrocarbons is a determinant factor in its reassertion in the region and on the world stage. Consequently, its ability to maintain its place in the international hierarchy hinges upon its economic position that is derived from the energy sector. The Federation's ultimate goal thus lies in securing access to these natural resources for its companies at home and their subsidiaries in the states of the Caspian Sea. As Pavel Baev argues, Russia's energy interests are now perceived in Moscow as both vital and highly vulnerable as China, which has been seen as a friendly

²³² Vladimir Putin, "State of the Nation address," *Johnson's Russia List* no. 7186, May 19, 2003, <http://www.cdi.org/russia/johnson/default.cfm> (accessed December 2009).

²³³ William C. Wohlforth, "Russia's Soft Balancing Act," *Strategic Asia* 04 (2003): 168.

competitor, becomes a serious challenge to these vital gas and oil interests thereby joining the ranks of the US as an example of an undesirable presence in the region.²³⁴

6.1 Findings of the Case Study

6.1.1 Re: 'New Great Game'

This M.A. thesis has sought to challenge the argument dictated to us by the 'New Great Game' literature. The project attempted to underscore the theoretical and methodological weaknesses of this claim by examining the ways in which superpower relations in the Caspian have evolved and how Russian foreign policy, over the course of two presidential mandates of Putin, has responded to the intensification of American and Chinese presence in the region.

The trends that best describe the engagement and interactions between the three main actors in the Caspian are as follows: America's solid showing in the energy sector - a result of its policies in the 90s; China's steady and implacable rise in the energy sectors of all four Caspian states; Russia's constant and unflinching presence in the region. The absolute shares that the superpowers possess in the hydrocarbon sectors of Caspian states, point to a regional configuration that is too uneven to resemble that of intense but balanced rivalry characteristic of the 'New Great Game.' Despite China's meteoric rise, its overall regional crude share has only (almost) reached the level of Russia's share at the end of 2007. In term of gas, Beijing's presence is not even on the board since all of the agreements it has concluded with Caspian states have yet to yield their results. Consequently, allegations of Chinese threat in the Caspian must be taken with a grain of salt. Moreover, US has a spectacular lead among the three powers in terms of absolute shares in the oil and gas sectors, but this lead will not

²³⁴ Pavel Baev, "The East-West manoeuvring in Russia's energy policy- could oil and gas exports to China endanger Europe's energy security," *RussCasp Working Paper* (August 2008): 10.

cease to decrease since Washington did not signed a single concrete agreement during the period in question that would substantially increase its share of energy production.

The data on relative changes in hydrocarbon shares paints a picture that is increasingly distinct from the familiar geopolitical portrait of the Caspian region exhibited in the press and in the academic literature. In relative terms, all of the three states saw their shares in Caspian hydrocarbons rise from 2000 until 2007. This, however, was a consequence of rather different policies. The US has been purely benefiting from the investments in made in the 90s. On the contrary, China can attribute the increase in its share of the region's oil and gas to the success of its country-specific economic and political strategies. China's policy of quiet strategizing produced great results without the antagonizing discourse of the US. In sum, Beijing chose its battles well and left little room for error. As for Russia, the combination of earlier agreements with the slew of new accords produced as a result of Putin's overhaul of Moscow's foreign policy contributed to the expansion of its relative share. Overall, Washington's part in the Caspian energy wealth experienced the smallest amount of growth. Unsurprisingly, China's portion grew the fastest and Russia's share increased at a higher rate than that of Washington but at a slower rate than that of China. Already, these statements contradict some of the argument found in the literature. For instance, the American policy in the Caspian that has remained passive for the majority of the Putin period discredits 'New Great Game' theory as much as the growth of Russia's portion of the market, especially since quite a few academics have discounted Moscow as a viable regional actor altogether. While Russia has not necessarily gained much ground in the energy sector in absolute terms, it has not lost its position either. Moreover, in terms of relative gains, Moscow was better off in 2007 than it was in 2000.

The above conclusions from the data need to be combined with a review of each of the superpowers' foreign policy in the region and towards one another. Washington's promotion

of the BTC extension in Kazakhstan, a policy that can be viewed as at least partly directed against Russia, was met with a fierce diplomatic storm conjured up by Moscow. American attempts to secure Turkmenistan's participation in the same project went largely unnoticed by the Kremlin. Instead, China's increasingly cozy relations with Ashgabat and Tashkent worried Russia the most. Likewise, China's gains in Azerbaijan and Kazakhstan received almost no scorn from Moscow. The variation in Russia's diplomacy towards the states of the Caspian region denotes a certain inconsistency with regards to Moscow's threat perception of Beijing and Washington. This phenomenon is partly a result of Russia praising its position and relative clout in the energy sector in certain Caspian states more than others. This foreign policy is somewhat myopic for it highlights Moscow's obsession with absolute vs. relative gains. A preoccupation with US supremacy is particularly evident in Kazakhstan and Azerbaijan, states where Washington's presence is strong and will not cease to wane. Whereas, China's relative gains in Kazakhstan plainly eclipse both the growth of American and Russian relative shares went on unnoticed and received minimal criticism from the Kremlin. As a result, on a regional level, the relations between Russia, China and the US, exhibit the characteristics neither of great rivalry nor of utterly friendly engagement. In fact, there are instances of both. At the country level, however, intricate and volatile dealings define relations between the hegemons. Therefore, designation of this complex web of rivalry and cooperation as a 'New Great Game' is flawed. This definition fails to account for the nuances in diplomatic relations between the superpowers, which in turn reflect the historical strains in the perception, nor does it address the distribution of concrete shares of oil and gas that each of the regional hegemons control.

6.2 Implications for Literature (Russian Foreign Policy Studies)

This project identifies certain inconsistencies and gaps in the literature on the 'New Great Game'. For one, authors that support the above theory more often than not draw hasty conclusions regarding the nature of the competition in the Caspian. These generalizations do not only fail to represent the trends in regional engagement between Russia, China and the US, but also gravely generalize the overall state of superpower relations, overemphasizing the conflict side of the equation. Most studies either base their arguments solely on the political rhetoric or incomplete economic data, neither of which can be assumed to provide a balanced portrait of the region's energy sector, and consequently overlooking the links between two auxiliary explanations. Scholars that dismiss the existence of the 'New Great Game', on the other hand, neglect the historical ties and animosities that shape the relations between the three regional hegemonies as well as the four Caspian states. While this project makes an argument against the presence of 'New Great Game' rivalry among Russia, China and the US, it insists on providing a more accurate description of regional engagement that certainly carries with it certain shades competition as well as cooperation.

In addition, arguments that centre on Russian companies LUKoil and Gazprom perception of themselves as well placed 'asset grabbers' with a vigorous sense of national pride and entitlement to Caspian resources are dismissive, or simply ignorant, of the economic portrait of the region and the relative weakness of these firms with respect to some of their Western and Chinese competitors. Such assertions, which are more than common in the academic literature as well as in the mass media, are completely biased. All of the corporations actively involved in any energy sector, particularly the politically opaque environment of the Caspian, pursue highly politicized agendas. None of these companies can

be considered more righteous and respectable than the others. In that perspective, Russian firms are no different from those of the US or China.

6.3 Implications for Theory

The findings of the case studies seem to discredit the hypotheses that were dictated by theories of Neoclassical Realism and Constructivism. In the case of the former, Russian cooperation with China did not follow the pattern predicted by the approach: Moscow's cooperation with China was not at its climax in 2005/6 when US engagement in the region was most active. The reason for this shortcoming is found in the conjunction of two events that undoubtedly had an impact on Russia's bandwagoning, or the failure to do so, with China to counter US rise. In the Caspian, American diplomatic frenzy coincided with the mounting influence of China. Consequently, at the regional level of analysis, Moscow did not collaborate to any greater extent with Beijing in order to balance out Washington's revival as both states, China and the US, were rising in the hierarchy of power. At the country level, however, this dynamic was evident, but only in states where US influence has been anchored for a lengthy period of time - Azerbaijan and Kazakhstan. The reverse was also false. In Turkmenistan and Uzbekistan, with whom Beijing concluded hefty energy agreements, Russia did not even attempt to ally itself with the US against China. Instead, it pursued a fiercely offensive policy. In its turn, Constructivism does not fully explain these aberrations. While the approach can allege to provide an explanation for Moscow's seemingly irrational fear of Washington due to the legacies of the Cold War as well as the moves by the Bush administration in Eastern Europe, which only reinforced Russia's fears of American foray into its nether. Constructivism fails to account for the variations in Russia's threat perception of China that deviated from ally to competitor depending on the Caspian state. Nonetheless, the elucidations of the

geopolitical situation achieved with the help of both theories supplement each other to a large extent. A scholar must be satisfied with such a conclusion; after all, no theory is flawless.

6.4 Avenues for Further Research

This thesis has at best made a dismal attempt to discern the surface tensions governing the relations between the three regional superpowers. Due to the limits of this research project, a single level of analysis was used. This is not the most accurate representation of the complexities of political relations that define foreign policy, particularly in Russia – a highly fragmented society. A detailed classification of the various clans and elite groupings that determine the course of Russian foreign policy is needed in order to better comprehend their influence. From the little scholarship that is available on this topic, it is clear that there is rarely consensus among the powerful political and economic non-state actors in the Caspian region. Therefore, it is paramount to establish the lobbies that influence Russia's foreign policy and attempt to explain which group(s) under what circumstances succeed(s)/fail(s) in having its agenda become part of the official Kremlin policy and whether this influence can have a lasting effect. This analysis will make it possible to determine if and how these groups have contributed to the shaping of Russian policy in the Caspian. The elites' view of China and the US will provide equally enlightening insights into the threat perception of these two superpowers at a micro level and whether these have influenced the Kremlin's official position on cooperation with the two states in the Caspian energy projects.

6.5 Developments in the Region since 2008

As it so often happens, the most pertinent and significant developments for a given research project fall outside the temporal domain of one's assignment. The fate of this research venture is no different. In fact, some noteworthy incidents have occurred since 2008 that have the possibility of bringing fundamental changes to the geopolitical context in the Caspian.

Bilateral regional cooperation among the Caspian states is a trend that blossomed during the Putin years e.g. cooperation between Kazakhstan and Azerbaijan on strategic cooperation (circa 2006), on creation of a Trans-Caspian pipeline (circa 2008); in March 2008 Azerbaijan and Turkmenistan settled an old gas debt dispute, removing a major obstacle to relations between the two energy-rich Caspian nations.²³⁵ These developments demonstrate a certain political maturity among the Caspian states and might lead to a general reshuffling of the geopolitical context.

In terms of project developments in the Caspian, a considerable number of hefty agreements have been concluded since the Putin's departure. The vast majority of these protocols highlight China's increasingly prominent role in the region's hydrocarbon sector. Beijing's advance was clear in both the domains of resource development and production as well as energy transportation. In the case of the former a JV was signed between CNPC and Uzbekneftegaz to develop the Mingbulak Oilfield,²³⁶ China inked another deal to buy additional gas from Turkmenistan. Chinese vice Premier Li Keqiang met with his Turkmen counterpart to sign the contract that will increase gas deliveries to 40 billion cubic cm

²³⁵ *Alexander's Gas and Oil Connections* 13/6, April 3, 2008, <http://www.gasandoil.com/> (accessed October 2009).

²³⁶ CNPC Uzbekistan, <http://www.cnpc.com.cn/en/cnpcworldwide/uzbekistan/> (accessed February 2010).

annually for the period of 30 years.²³⁷ Kazakhstan also declared its official support for the construction of a pan-Central Asia pipeline that plans to connect Caspian Sea gas reserves with energy-hungry China.²³⁸ These developments are indicative of the lasting footprint Chinese companies will have on the constitution of the energy sector in the Caspian. China tapped into the recently discovered gas reserves of Turkmenistan. While these developments have elevated Ashgabat's international attraction to a new level, they have also raised concerns about overstretching and over commitment of the country's gas production capacity that presently remains limited.

Since the departure of Putin from the top position in the Kremlin, Moscow attempted to continue his policy in the Caspian. These efforts focused on securing energy supplies and transportation networks. In this vein, LUKoil acquired a PSA in Uzbekistan to develop fields, which are estimated to produce around 4 bcm of gas per annum.²³⁹ In March 2008, Russia announced plans to buy Turkmen gas at market prices, alleviating the need for Turkmenistan to implement energy projects with other countries.²⁴⁰ Russia, Kazakhstan and Turkmenistan finally signed an agreement to build a natural gas pipeline along the Caspian Sea coast.²⁴¹ Despite Russia's deals with Turkmenistan to construct a "major new pipeline" in the east of the country, develop new deposits and increase capacity of the pipeline running along the Caspian Sea to 30 bln cm²⁴² the lull in the bilateral relationship did not last long. In fact, Moscow and Ashgabat came to a head early 2009, when the Caspian state launched an

²³⁷ *Alexander's Gas and Oil Connections* 14/11, August 20, 2009, <http://www.gasandoil.com/> (accessed October 2009).

²³⁸ "Kazakhstan starts building gas pipeline to China," July 9, 2008, <http://uk.reuters.com/article/idUKL0939802620080709> (accessed August 2010).

²³⁹ *APS Review Gas Market Trends*, Oct 13, 2008, <http://www.entrepreneur.com/tradejournals/article/186836225.htmls> (accessed May 2010).

²⁴⁰ *Alexander's Gas and Oil Connections* 13/14, August 7, 2008, <http://www.gasandoil.com/> (accessed October 2009).

²⁴¹ *Alexander's Gas and Oil Connections* 13/4, March 4, 2008, <http://www.gasandoil.com/> (accessed October 2009).

²⁴² *Alexander's Gas and Oil Connections* 13/18, October 9, 2008, <http://www.gasandoil.com/> (accessed October 2009).

international tender for the construction of a pipeline that Gazprom had once considered a done deal. Now, Gazprom will have to place a bid and compete against other international companies. In 2008, Gazprom pledged to finance the project using its own funds, but Russia's economic woes have hit the gas giant especially hard.²⁴³

In more general terms, following Putin's departure as the head of state, Russian policy in the Caspian was faced with increased competition from China, but also from Western-sponsored projects like the Trans-Caspian pipeline as well as the Nabucco project. The latter venture is also designed to bypass Russia and is expected to pump up to 30 billion cubic cm of natural gas annually from the Caspian to Europe via Azerbaijan, Turkey, Bulgaria, Romania, Hungary and Austria. Undoubtedly, Moscow's deals with Turkmenistan have sought to undermine the resource base for this transit route. Russia even invited Kazakhstan to join the Baltic Pipeline System project - Moscow's response to the Nabucco scheme - that hopes to direct Caspian hydrocarbons to Europe through a channel under the Baltic Sea.²⁴⁴ However, Russian position, despite its shaky progress in the region's energy sector, is more seriously threatened by Chinese cooperation with the states of the Caspian basin than by the European pipeline dreams that are years if not decades away from completion. In addition, the economic crisis and the fall in the prices of oil have drastically limit Russian power as a petro-state and have thus decreased its clout in the region. The effects of the financial slowdown will certainly impact Moscow's relative position in the Caspian particularly since China is expected to escape this economic turmoil comparatively unscathed.

²⁴³ *Alexander's Gas and Oil Connections* 14/7, May 13, 2009, <http://www.gasandoil.com/> (accessed October 2009).

²⁴⁴ *Alexander's Gas and Oil Connections* 13/11, June 16, 2008, <http://www.gasandoil.com/> (accessed October 2009).

6.6 Final Thoughts

This project has focused on the geopolitical concerns that often drive international relations. There is however, a more ethical dimension to the problem of superpower competition for energy resources – that of tacit approval of the dictatorial regimes of the Caspian states that all the parties provide by investing in the region’s natural riches. The aforementioned issue should be of particular concern to the US, the only democracy among the three powers studied, which so often professes its unshakable faith and support for this ideal. The scramble for Caspian resources has become another poignant example of ethical concerns being unceremoniously trampled on by economic and political realities. This in turn, testifies to the nature of global politics that – to the dismay of idealists- remains governed by the calculus of relative and absolute gains. Such an unfortunate acknowledgement leaves little room for hope that the lives of the citizens of these four Caspian states will experience any kind of quantifiable improvement in the near future. The case studies also point to a certain hypocrisy on the part of the Western media that fails to impute the poor ethical choices of firms, especially those in the energy sector, to the equally condonable policies of the states, whose interests these companies represent.

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Annex

Chronology of Oil and Gas Sector Developments

Azerbaijan

- 2000 (May) -22-05-00 Azerbaijan plans to boost daily oil exports via Russian pipelines to 4,000 tons from the current 2,500 tons
-Azerbaijan plans to almost double annual oil deliveries via Russia because it wants to fulfil its obligations under an agreement with Transneft
-Azerbaijan planned to deliver 130,000 tons of oil in June, while May exports would total 120,000 tons
- 2000 (May) -13-06-00 Valekh Aleskerov, head of the foreign investment department at SOCAR, said that the PSA for the Padar concession had been approved by the Milli Majlis
-US company plans to carry out a \$ 50 mm exploration program over a three-year period
-US Moncrief will have 80% stake and SOCAR 20%
- 2001 (Jan.) -10-01-01 Putin (became the first post-Soviet Russian leader to visit Azerbaijan)
- pledged along with his Azerbaijani counterpart Heydar Aliyev to resolve a dispute over their sectors of the oil-rich Caspian Sea
- 2001 (March) -06-03-01 Azerbaijani, Georgian, Kazakhstani, Turkish and US officials met in Astana to discuss the Baku-Tbilisi-Ceyhan (BCT) pipeline project and sign a memorandum of understanding on the export of oil from Kazakhstan through that pipeline
-MoU was signed after Chevron had declared to help build the BTC
-MoU did not obligate Kazakhstan to provide any oil for transport through the pipeline; will make it possible for Kazakhstan to export some of its crude along the BTC route should it choose to do so
- 2001 (June) -12-06-01 The Parliament of Azerbaijan has ratified the agreement on rehabilitation, prospecting, development and production sharing for the Zyk and Govsany fields
-b/w SOCAR and LUKoil in Baku on January 9, 2001, during the official visit of President Vladimir Putin
-LUKoil's share is estimated at \$ 215 mm
-LUKoil will invest in the fields' development within six years in order to make the annual output 600,000 tons by 2007
- 2001 (Oct.) -31-10-01 The Azerbaijani parliament has ratified an agreement on the transit, transportation and sale of gas that will pass through the Baku-Tbilisi-Erzurum (BTE runs parallel to BTC) pipeline
- 2002 (Jan.) -08-01-02 China's National Oil and Gas Company has acquired more than a 30 % share in a consortium developing two onshore oilfields in Azerbaijan (Kyursengi and Garabagly)
- SOCAR still has to ratify the change of ownership
-Other shareholders in the consortium are SOCAR, with a 50 % stake, and Delta Hess with 20 %

- 2002 - 14-10-02 The Transneft oil transportation company prepared suggestions on increasing transit of Azerbaijani oil through Russia, president of the company Semyon Vainshtok reported at the event Russian Oil and Gas Week
- 2002 - 29-10-02 Azerbaijani officials are reportedly surprised by reports that Russia's LUKoil may sell its holdings after eight years of investment in the country
-Baku is concerned that the company could leave the consortium for Azerbaijan's largest Caspian oil field as the project for the BTC pipeline prepares to get under way
- 2002 (Nov.) - 25-11-02 CNPC (Hong Kong) said it increased its stake in an Azeri oil field to 25 % or \$ 14.5 mm. CNPC (HK) paid cash to acquire 10 % in the Salyan Oil joint venture from Delta Hess (K&K)
-The purchase increased CNPC (HK)'s stake in the venture to 25 %
- CNPC (HK), a subsidiary of China National Petroleum Corp. and a sister company of PetroChina, said the purchase was motivated by a desire to increase its oil reserves and profit.
- Units of CNPC now control 50 % of Salyan Oil
- First Chinese investment in Azerbaijan's oil industry
- Salyan Oil is developing the Kursangi-Karabagly onshore oil fields south of Baku, hold estimated reserves of 750 mm barrels of crude oil.
- 2002 (Nov.) - 20-11-02 Gazprom will begin gas deliveries of 1 bln cm to Azerbaijan annually starting in 2003, State Oil Company of the Azerbaijani Republic (SOCAR) President Natick Aliyev said on 20 November
-Details of the deal remain to be worked out
- 2003 (Jan.) - 28-01-03 CNPC will buy, through wholly owned subsidiary Smart Achieve Developments, 31.41 % of the existing shares in Commonwealth Gobustan Ltd (CGL) from Swiss company Rosco for \$ 10.5 mm (HK\$ 81.9 mm) in cash
-CNPC has also agreed to buy 30 % of CGL's outstanding loans owed to Rosco
- 2003 (March) - 10-03-03 International licensees of Azerbaijan's Shah Deniz gas and condensate field development project in the Caspian Sea near Baku approved Phase 1 of the project Feb. 27
- BP, which holds a 25.5 % interest in the project, confirmed that it will be technical operator for both the pipeline and the field development
-Other Shah Deniz consortium shareholders: Statoil 25.5 %, and SOCAR, TotalFinaElf, Naftiran Intertrade, and LUKAgip -- each with 10 % -- and Turkiye Petrolleri Anonim Ortakligi 9 %
- 2003 (June) - 04-06-03 SOCAR and China's Shengli signed a contract to rehabilitate, explore, develop and share production of oil at the onshore Pirsaat field --SOCAR president Natiq Aliyev and Shengli vice-president (Ma Mangue) signed the document
- Investment in the project will amount to \$ 140 mm
- Contract is valid for 25 years and may be extended for another five years
- Shengli is a subsidiary of Sinopec
- The first Chinese contract in Azerbaijan after the company was blocked to join the Kashagan project
- 2003 (Sept) - 16-09-03 Russian oil major LUKoil has purchased the October consignment of Azerbaijani oil exported through the Baku-Novorossiysk pipeline
- planned to ship the 80,000 ton consignment
- 2003 (Dec.) - 15-12-03 SOCAR plans to sign a trilateral agreement with Gazprom and Itera on purchase of 5 bln cm of gas from them in 2004

- Aliyev: "We discussed this issue with the president of Itera. After December 20 President of Gazprom will arrive in Baku, we will discuss all details and will sign the agreement."
 -Gazexport is conducting direct negotiations with SOCAR on signing of a long-term contract for supply of up to 4-bln cm of gas
- 2004 (Feb.) - 11-02-04 The Russian government has authorized oil company LUKoil to develop the Yalamo-Samur
 - decision was made under the Russian-Azerbaijani agreement to demarcate the neighbouring sectors of the Caspian Sea
 - over \$ 5.5 bln will have to be put into its development
- 2004 (Feb.) - 25-02-04 Salyan Oil, a 50:50 joint venture between SOCAR CNPC, plans to invest \$ 50 mm this year in the Kursengi-Garabagli project
- 2004 (April) - 04-04-03 Vagit Alekperov (LUKoil) and Natic Aliyev, head of the State Oil Company of Azerbaijan, signed a package agreement on additional terms for the exploration and development of the Yalama-Samur area in the Azerbaijani sector of the Caspian Sea
 - envisaged an increase in LUKoil's share in the project from 60 to 80 %
- 2004 (May) -20-05-04 the US Trade and Development Agency awarded a \$ 1,091,840 grant for technical assistance in institutional capacity building for the State Oil Fund of Azerbaijan (SOFAZ)
- 2004 (May) -14-05-04 LUKoil is in talks to increase its stake in an onshore oil field in Azerbaijan (head of SOCAR)
 -in the Govsany-Zykh field from the 50 % it already holds
- 2004 (June) - 02-06-04 A new PSA on the Garachukhur oil field will be signed shortly
 -JV signed by the Azerbaijani Government includes Chinese Shengli and Turkish "Middle East" companies
 -China's Shengli Oil Company and Azerbaijan's Middle East Petroleum (MEP) plan to invest a total of \$ 40 mm in the development of the onshore Pirsagat and Garachukhur fields in 2004
 -Shengli owns 50 % in the project to develop the field, SOCAR -- 20 % and MEP -- 30 %
 - Shengli is a subsidiary of the Chinese petrochemical corporation Sinopec. MEP is part of the Azerbaijani holding company Azersun Holding
- 2004 (June) -24-06-04 SOCAR and Noble Sky, a joint venture founded by Chinese Shengli Oil and the United Arab Emirates' (UAE) Middle East companies
 -developing the Garachukhur onshore oil field
 - SOCAR held a 25 % and Noble Sky a 75 % share in the contract
 -agreement will remain in force for 25 years (with a possible extension for another 5 years)
- 2004 (Aug.) -17-08-04 Azerbaijan will permit a new phase of the development of the Azeri-Chirac-Gunashli offshore Caspian oil field on September 20, said David Woodward, president of the Azerbaijan International Operational Company (AIOC)
 -cost of the program is put at \$ 4.5 bln
 -Its two previous phases were permitted in 2001 and 2002
 -output of the two oil fields is to begin at the end of 2004 or the beginning of 2005
 -AIOC is a consortium made up of 10 members among which BP, Chevron, Devon Energy, Exxon Modil, and SOCAR

- 2004 (Aug.) -26-08-04 Two international oil agreements will be signed in an event to be organized on the occasion of the 10th anniversary of the "Contract of the Century", Khoshbakht Yusifzada, State Oil Company of the Azerbaijan Republic (SOCAR) Vice President
-development of the Binagadi field
- 2004 (Sept.) -06-09-04 Azerbaijan increased gas imports from Russia 12.9 % year-on-year to 3.002 bln cm in January-August this year
-AZ began importing Russian gas in late 2000 through the Shirvanovka-Mozdok-Gadzhimagomed pipeline
-purchased gas from Itera in 2001-2003 and is now buying from Gazexport
- 2004 (Sept.) -20-09-04 Unocal Corporation (US) sanctioning the Phase 3 development of the giant Azeri-Chirac-Gunashli (ACG) field
-Unocal Khazar, a wholly owned Unocal subsidiary, has a 10.3-% interest in the ACG PSA and AIOC. Ownership in the AGC PSA and AIOC also includes SOCAR (10 % working interest) and eight other foreign oil companies: BP (operator, 34.1 %), INPEX (10.0 %), Statoil (8.6 %), ExxonMobil (8 %), TPAO (6.8 %), Devon (5.6 %), Itochu (3.9 %), and Amerada Hess (2.7 %).
-The development of the ACG field has been divided into four parts: Early Oil and Phases 1, 2 and 3.
-The Early Oil project is currently producing about 148,000 bpd of oil (gross). Phase 1 is expected to come on line in 2005; Phase 2 in 2006.
-Total production from the fields is expected to peak at more than 1.1 mm bpd of oil in 2009 after Phase 3 comes on line
- 2004 (Nov.) -25-11-04 Exxon Azerbaijan Operating Company (EAOC) signed a deal with AzPetrol to have crude produced at the Azeri-Chirac-Gunashli fields shipped by rail
- 2004 (Dec.) -11-12-04 President of the Republic of Azerbaijan Ilham Aliyev received at the Presidential Palace president of the Russian oil company LUKoil Vagit Alekperov, on December 11
-Mr Alekperov expressed him his deep sympathy upon the first anniversary of the demise of national leader of Azerbaijan Heydar Aliyev
- 2005 (Jan.) -12-01-05 SOCAR shipped 2.559 mm tons of oil out of the port at Novorossiysk in 2004, a 3.1 % increase from the previous year
- 2005 (Feb.) -18-02-05 LUKoil subsidiary LUKoil Overseas Holding has exited the Zyk-Govsany field-rehabilitation project with the approval of its 50:50 partner State Oil Co
-25-year contract, which covered rehabilitation, prospecting, and production sharing of Zyk and Govsany fields on the southern Apsheron Peninsula, was signed Jan. 9, 2001, but never implemented
- 2005 (May) -09-05-05 Azerbaijan plans to pump 4 mm-4.5 mm tons of crude via the Baku-Novorossiysk pipeline in 2005, compared with 2.6 mm tons in 2004, Aliyev, president of SOCAR, said
- 2005 (May) -20-05-05 Aliyev has approved three PSAs for onshore oil fields
-SOCAR and the UK's Caspian Energy Group for development of Kyurovdag field; an agreement with Noble Sky, a joint venture of China's Shengli Oil and Azerbaijan's Middle East Petroleum, for rehabilitation and development of Garachukhur field; and an agreement with AZEN (a 50:50 joint venture of Istanbul-based Enka and Azerbaijan's AzPetrol Group) for development of Binagadi field

- PSA for Binagadi also was signed for 25 years with the option of extending for 5 years. SOCAR holds a 25 % share, and AZEN, which must pay a \$ 1 mm bonus within 30 days, holds a 75 % share
- 2006 (Feb.) -22-02-06 Russia has proposed to Azerbaijan a long-term agreement on oil transportation via the Baku-Novorossiysk pipeline, the Russian industry and energy minister said.
 -"A proposal involving a new option for long-term cooperation has been forwarded to the Azerbaijani side," Viktor Khristenko
 -planned to transport over 3 mm tons (around 60,000 bpd) of crude via the Baku-Novorossiysk pipeline
 -Aliyev's estimates suggest a possible drop of up to 27 % on the 2005 level
- 2006 (March) -"A major gas pipeline would pose a serious, dangerous risk to the prosperity of the entire region," senior Russian diplomat Alexander Golovine
 -The project for the US-backed pipeline, which would bypass Russia by linking Central Asia's gas fields directly to the West
 -"The issue should be solved between all the countries around the Caspian, independently of the route chosen," Golovine
 -proposed pipeline would link the vast gas reserves of Turkmenistan and Kazakhstan to a yet unfinished pipeline taking Azerbaijan's gas deposits to BTC
- 2006 (March) -25-03-06 China decided to obtain the oil left in the old crude wells in Azerbaijan
 -Beijing has developed a new type of technology to access oil left in the Azerbaijani wells
- 2006 (Oct.) -06-10-06 "If Russian companies have the wish to participate in oil extraction from our deposits, we will only welcome this. Much depends in this on the activity of the Russian oil-and-gas sector," Elmar Mammadyarov, the Azerbaijani foreign minister
- 2007 (Feb.) -27-02-07 Azerbaijan and Kazakhstan discussed the possibility of exporting Kazakh gas through Azerbaijan's pipelines to international markets
 -"There was a discussion of gas deliveries. As is known, Azerbaijan will launch the Baku-Tbilisi-Erzurum gas pipeline [to connect Turkey to the South Caucasus country's Shah Deniz gas field] this year. The Kazakh side has expressed interest in this pipeline," Elmar Memedyarov said following a meeting with Kazakhstan President Nursultan Nazarbayev
- 2007 (March) -01-03-07 Azerbaijan and the US are expected to conclude a memorandum on energy cooperation
 -The document is expected to be signed during Azerbaijani Foreign Minister Elmar Mammadyarov's visit to the United States
- 2007 (March) -23-03-07 US Secretary of State Condoleezza Rice signed a strategic alliance with Azerbaijan to promote gas pipelines that aim to stimulate competition against Russia's grip on the energy market
 -deal calls for a "high-level dialogue... to deepen and broaden already strong cooperation among governments and companies to expand oil and gas production in Azerbaijan for export to global markets"
 -Of particular focus will be realization of the Turkey-Greece-Italy gas pipeline, and potentially the Nabucco and other pipelines, with Azerbaijani gas, to help Europe bolster its energy security by diversifying its natural gas supplies
- 2007 (April) -06-04-07 The Shah Deniz gas and condensate field will not meet the target of 5.8 bln cm of output planned for 2007 because of technical failure in well SDA-01.

-The President of the State Oil Company of Azerbaijan (SOCAR), Rovnag Abdullayev, said the field is likely to produce a bit more than 3 bln cm of gas for this year

2007 (May) -31-05-07 The USA is interested in hydrocarbons transfer through Azerbaijan from Middle Asia to Europe - US vice president vice assistant on national security Joseph Wood at meeting with Azerbaijan Industry and Energy Minister Natic Aliyev in Baku
-necessity for enlargement in this context of cooperation between Azerbaijan and Turkmenistan and invited both parties to participate in constructive dialogue

After Putin

09-07-08 Russian leader Dmitry Medvedev concluded July 3 talks with Azerbaijani President Ilham Aliyev by pronouncing Baku to be Moscow's "strategic partner."
-Gazprom, Alexei Miller, announced that talks would soon begin on the Russian firm's purchase of Azerbaijani gas. However, experts remain unconvinced that the upbeat rhetoric surrounding Medvedev's visit will lead to any change in the existing bilateral relationship.

Kazakhstan

2000 (March) -30-03-00 US Energy Management, a subsidiary of US Ventach, will provide up to 95 % of funding for the construction of a \$ 54-mm oil refinery in Aktyubinsk (Western KZ)
-construction to start in August
-talks have been going on for 1.5 years
-projected processing capacity was 10,000 bpd, or 500,000 tpy of crude
-JV of Energy Management and Kazakhstan's Dastan firm

2000 (July) -28-07-00 Chinese Vice President Hu Jintao urged progress on a long-stalled oil pipeline project with Kazakhstan after the discovery of what may be one of the world's largest offshore oil fields

2000 (Oct.) -04-10-00 A US official stepped up pressure on Kazakhstan to commit to a controversial pipeline to Turkey, in an ongoing tussle for influence in the Central Asian region
-"The time to move is now," warned John Wolf, US advisor on Caspian issues

2000 (Oct.) -10-10-00 Putin and Nazarbayev have signed agreements on working together in the oil-rich Caspian Sea region and on humanitarian cooperation
-Putin arrived in the Kazakh capital Astana for a two-day official visit

2000 (Nov.) -01-11-00 Kazakh government-owned company KazTransGaz is planning a project to organize gas supplies in North Kazakhstan by building a new pipeline from Russia
-Gazpromrazvitiye, a division of Gazprom, is working on the feasibility study of the project to deliver natural gas from Urengoy, Tyumen Region, in Russia along an 860 km pipeline to Ishim-Petropavlovsk-Kokshetau-Astana-Karaganda in Kazakhstan

2001 (Jan.) -08-01-01 Rosneft and the US First International Oil Corporation (FIOC) have signed a cooperation deal to develop Adai (oil)
-Rosneft will be entitled to a 50 % stake in the project (PSA)
-The enterprise may be either a joint venture or a consortium

2001 (March) -06-03-01 Azerbaijani, Georgian, Kazakhstani, Turkish and US officials met in Astana to discuss the Baku-Tbilisi-Ceyhan pipeline project and sign a memorandum of understanding on the export of oil from Kazakhstan through that pipeline

- MoU was signed shortly after the announcement was made that the US oil company Chevron had decided to help build the BTC
- MoU did not obligate Kazakhstan to provide any oil for transport through the pipeline, will make it possible for Kazakhstan to export some of its crude along the Baku-Tbilisi-Ceyhan route should it choose to do so

- 2001 (March) -CPC inaugurated

- 2001 (June) -15-06-01 Russia and Kazakhstan intend to draft an agreement on transit of Kazakh oil across Russia in the third quarter of the year, Russian Prime Minister Viktor Khristenko
 - expected to be signed for a period of 15 years

- 2001 (Sept.) -11-09-01 The Strategic Study Institute of Kazakhstan (KISI), which reports to the republic's president, and the Shanghai Institute of International Research have signed an agreement on bilateral cooperation, including cooperation in the oil and gas sector
 - intend to draw up a blueprint for construction a new oil pipeline from Kazakhstan to China

- 2001 (Sept.) -13-09-01 Minister Zhu Rongji has said that China is interested in exploring and developing oil and gas deposits in Kazakhstan

- 2001 (Nov.) -29-11-01 Russian President Vladimir Putin and his Kazakh counterpart Nursultan Nazarbayev stated that they have reached "very serious progress" over the distribution of the Caspian resources

- 2001 (Nov.) -30-11-01 Russian Prime Minister Mikhail Kasyanov and his Kazakhstani counterpart Kasymzhomart Tokayev have signed a 10-year agreement on the two countries' single gas balance
 - a JV between Gazprom and Kaztransgaz, which will build a gas pipeline to Kazakhstani gas deposits
 - plans call for setting up a single gas balance of the two countries, joint construction, upgrading and running of gas pipelines, an underground gas storage facility and other infrastructure facilities

- 2001 (Dec.) -15-12-01 The Kazakhstani energy minister and the US energy secretary have signed a declaration on energy partnership between the two countries, providing for interaction in the oil and gas sector, atomic industry, energy, and ecology
 - in the next 10 years, US companies will invest up to \$ 200 bln in the Kazakhstani economy under contracts signed as part of the declaration

- 2002 (Jan.) -21-01-02 Putin called for the creation of an alliance of gas producers grouping Russia and the ex-Soviet Central Asian states of Turkmenistan, Kazakhstan and Uzbekistan
 - "It is time to seriously think about creating a Eurasian alliance of gas producers," Putin said at talks in Moscow with Niyazov

- 2002 (April) -29-04-02 Russia and Kazakhstan have agreed to develop jointly three oilfields in the Caspian Sea, in the latest effort to resolve territorial issues in the resource-rich region
 - Victor Khristenko, a Russian deputy prime minister, said that the two countries would sign an agreement by this summer to cover development of the Kurmengaz, Tsentralnoye and Khvalynskoye fields, reinforcing a previous accord reached in 1998

- 2002 (June) -15 year agreement with Russia
 - export at least 17.4 million tonnes per year of crude oil using the Russian pipeline system.

- 08-06-02 Victor Khristenko, Russian vice-premier, and his Kazak counterpart Karim Masimov signed an agreement on the transit of Kazak oil via Russia
 - During the vice-presidents' meeting yet another agreement was signed on the setting up by Gazprom and the Kazak company KazMunaiGaz of a KazRosGaz joint venture

- 2002 (June)
 - 25-06-02 Kazakhstan is ready to take part in the construction of a major Central Asian gas pipeline as part of the China's West-East gas pipeline project, Vice-Prime Minister Karim Masimov said
 - pipeline will bring gas from the Tarim gas fields in Xinjiang Uygur autonomous area to consumers in Greater Shanghai
 - Negotiations on the constructions of a gas pipeline from Western Kazakhstan to China have also been underway for a long time
 - "We received a confirmation from the president of the Chinese National Oil and Gas Corporation that China wants this project to be continued", Masimov said

- 2002 (July)
 - International oil venture TengizChevrOil expects Kazakhstan to approve its Second Generation Project (SGP) this year, enabling it to embark on an ambitious 3 bln expansion plan on the mammoth Tengiz field
 - ChevronTexaco with 50 %, TCO unites Kazakhstan with 20 %, US major ExxonMobil with 25 % and LUKArco with 5 %
 - \$ 800 mm project was launched on July 2

- 2002 (Sept.)
 - Russian and Kazakh state oil firms said they will start exploration drilling of a large oil-bearing structure on the Caspian Sea shelf in June 2003
 - Kurmangazy field

- 2002 (Sept.)
 - 23-09-02 Oil giant ChevronTexaco said it will invest \$ 3 bln in the Kazakh oil industry
 - money will mainly go to the Tengiz field in western Kazakhstan

- 2002 (Nov.)
 - 07-11-02 Kazakhstan hopes to boost exports of crude with a \$ 200 mm modernization of a pipeline to Russia, the Head of the State oil Transport Company
 - working on the project with its Russian partner Transneft

- 2002 (Dec.)
 - 17-12-02 Russia stepped up pressure on a ChevronTexaco-led pipeline group shipping crude from Kazakhstan via Russia to world markets, urging it to increase transport fees to pay higher taxes.
 - Giving CPC monopoly status would allow Russia to set the shipping prices on its territory without the permission of other shareholders, which include Kazakhstan with 19 %, Chevron with 15 % and ExxonMobil with 7.5 %. Russia holds a 24 % stake in the group

- 2003 (Jan.)
 - 30-01-03 Gazprom and KazMunaiGaz are considering joint development of the Imashevskoye gas condensate field
 - Alexei Miller and KazMunaiGaz First Vice President Timur Kulibayev discussed the issue
 - Miller's deputy Alexander Ryazanov and head of the KazRosGaz management Anuarbek Argingazin also attended the meeting
 - agreed to continue work on the project for joint development of the field
 - discussed the implementation of earlier agreements

- 2003 (Jan.)
 - 24-01-03 Gazprom said it has won deals with neighbouring Kazakhstan and Uzbekistan to operate gas pipelines
 - Gazprom would replace private gas trader Itera in shipping 34-blm cm of gas a year from gas-rich Turkmenistan to energy-starved Ukraine via Uzbekistan, Kazakhstan and Russia

- 2003 (Jan.) - 27-01-03 LUKoil reached an understanding with Kazakhstan's leaders on working out a new joint oil project on the Caspian Sea
 - in February the LUKoil delegation headed by Alekperov will fly to Kazakhstan where together with the Kazakh experts will work out a proposal to the republic's government on conducting geological-prospecting work in the part of the Caspian shelf
 - Approximately \$ 150 mm will be required for this during the period of five years (Alekperov)
- 2003 (Jan.) - 26-01-03 A ChevronTexaco-led said it had been given the go ahead for its expansion plans (earlier suspension had raised doubts about Kazakhstan's investment climate)
 -Two projects for the Tengiz field (developed by TengizChevrOil)
- 2003 (Feb.) - 08-02-03 The Kazakh Energy and Mineral Resources Ministry, the KazMunayGaz state-run company and ExxonMobil Kazakhstan Gas Ventures (a sister company of ExxonMobil) are going to draw up a long-term plan for developing the country's natural gas resources
 - agreement provides for carrying out joint research and then drawing up a long-term plan for developing Kazakhstan's natural gas resources
- 2003 (March) - 07-03-03 CNOOC Limited (together with its subsidiaries) is pleased to announce that it has entered into an agreement with BG International, a wholly owned subsidiary of BG Group, to acquire from BG a 1/12th (8.33 %) interest in the North Caspian Sea Project in Kazakhstan for \$ 615 mm
 - Incorporated in Hong Kong in August 1999, CNOOC Limited is the dominant producer of crude oil and natural gas offshore China
 -CNOOC Limited is also one of the largest independent crude oil and gas exploration and production companies in the world
 -CNOOC was blocked from buying into the Kazakh venture (by BP that exercised pre-emption rights)
- 2003 (March) - 28-03-03 Kazakhstan's KazTransGaz, the transportation subsidiary of state gas and oil company KazMunaiGaz, plans to move 4 bln cm of Turkmen natural gas to Russia via the Bukhara-Ural gas pipeline
 - Russia's Regiongaz holding, a subsidiary of Mezhregiongaz
 - Bukhara-Ural pipeline links Uzbekistan with the Russian city of Yekaterinburg and has an annual throughput capacity of 7 bln cm
- 2003 (May) - 17-05-03 Alexey Miller met with KZ Prime Minister Imangali Tasmagambetov in Astana
 - enhancing the Kazakhstani gas pipeline capacities, including the possibility of rebuilding and upgrading the existing gas transportation network and the construction of a new gas pipeline within the Central Asia-Centre program
 - To start design efforts in June 2003
 - Program is likely to come into force in 2004
 -Central Asia-Centre gas pipeline capacity is about 40-bln cm, expected to be increased to 60 - 70 bln cm
- 2003 (June) - 23-06-03 PetroChina revealed that the crude oil pipeline project between China and Kazakhstan has entered the demonstration stage (to be completed by the end of this year)
 - Western Kazakhstan and ends with Dushanzi City
 - 3,088 km long (2,818 km in Kazakhstan and 270 km in China)
 - Relevant parties will invest \$ 2 bln in the project

- Pipeline is divided into three sections (first section in KZ has been completed in April 2003)
 - PetroChina owns a 49 % stake
- 2003 (July) - 07-07-03 JV TurgaiPetroleum will export Kazakhstani oil through pipelines of the CPC
- 2003 (July) - 02-07-03 LUKoil Vagit Alekperov and CEO Alexei Miller signed an agreement to set up a joint venture to represent Russia in the project to develop the Tsentralnoye
- Russia and Kazakhstan agreed that the structures will be developed by a joint venture, in which Russian and Kazakh authorized companies will hold 50 % each
 - Kazakhstan is to be represented by state oil and gas company KazMunaiGaz
- 2003 (Aug.) - 01-08-03 Nazarbayev opened a new oil well (?) at the Karachaganak field
- funded by an international consortium that includes ChevronTexaco, BG Group, ENI and LUKoil
- 2003 (Aug.) - 15-08-03 CNPC bought a 35 % stake in the North Buzachi oilfield
- China is also in talks with the field's operator, US major ChevronTexaco, to purchase the rest of the shareholding
- 2003 (Aug.) - 08-08-03 Kazakhstan intends to increase the transit of oil through Russia by 2.2 mm tons this year
- 2003 (Sept.) - 16-09-03 CNPC-Aktobemunaigaz has launched Zhanazhol Gas Processing Plant in Abktobe KZ
- Kazakh Prime Minister Danial Akhmetov met with CNPC Vice President and CNPC-Aktobemunaigaz Chairman of the Board Wu Yaowen
 - CNPC became a shareholder in Aktobemunaigaz in 1997 under a general agreement between Kazakhstan and China
 - in 2003 CNPC, which owned about 75 % of CNPC-Aktobemunaigaz, became the company's single owner, by buying up the entire 25.12 % state packet
- 2003 (Sept.) - 16-09-03 ChevronTexaco is seeking to add to its investments in Kazakhstan
- Akhmetov emphasised Kazakhstan's hopes of further increases in production at the onshore Karachaganak field, a major project with ChevronTexaco backing after a meeting with Kazakh Prime Minister Daniel Akhmetov
 - Kazakh authorities have yet to decide how to go about selling several other sections, or the level of ownership they wish to retain over Karachaganak
- 2003 (Sept.) - 19-09-03 Kazakhstan and partners of the TengizChevrOil joint venture have signed a key agreement to expand operations at the Tengiz
- cost of approximately \$ 3.5 bln
 - Other signatories to the agreement were Timur Kulibayev, senior vice president of the national oil and gas company KazMunaiGaz; Jim Taylor, vice president of ExxonMobil; Blake Koc, vice president for finance at ChevronTexaco; Viktor Pazhin, president of LUKArco; and Alexander Kornelius, general director of TengizChevrOil
- 2003 (Oct.) - 21-10-03 China's national oil company has taken over North Buzachi field after buying ChevronTexaco's share in it
- The field contains an estimated 1.5 bln barrels of oil and its current production is about 8,400 bpd

- 2003 (Nov.) - 11-11-03 CNPC is studying two possible routes for building the local section of a pipeline transporting crude oil from Kazakhstan to China
- the exact route for the transport of refined oil products after that hasn't been decided
 - CNPC and KazMunaiGaz plan to build the Kazakhstan to China pipeline by 2006
- 2003 (Dec.) - 15-12-03 Russia, the biggest CPC shareholder, wants to wrest control of the pipeline from other shareholders, led by ChevronTexaco, and increase tariffs by 45 %
- Foreign consortium members fear that higher fees would make the 560,000 bpd pipeline unattractive for exporters
 - Tariffs along the 1,580 km pipeline to a terminal on the Russian Black Sea coast are currently set by CPC shareholders at \$ 3.57 a barrel
 - Moscow, says it has failed to earn anything, wants to raise them to about \$ 5.18 a barrel
 - Moscow wants to designate the stretch of pipeline crossing Russian territory as a "natural monopoly," which would make it subject to tariff regulation by Russia's Federal Energy Commission (FEK)
- 2003 (Dec.) - 08-12-03 The Russian oil major LUKoil is not asking Kazakhstan to repay the company's spending on the preliminary prospecting of the Khvalynskoye Caspian oil field immediately and is prepared to implement this project on terms best suiting Kazakhstan
- 2004 (Jan.) - 11-01-04 LUKoil said that it will participate in two Caspian Sea oil projects in KZ-- LUKoil is to buy 50 % of Caspian oil project Tub-Karagan from KZ gov't
- Also agreed to participate in geological research of the Atashskaya block
 - LUKoil President Vagit Alekpyorov, President of the Kazakhstani National Oil and Gas Company Uzakbay Karabalin and General Director of the KazMunaiTeniz Company Bakhytzhan Khasanov signed an agreement in Astana
 - Under PSA signed with the Kazakh government, LUKoil owns 50 % of the project, which will be developed with KMG over the next 40 years
- 2004 (Jan.) - 05-01-04 The China Broadband Corp. announced that its subsidiary, Big Sky Energy Kazakhstan will join with China's Shengli Oilfield Junwei Petroleum-Tech Development, to jointly exploit three blocks in the Caspian region of KZ
- is to be renamed China Energy Ventures in January 2004
 - Shengli will acquire 50 % of Big Sky Kazakhstan
- 2004 (Feb.) - 26-02-04 \$ 29 bln pumped into the development of the giant Kashagan
- Shell is a partner in the project with ENI of Italy, Total of France, ExxonMobil, ConocoPhillips and Inpex Corp
- 2004 (March) - 01-03-04 an oil pipeline that is to be built in 2004-2005 and was originally planned to link Atasu, Kazakhstan, to Alashankou on the Kazakh-Chinese border will run as far as Dushanzi
- 2004 - framework agreement b/w China and Kazakhstan
- signed May 17
 - signed by Ma Kai, minister of the State Development and Reform Commission of China, and Kazakhstan Minister of Energy and Mineral Resources Vladimir Sergeyevich Shkolnik
- 2004 (May) - 17-05-04 China Energy Ventures' subsidiary, Big Sky Energy Atyrau, has acquired 100 % of the shares of Vector Energy West, a Kazakh limited liability partnership, which

owns 2 adjacent oil and gas licenses on the north shore of the Caspian Sea, near the city of Atyrau, Kazakhstan

- 2004 (May) -17-05-04 an agreement on a major crude oil pipeline
- CNPC and KazMunaiGaz will jointly invest in the construction of a 1,240 km-long pipeline from Atasu to the border of China's Xinjiang Uygur Autonomous Region
-Second section of a 3,000 km trans-border trunk line (expected to begin in Aug.)
- "Focusing on the construction of Sino-Kazakh oil pipeline, the two nations should seek new breakthroughs in their co-operation of energy sources," President Hu Jintao told visiting President of Kazakhstan Nursultan Nazarbayev
-agreement: Kazakhstan sticks by the one-China policy and opposes the independence of Taiwan as well its attempts to join any international and regional organizations that require national sovereignty; two nations agree that terrorism, separatism and extremism severely threaten world safety and vow to strengthen bilateral and multilateral co-operation to fight against these forces; both nations will combat all forms of terrorism, including the Eastern Turkestan groups, said the communiqué.
- "project of great strategic importance to Kazakhstan", Kazakhstan's Prime Minister Daniyal Akhmetov said his government would acquire a 51 % stake
- 2004 (July) -14-07-04 Russia's gas giant Gazprom made a proposal to Kazakhstan to establish a joint venture on the basis of the Orenburg gas processing plant (GPP)
-In 2002, Gazprom and KazMunaiGaz established a JV KazRosGaz, which purchases crude gas from the Karachaganak field and processes it at the Orenburg GPP
- 5.5 bln cm of gas were processed in 2003, the planned volume for 2004 being 7 bln cm
- 2004 (Aug.) -Aktobe region of Kazakhstan put a ban on the operation of several wells at the fields of Zhanazhol and Kenkiyak developed by CNPC
-environmental violations were cited as official reasons
- 2004 (Sept.) -14-09-04 Kazakhstan is considering the construction of a gas pipeline which would link the Caspian Sea with western China, Kazakh Ambassador to Russia Krymbek Kuserbayev told
-Kazakhstan and China plan to launch construction of the Atasu-Alashankou oil pipeline in September, a Chinese official said in August. China is expected to receive the first batch of Kazakhstan oil through the pipeline in 2006.
-In May, during Nazarbayev's visit to China, bilateral agreement was signed on the pipeline construction, as well as a railway transport cooperation agreement
- 2004 (Oct.) -06-10-04 Kazakhstan said it was pushing ahead with efforts to buy a stake owned by gas group BG in the "super-giant" Kashagan
-Ownership is currently divided between ENI, BG, TotalFinaElf, ExxonMobil and Shell- with 16.67 % each-as well as ConocoPhillips and Inpex with smaller stakes
- 2004 (Oct.) -22-10-04 China's Sinopec has bought over \$ 160 mm worth of oil assets in Kazakhstan from a US firm
- 2004 (Oct.) -08-10-04 Kazakhstan and Russia will sign a deal to jointly develop an oil field in the Kazakh portion of the Caspian Sea before the end of the year, Kazakh Prime Minister Daniyal Akhmetov
-KazMunaiGaz, which will hold a 50 % stake in the project, and two Russian companies, Rosneft and ZarubezhNef, with 25 % each

- 2004 (Nov.) -11-11-04 LUKoil Overseas plans to invest \$ 350 mm in its own projects in Kazakhstan in 2004-2005, Boris Zilbermints, the company's Kazakhstan area manager, said in Astana
- 2004 (Dec.) -02-12-04 Participants in a project to develop the Karachaganak gas condensate field in Kazakhstan have agreed with Gazprom to prepare and sign a long-term partnership memorandum
- 2004 (Dec.) -30-12-04 PetroKazakhstan, embroiled in yet another fight with partner LUKoil, made an aggressive move, cutting the flow of production at a major oil field the two companies co-own in an effort to settle a dispute over the sale of crude
- Second scrap in 2004
- came to a head with PetroKazakhstan turning off the tap on production from the Kumkol North field in central Kazakhstan
- 2005 (Jan.) -13-01-05 A pipeline venture led by ChevronTexaco plans to increase crude oil exports from Kazakhstan and Russia via a Black Sea port 42 % this year by expanding transport capacity
-seeking permission from the Russian and Kazakh governments to more than double shipments to 1.34 mm bpd by 2008, about six years earlier than planned
-meeting with visiting Putin, Nazarbayev called on Russia to quickly approve CPC's request to double capacity
- 2005 (Feb.) -3-02-05 Kazakhstan has agreed to buy half of BG's 16.67 % stake in the Agip KCO consortium, which is developing Kashagan
- 2005 (March) -14-03-05 Russian oil major LUKoil and Kazakh state oil firm KazMunaiGaz agreed to set up a venture to tap a Caspian offshore field
-\$ 1 bln in investment
-the Tsentralnoye field will be undertaken by TsentrCaspneftegaz, a 50:50 joint venture with Russian gas monopoly Gazprom
- 2005 (June) -03-06-05 Chevron will invest \$ 3 bln in KZ to help boost the country's crude production nearly fivefold by 2025
- 2005 - Kazakhstan officially committed to the BTC in 2005 - the day before the pipeline was officially inaugurated - after much speculation about whether it would join a route bypassing Russia
-The treaty ratified by parliament was signed between Nazarbayev and his Azerbaijani counterpart, Ilham Aliyev, in 2006
- 2005 (June) -29-06-05 Kazakhstan may exercise its priority right to buy PetroKazakhstan, a Canadian company that produces oil in the Central Asian country and is being approached by potential buyers, the Kazakh energy minister said
- 2005 (July) -July 14, 2005
-Putin Nazarbaev sign agreement granting Russia's company Rosneft the right to explore the Kurmangazy deposit
- Joint investments will total \$ 22-\$ 23
-Rosneft head Sergei Bogdanchikov, Kazakhstan's Energy Minister Vladimir Shkolnik and KazMunaiGaz head Uzabak Karabalin signed the PSA
-duration: 55 years
- 2005 (Aug) -CNPC purchases PetroKazakhstan

- PetroKazakhstan convened its shareholders meeting on Wednesday at which shareholders approved the offer by CNPC International Ltd, a wholly owned subsidiary of CNPC to acquire 100 percent of the assets of PetroKazakhstan for 55.00 US dollars cash per share.
- 2005 (Oct.) -06-10-05 Kazakh national oil and gas company KazMunaiGaz and China's CNPC are to jointly develop the Darkhan oil field
-Kazakh First Deputy Energy and Natural Resource Minister Baktykozha Izmukhambetov told. He said that the companies agreed this at the start of September in Beijing
- 2005 (Oct.) -06-10-05 LUKoil has filed a suit in the Swedish courts to ensure it can acquire full control of its joint venture with PetroKazakhstan before CNPC completes its purchase of the Kazakhstani outfit.
- filing that it has pre-emptive rights to PetroKazakhstan shares in the venture
-Meanwhile, the Kazakhstan government has threatened to take control of the oil producer, having passed laws, which state it has first refusal on oil stakes that are put on sale
- 2005 (October) -Kazakh Prime Minister Danial Akhmetov has offered Russian oil companies the use of a Kazakh pipeline to transport oil to China
-"The Atasu-Alashankou pipeline could be used not only by Kazakh, but also by Russian oil companies" (Rosneft has applied for permission to transport 1.2 mm tons of oil)
- 2005 (Oct.) -14-10-05 CNPC (Hong Kong), a Hong Kong-listed unit of China's largest oil producer China National Petroleum Corp (CNPC) will pay \$ 140 mm to increase its stake in a venture
-20 % of CNPC International (Caspian) from Darley Investment Services, increasing its share to 60 %. The remaining stakes will be directly owned by Beijing-based CNPC, said a CNPC (Hong Kong) statement, which is 52.9 % controlled by its parent company CNPC
- 2005 (Oct.) -16-10-05 The Russian oil giant LUKoil has bought a control block of shares of the Canadian oil company Nelson Resources
-LUKoil has appropriated 57.64 % of shares of the Canadian company for \$ 1.1 bln
- 2005 (Nov.) - 10-11-05 Nursultan Nazarbayev, president of Kazakhstan, has supported the deal on purchase of 100 % of PetroKazakhstan shares by the CNPC
- CNPC acquired 100 % of PetroKazakhstan's shares in late October, 2005, for \$ 55.00 per share
- 2005 (Nov.) -14-11-05 Gazprom has struck a deal with the govt' of KZ
-signed a series of agreements with a unit of the Kazakh national oil and gas company KazMunaiGaz on the transportation of Russian gas from central Asia (Turkmenistan and Uzbekistan) via Kazakhstan in the period 2006-2010
- 2006 (Jan): Energy will dominate talks between the leaders of Russia and Kazakhstan after Vladimir Putin flies into the Central Asian republic Tuesday for the president's inauguration, a Kremlin source said. According to the source, Putin will hold detailed discussions during his two-day working visit with his Kazakh counterpart Nursultan Nazarbayev

- 2006 (Feb.) -24-02-06 This spring, Kazakhstan is going to continue its talks with Russia on the exports of Kazakhstani gas to Europe (Bahtikoja Izmuhambetov, Minister of Energy and Mineral Resources of Kazakhstan, February 23)
 -Minister plans to visit Moscow in March-April
 -held preliminary talks with Vladimir Khristenko, Russian Minister of Energy, in January
 -he noted that talks on the Kazakhstan-China gas pipeline construction continued as well
 -reminded that Kazakhstan planned to increase the production of gas to 40 and more bln cm per annum by 2010
- 2006 (March) -10-03-06 importance of Kazakhstan for China is growing
 -recent conference "Kazakhstan and China: Strategic Partnership for Development."
 -All participants from the Kazakhstani side noted that the Chinese delegation was unusually big and representative, which is quite extraordinary for the Chinese practice of participation in such events
 -Not only it was numerous, but also the level of its experts was very high
- 2006 (March) -14-03-06 US Secretary of Energy Samuel W. Bodman continued his four-nation visit in Astana
 -Bodman met with Nazarbayev, US business leaders in Kazakhstan, and other senior government officials to promote areas of cooperation
 - Bodman's discussions with Nazarbayev included encouraging Kazakhstan to take a leadership role in regional energy development, concluding negotiations to transport Kazakh oil through BTC
 -Bodman met with other officials including Deputy Prime Minister Karim Masimov, Minister of Industry and Trade Vladimir Shkolnik, Minister of Energy & Mineral Resources, Bakhtykozha Izmukhambetov and Minister of Finance Natalya Korzhova
- 2006 (May) -03-05-06 key issue in Cheney's talks in the Kazakh capital of Astana is encouraging the Nazarbayev government to develop a pipeline across the Caspian Sea that connects to another extending from the Azerbaijani capital of Baku, through the Georgian capital of Tbilisi and out of the Turkish port of Ceyhan on the Mediterranean Sea.
- 2006 (May) -05-05-06 Kazakh Energy Minister Bakhtykozha Izmukhambetov, speaking after talks with visiting EU Energy Commissioner Andris Piebalgs, said a gas pipeline across the Caspian Sea could be an option
- 2006 (May) -22-05-06 The Bush Administration is going to finance work over the designing of the feasibility study of the construction of the Trans-Caspian pipeline, according to Richard Baucher, the US Assistant Secretary of State for South and Central Asia
- 2006 (June) -19-06-06 Kazakhstan has finally committed to shipping oil via the US-backed BTC pipeline
 -Nazarbayev and his Azerbaijani counterpart Ilham Aliyev signed a pipeline agreement on June 16 in Almaty
 -Kazakhstan is expected to transport about 3 mm tons of oil through the pipeline this year. The amount will rise to roughly 7.5 mm tons over the medium term
 -Despite high costs, many experts believe it is worthwhile for Kazakhstan to participate in BTC
 -"Kazakhstan may save \$ 5 per ton of oil switched from the Russian-backed KTK [Tengiz-Novorossiysk] pipeline to BTC," said Ingalab Ahmadov, director of the Public Finances Monitoring Centre (PFMC), a Baku-based non-governmental organization

- 2006 (July) -18-07-06 presidents of Russia and Kazakhstan agreed at the G8 summit to create a JV to process natural gas from Kazakhstan's giant Karachaganak field is operated by an international consortium led by Britain's BG Group and Italy's ENI, each with a 32.5 % stake
-LUKoil, has a 15- % stake while US oil giant Chevron holds 20 %
- 2006 (Oct.) -02-10-06 Nazarbayev and Bush have issued a joint statement as a result of negotiations in the White House, regarding their strategic partnership
-"We declare our intention to further strengthen our strategic partnership through enhanced strategic dialogues on energy, military co-operation, trade and investment, and democratisation
- 2006(Oct.) -03-10-06 Russia and Kazakhstan signed an intergovernmental agreement to create a joint venture to process gas from the Karachaganak field in West Kazakhstan.
-Industry and Energy Minister Viktor Khristenko and Kazakh Energy and Mineral Resources' Minister Baktykozha Izumukhambetov signed the agreement
- 2006 (Oct.) -28-10-06 Russian economic development and trade minister (German Gref) discussed with the Kazakh prime minister (Danial Akhmetov) the joint exploration of oil and gas deposits on the Caspian Sea
-Premier added that Kazakhstan was currently considering several joint projects with Russian oil companies Rosneft and LUKoil
- 2006 (Dec.) KazRosGaz and Gazprom's subsidiary OrenburgGazprom signed a deal to supply the natural gas produced at the Karachaganak gas field to Orenburg refinery
- 2006 (Dec.) -08-12-05 The flagship state oil firms of China and India are looking to bid for privately owned Kazakh oil producer Nations Energy, in a deal that could be worth \$ 2 bln
-In its deal to buy PetroKazakhstan, CNPC agreed to sell a third of the company back to the Kazakh government and form a 50:50 joint-venture to operate the Shymkent refinery
- 2007 (Jan.) -January 1
-b/w Gazprom, KazmunaiGaz, Uzbekneftegaz
-concerning gas transit from UZ to KZ
-Uzbenneftegaz will supply up to 3.5 bln cm of natural gas to Gazprom annually for sale in the Southern part of KZ while the same amount of gas will be supplied to Gazprom from Karachaganak gas field.
- 2007 (Jan.) -5-01-07 Any gas or oil pipelines across the floor of the Caspian Sea would be environmentally unacceptable - official with the Russian Natural Resources Ministry
-Since the early 2000s, Kazakhstan and Azerbaijan have been considering projects to lay natural gas or oil pipelines across the bed of the Caspian Sea and bypassing Russia; Moscow has consistently opposed the idea, citing environmental concerns
-"the Caspian Sea is a closed system, with no outlets to the world's oceans, and everything that happens there remain there," Amirkhanov said
-"This is a problem that concerns the future of the Caspian Sea. Considering the high seismic activity in the region, the projects could have dangerous consequences."
-RUS has been constructing a natural gas pipeline under the \$ 10.5-bn North European Gas Pipeline (NEGP) project to supply Western Europe with gas via a pipeline leading from Russia to Germany across the floor of the Baltic Sea.
- 2007 (Feb.) -27-02-07 Azerbaijan and Kazakhstan discussed the possibility of exporting Kazakh gas through Azerbaijan's pipelines to int'l markets, the Azeri foreign minister said.

- "There was a discussion of gas deliveries. As is known, Azerbaijan will launch the Baku-Tbilisi-Erzurum gas pipeline [to connect Turkey to the South Caucasus country's Shah Deniz gas field] this year
 - The Kazakh side has expressed interest in this pipeline," Elmar Memediyarov said following a meeting with Kazakhstan President Nursultan Nazarbayev
- 2007 (March) -30-03-07 KZ is offering to increase the transit of oil along the Atyrau-Samara pipeline to 20-25 mm tpy
 - "Kazakhstan suggests discussing this issue in the very near future," a source in the Russian delegation visiting Kazakhstan, led by Russian Prime Minister Mikhail Fradkov
- 2007 (April) -27-04-07 The Kazakh State Oil Company is planning talks with clients and Russian Transoil company to export Kazakh oil
- 2007 (May) -talks with Nazarbayev, Putin agreed to the expansion of a pipeline that carries oil from Kazakhstan's Tengiz field to the Russian Black Sea port of Novorossiysk
 - Russia previously had resisted expanding the pipeline, fearing that it would put Kazakh and Russian oil in competition for the limited number of tankers allowed to go from Novorossiysk through the overcrowded Bosphorus and on to Western markets
 - resistance prompted the consortium operating the pipeline to consider an alternative route connecting with BTC
- 2007 (May) -12-05-07 Presidents of Russia, Turkmenistan, and Kazakhstan have agreed to build a natural gas pipeline along the Caspian Sea coast
 - three-way talks in the coastal Turkmen city of Turkmenbashi
 - leaders said they will sign a treaty by September on building the new pipeline
 - carry natural gas from Turkmenistan to Europe via Kazakhstan and Russia
 - an accompanying deal to upgrade existing Soviet-era infrastructure in Uzbekistan
- 2007 (June) -01-06-07 volume of oil pumped via Atasu-Alashankou pipeline to China annually amounts to 3-4 mm tons (apparently due to new equipment and technologies)
 - Vice Minister of Energy and Mineral Resources of Kazakhstan Lyazzat Kiinov also noted that Kazakhstan was considering its participation in construction of the gas pipeline in Turkmenistan via Uzbekistan, Kazakhstan and China
- 2007 (June) -01-06-07 Gazprom and KazMunaiGaz signed a series of agreements to set up a JV to process Kazakh natural gas
 - in Russia's Urals city of Orenburg to process gas from nearby fields in Kazakhstan
 - maximum capacity is expected to reach 30.6-bln cm a year in 2012
 - 15 year JV was established in 2002
- 2007 (June) -07-06-07 China and Kazakhstan vowed to deepen the cooperation on energy and resources
 - Chinese Vice Premier, Zeng Peiyan, said in a meeting with Kazakh Deputy Prime Minister and Economic Minister Aslan Musin in Beijing
 - Musin was invited to Beijing by China's CITIC Group, which acquired the oil assets of Canada's Nations Energy Company for 1.91 bln \$ at the end of 2006
 - acquisition allowed CITIC to develop the Karazhanbas oil and gas field in Mangistau Oblast until 2020
- 2007 (June) -15-06-07 Kazakhstan plans to extend its Chinese oil pipeline all the way to the Caspian Sea to give China direct access to fast-growing energy supplies, President Nursultan Nazarbayev said

- 2007 (Oct.) -07-10-07 Ahead of the CIS summit in Dushanbe, the presidents of Kazakhstan and Russia met in Novosibirsk to attend the Forum of Leaders of Border Regions
-Vladimir Putin and I discussed today a long-term project to establish a Caspian transport corridor," Kazakh President Nursultan Nazarbayev told the forum
-"Kazakhstan is already building a modern structure in the Caspian zone that will become the central element in the establishment of an international Caspian energy and transport corridor from north to south, which follows up the agreement reached by Russia, Kazakhstan, and Turkmenistan to build a gas pipeline.
- 2007 (Nov.) -03-11-07 Chinese Premier Wen Jiabao and Kazakh Prime Minister Karim Masimov agreed that the two countries should enhance bilateral exchanges and cooperation on economy and trade
-implement cooperation projects such as natural gas exploration and pipeline construction and extend their cooperation to areas other than energy production
- 2007 (Dec.) -07-12-07 Kazakhstan hopes that Russia will provide the country with more opportunities to export its energy resources to world markets via the territory of the Russian Federation, Kazakh President Nursultan Nazarbayev said
- 2007 (Dec.) -12-12-07 The Russian government has approved a draft agreement on cooperation with Kazakhstan and Turkmenistan on the construction of the Caspian natural gas pipeline.
-Russian Prime Minister Viktor Zubkov has ordered the country's Industry and Energy Ministry and the Foreign Ministry to hold talks with Kazakhstan and Turkmenistan governments and to sign an agreement on the pipeline's construction
- 2007 (Dec.) 014-12-07 pledged to supply oil to a pipeline transporting Caspian crude through BTC, Nazarbayev
-joint press conference with Abdullah Gul in Astana, Nazarbayev said the transfer of oil to the Baku-Tbilisi-Ceyhan pipeline will begin when Kazakhstan completes building ports on the shores of the Caspian Sea

Turkmenistan

- 2000: -Gazprom plans to buy 50 bln cm of Turkmen gas a year for 30 years
- 2000 (July) -04-07-00 Specialists from a Chinese oil construction corporation have restored around 120 oil wells in western Turkmenistan
-project in place since 1997
-As of the end of June, the Chinese company had invested around \$ 30 mm in Turkmenistan
- 2000 (Aug.) -21-08-00 Representatives of Shell announced that Turkmen President Saparmurad Niyazov had decided to go ahead with plans to construct a gas pipeline across the Caspian Sea and through the southern Caucasus to Turkey
-details are yet to be determined
- 2000 (Dec.) -11-12-00 Niyazov said that he expected to sign a new contract on natural gas shipments to Russia
-30-blm cm of gas for export to Russia in 2001
- sent 20 bln cm of gas to Russia between January and September of this year at a price of \$ 36 per 1,000 cm
-gas will flow to Russia via the Central Asia-Centre pipeline

- 2001 (May) -1-05-01 A new organization of gas exporters, GECEP, was set up in Tehran on May 19
-Russia and Turkmenistan also joined the organization
- 2002 (Jan.) -21-01-02 Russia and Turkmenistan are determined to promote comprehensive cooperation in the oil and gas sector, in the transportation of energy resources
-Russo-Turkmen communiqué, which was signed on the results of President Saparmurad Niyazov's working visit to Moscow
-stressed their determination to boost mutual investments by setting up joint economic structures in the priority sectors of the two countries
- May 12 2002 -Turkmenistan, Kazakhstan, Russia
-natural gas pipeline along the Caspian coast
-carry natural gas from Turkmenistan to Europe via Kazakhstan and Russia
- 2002 (June) -17-06-02 Turkmenistan is ready to sell Russia and export to European countries via Russia up to 50 bln cm of natural gas a year
-Niyazov and Putin during a phone conversation
- 2002 (Sept.) - 20-09-02 Russia and Turkmenistan initialled an intergovernmental agreement on natural gas supplies from Turkmenistan to Russia until 2020 under which Russia is expected to buy 10 bln cm of gas a year starting 2005
-according to the statement made by Russian Energy Minister Igor Yusufov
- 2002 (Oct.) - 27-10-02 Turkmenistan is planning to export 53 bln cm of natural gas next year. Sources in the Turkmen president's administration announced that buy-sell contracts were signed in the Turkmen capital by the presidents of Naftohaz Ukrayiny and Itera
-Under both contracts, the gas supplier is the state company Turkmenneftegaz
- 2003 (Feb.) - 28-02-03 Niyazov met in Ashgabat Feb. 18 with Igor Makarov, head of Itera Group international gas company, to discuss cooperation in the oil and gas sector
- implementing a project to develop Turkmen hydrocarbon resources, along with 100 % Russian state-owned companies Rosneft and ZarubezhNeft
- Itera, Rosneft, and ZarubezhNeft have accepted Niyazov's proposal to join the development of Turkmen oil and gas fields and have established Zarit, a JV in Moscow
-Rosneft and Itera subsidiary Gazkhiminvest each hold 37 % in Zarit, and ZarubezhNeft holds the remaining 26 %
- Zarit is expected to be allotted several blocks on the Caspian shelf and on the right bank of the Amudarya
- 2003 (April) - 11-04-03 Gazprom said that it had signed a huge long-term gas import deal with Turkmenistan
- will sell Gazprom 6 bln cm of gas from 2004, with volumes set to rise to 10 bln cm from 2006 and to 80 bln cm from 2009
- deal appears to be lucrative for both sides, unable for two years to agree on the export price for Turkmen gas
{According to Vladimir Socor: First, the low-priced Turkmen gas will fill a growing proportion of Russia's internal consumption requirements, freeing up a correspondingly growing proportion of Russian gas for high-priced export to the West. Second, Gazprom will draw on Turkmen gas in order to honour Gazprom's supply contracts with European countries, earning windfall profits even if Russia's gas output and exports stagnate or decline.
And, third, by quasi-monopolizing the transit and marketing of Turkmen gas to points west, Russia will be strongly placed to mobilize European Union investments in order to upgrade Gazprom's aging network of transit pipelines across Russia's territory}

- 2003 (July) - 24-07-03 President Niyazov had a meeting with Alexei Miller to discuss the long term gas supply arrangements to Russia and construction of a new pipeline
- agreed to prepare an agreement for design and evaluation work to create new and reconstruct existing gas export network
- 2003 (Aug.) - 18-08-03 Gazexport and Turkmenneftegaz have signed a contract on supplies of technological equipment and services to pay Turkmen gas supplies in the period from 2004 to 2006
- Alexey Miller and Turkmen Deputy Prime Minister Elly Gurbanmuradov
- agreement on scientific and technical cooperation between Gazprom, Turkmenneftegaz and Turkmengaz in developing the gas transportation system Middle Asia-Centre
-this document specified some articles of the Russian-Turkmen agreement on cooperation in the gas sector signed by the Presidents of the two states on April 10, 2003
- 2003 (Dec.) - 09-12-03 Turkmenistan intends to sign a deal with ZarubezhNef, Rosneft and Itera to develop oil fields in its sector of the Caspian Sea
- 2004 (April) - 09-04-04 The Russian gas giant Gazprom will take part in the development of gas and oil deposits off Turkmenistan's Caspian coast
- Gazprom Board Chairman Alexei Miller and Turkmen President Saparmurat Niyazov
-also discussed the pre-design and pre-investment stages of a program for renovation, expansion and construction of facilities as part of the Central Asia-Centre pipeline network, spanning Uzbekistan, Kazakhstan, and Russia
- 2004 (June) - 22-06-04 Turkmenistan has reached agreement with Russia's Itera on developing oil and gas fields in the Caspian Sea
- Niyazov reached agreement with Itera chief Igor Makarov
- Zarit consortium is a joint venture between Itera, the Russian Rosneft oil corporation and the ZarubezhNef
- 2005 (Feb.) -10-02-05 Turkmenistan switched off natural gas supplies to Russia in January in a dispute over prices with Gazprom
-Turkmengaz entered an agreement with Gazprom to begin supplying 5-bln cm in 2004
-The amount was to increase gradually to 7-bln cm this year and 10-bln cm in 2006, eventually reaching between 70-bln cm and 80-bln cm by 2009
-Gazprom agreed to buy the Turkmen gas for \$ 44 per 1,000 cm until 2006, with payment delivered half in cash and half in technology and equipment for Turkmenistan's oil and gas sector.
- 2005 (April) -20-04-05 Gazprom will resume receiving supplies of natural gas from Turkmenistan after the countries ended a 17-week stand-off over the price
-Niyazov, Gazprom CEO Alexei Miller agreed that the Russian firm would pay a full cash price of \$ 44,000 cum instead of by a combination of cash and barter goods as before
-Turkmenistan had been demanding a 30 % price rise over the original contract price of \$ 44/1,000 cm, which the Russian firm had declined to pay, leading to the stand-off
-new arrangement to last until 2006
- 2005 (May) -09-05-05 Niyazov, has invited LUKoil to develop Turkmenistan's Caspian oil shelf
-May 8, at a meeting between Niyazov and Vagit Alekperov, the CEO of LUKoil, which took place in Ashgabat

- 2005: October 20, Turkmenistan is ready to start negotiations in 2006 to increase the price of natural gas supplied to Russia from \$ 44 to \$ 50 per tcm (Niyazov)
- 2005: November 11
 -Turkmenistan's Oil and Gas-2005 conference, the Russian president's special envoy for international energy cooperation, Igor Yusufov, spoke of the strategic nature of cooperation between the two countries (at the time implementing a 25 year gas agreement)
 - Yusufov urged the participants in the conference "to be ready to compete with Russian public and private companies
- 2005 (Nov.) -23-11-05 Central Asia's Turkmenistan will sign a major agreement next year to sell natural gas to China and jointly develop Turkmen gas fields, President Saparmurat Niyazov
 -the deal, expected to be signed during his visit to China early next year, would involve building a gas pipeline to China from eastern Turkmenistan
- 2005 (Dec) -07-12-05 From January 1, 2006 Turkmenistan is going to set a new single price of \$ 60 per 1,000 cm for all Turkmen natural gas exports, Turkmen President Saparmurat Niyazov said at a cabinet meeting.
 -Alexander Ryazanov, deputy chairman of Gazprom's board, said: "There have been no talks [with the Turkmen national oil and gas company] concerning the price increase; we have received no proposals from Ashgabat.
- 2006 (Jan.) -17-01-06 A powerful Chinese delegation, led by Chzhan Gobao, vice chairman of China state committee, would begin preliminary round of talks in Ashgabat for construction of a gas pipeline to China
 -other projects are also on the agenda
 -China has offered broad and deep hydrocarbon cooperation to Turkmenistan: could include establishment and modernization of oil and gas exploration and extraction facilities and supply of related technology and equipment
- 2006 (April) -04-04-06 China's top legislator Wu Bangguo said that China is ready to work with Turkmenistan to deepen pragmatic cooperation in the field of energy
 -Wu said China-Turkmenistan relations are important to China
 -Niyazov said his country will expand cooperation with China in such areas as trade, energy, infrastructure and culture, and enhance coordination in international affairs (reiterated TUR one China policy)
- 2006 (April) -07-04-06 Turkmen President Saparmurat Niyazov and Chinese President Hu Jintao signed a framework agreement on oil and gas cooperation in Beijing on April 3. Niyazov was in Beijing for a six-day visit to China
- 2006 (April) -21-04-06 Russia will buy up to 50 bln cm of natural gas from Turkmenistan annually for the next three years, the Turkmen Foreign Minister said
 -Officials from both countries will meet later this month in Ashgabat to discuss price and other terms for the deal, the minister said
- 2006 (Sept.) -29-09-06 Insiders disclose that China has approved to build natural gas pipelines that begin from Northwest China to China's southern business city of Guangzhou, for transmission of natural gas imported from Turkmenistan
 -pipeline will carry 30-bln cm (1 tcf) of natural gas a year
- 2006 (Nov.) -10-11-06 Niyazov has offered to Russia and Germany to construct a gas pipeline to Europe able to ship up to 40 bln cm of gas a year

- Niyazov counts on Iolotan field to double gas output, as its reserves are estimated at 7 tcm, twice as much as in Shtokman.
- 2007 (April) -28-04-07 Turkmenistan's Cabinet of Ministers has approved an array of measures to implement the recent Moscow agreements, specifically the proposal to build a gas pipeline system along the Caspian Sea
 -During President Gurbanguly Berdymukhammedov's visit to Moscow April 23-24, Turkmenistan and Russia agreed to expand cooperation in the gas sphere
 -Putin suggested Russia modernize the 1974 Central Asia-Centre gas pipeline that runs from Turkmenistan via Uzbekistan and Kazakhstan to Russia, and build a new leg on the Caspian's eastern coast via Kazakhstan
- 2007 (May) -12-05-07 The presidents of Russia, Turkmenistan, and Kazakhstan have agreed to build a natural gas pipeline along the Caspian Sea coast.
 -three-way talks in the coastal Turkmen city of Turkmenbashi
 -leaders said they will sign a treaty by September on building the new pipeline
 -carry natural gas from Turkmenistan to Europe via Kazakhstan and Russia
 -an accompanying deal to upgrade existing Soviet-era infrastructure in Uzbekistan
- 2007 (July) -04-07-07 Turkmenistan is to join the 3,500-km gas pipeline project planned by China National Petroleum Corp and Kazakhstan's state-owned KazMunaiGaz, said Askar Balzhanov, chief executive of KazMunaiGaz Exploration Production. Astana-based KazMunaiGaz EP is 61 % owned by KazMunaiGaz
- 2007 (July) -19-07-07 President of Turkmenistan Kurbanguly Berdymukhamedov completed his official visit to China
 -Beijing and Ashgabat concluded an agreement on a direct gas pipeline that will bypass Russia and signed a contract on natural gas deliveries to China worth billions of dollars
 -China signed a contract with Turkmenistan to supply 30-bln cm of gas per year for 30 years beginning in 2009
 -sharing at the Bagtyyarlyk deposit, which will be the base for the Central Asia pipeline
 -China will also provide Ashgabat with an easy credit for the purchase of Chinese drilling equipment
- 2007 (July) -23-08-07 China is hedging against a slow-going Russian gas deal by aggressively pushing for imports from Turkmenistan, which could force Moscow to accept Beijing's price demands or watch its Asian strategy unravel
 -China's plan to buy 30 bln cm of Turkmen gas per year -- more than half its current consumption -- shows Beijing is as ready as its resource-rich northern neighbour to play pipeline politics to its own advantage
- 2007 (Aug.) -23-08-07 The China-Turkmenistan gas pipeline enters China's Xinjiang through China-Kazakhstan Huoerguosi border port and goes through Gansu, Shanxi, Henan, Anhui and Jiangsu to Shanghai in the end.
 -length is 6,084 km, to be completed for production before 2015
- 2007 (Sept.) -20-09-07 US Secretary of State Condoleezza Rice is scheduled to meet with Turkmen President Kurbanguly Berdymukhamedov when the latter travels to the United States to attend the United Nations General Assembly
- 2007 (Nov.) -06-11-07 Talks between President of Turkmenistan Kurbanguly Berdymukhamedov and the Premier of the State Council of the People's Republic of China Wen Jiabao, who had come on an official visit to the Turkmen capital, were held in Ashgabat on 4 November
 -reciprocal interests of enlarging energy cooperation

- 2007 (Nov.) -16-11-07 Turkmen President Gurbanguly Berdymukhamedov told US Energy Secretary Samuel Bodman that his country would welcome US energy companies' participation in planned oil and gas projects in the Caspian shelf
-met together with executives from several unnamed US energy majors at the 12th annual Turkmenistan International Oil and Gas Exhibition
- 2007 (Nov.) -23-11-07 The Turkmen president said that a natural gas pipeline from Turkmenistan along the Caspian coast of Kazakhstan and onto Russia could start to be built ahead of schedule.
- 2007 (Dec.) -12-12-07 The Russian government has approved a draft agreement on cooperation with Kazakhstan and Turkmenistan on the construction of the Caspian natural gas pipeline.
-Russian Prime Minister Viktor Zubkov has ordered the country's Industry and Energy Ministry and the Foreign Ministry to hold talks with Kazakhstan and Turkmenistan governments and to sign an agreement on the pipeline's construction

Uzbekistan

- 2000: -11-05-00 Uzbekistan has declared its northern Ustyurt region a favourable investment environment for foreign firms
-has the exclusive right to develop it for 25 years
-firm establishes a joint venture with an Uzbek firm, it gets a seven-year profit tax holiday
- 2001 (Dec.) - the pumping stations for the Shurtan Gas Chemical Complex started operating. - an investment of \$1 billion
-Japanese Bank of International Commerce supplied \$400 million and the US Ex-Im Bank supplied \$200 million
- 2002 (Dec) -Uzbekneftegaz signed a PSA with Itera and LUKoil
-formed a joint stock company to develop new gas fields in Uzbekistan, esp. Kandym field
-Uzbekneftegaz owns 10% of the new company and Itera and LUKoil own 45% each
-first investments in the project are \$377 million
-reserves in the natural gas fields covered by the PSA are estimated to be 8.1 Tcf, including 5.4 Tcf at Kandym. It is estimated that production could start at 159 billion cubic feet (Bcf) per year and eventually increase to peak production of 280 Bcf to 350 Bcf annually
- 2002 (Dec.) -17-12-2002
-The Agreement on Strategic Cooperation in the gas industry was entered into by National Holding Company Uzbekneftegaz and Gazprom
-long-term purchases of Uzbek gas for the period between 2003 and 2012, Gazprom's participation in natural gas production projects under the PSA terms
-PSA became effective on April 14, 2004
- 2004 (June) -16-06-2004
- Russia and Uzbekistan concluded a partnership agreement, along with a US\$1 billion economic development pact
-LUKoil signed with UNG a 35-year PSA
-LUKoil pledged to develop the Kandym, Khauzak and Shady gas fields
-LUKoil will have a 90 percent share in the project, with Uzbekneftegaz holding the remaining 10 percent

- PSA was ratified on Nov. 24, 2004, as LUKoil said it was investing US\$3 bln in the fields
- 2005 (Feb.) -5-02-2005
 - Gazprom and Uztransgaz (sub-holding of NHC Uzbekneftegaz)
 - mid-term Agreement on natural gas transmission via Uzbekistan
 - 2006 to 2010
- 2005:
 - Andijan (May)
 - pro-American Karimov switched sides
 - Beijing, keen to expand its regional clout and discourage indigenous Muslim "separatists", unquestioningly accepted his claim to be battling an Islamist insurrection. Moscow, with Chechnya in mind, also sympathised. At a Kremlin ceremony earlier, Mr Karimov signed a mutual defence pact with Russia. NATO was also kicked out. Washington's Uzbek policy lay in tatters
- 2005 (May):
 - set of oil-gas fields located in Andijan and Namangan oblasts of Uzbekistan will be explored by Chinese experts
 - was achieved at a Sino-Uzbek business-forum held in Tashkent
 - Uzbekneftegaz and Chinese corporation Sinopec
 - UzCNPC Petroleum is a UNG-CNPC venture set up in May 2005 and investing \$600m in more than 20 small oilfields dotted around eastern Uzbekistan
- 2005 (June) - UNG and Sinopec, another Chinese state-owned company was signed in July 2005 to develop non-operational wells and to explore further in the Andijan region
- 2005 (July) - July 2005 granted a \$35m loan to upgrade Uzbekistan's gas pipelines and improve the transport system
- 2005:
 - Uzbek businessmen say the country's oil shortages will continue to worsen unless the government gives up its monopoly control over the oil industry. Most of the country is already short of petrol
 - Oil reserves not sufficient for the country's needs
- 2006 (Jan.) -25-01-2006
 - Agreement signed between Gazprom and NHC Uzbekneftegaz geological survey is underway on subsurface resources in the Ustyurt region
- 2006 (April)
 - Uzbekneftegaz and Gazprom started \$1 billion venture to explore and develop oil and gas deposits in the Ustyurt plains in the western autonomous region of Karakalpakstan
 - Gazprom has reportedly pledged to invest roughly US\$250 million to explore deposits in the Ustyurt region and US\$350 million to develop the Akchalak, Kuanysh and Urga deposits by 2011
- 2006 (June)
 - (signed June 2006, came into force Aug. 30)
 - CNPC signed an oil and gas exploration agreement with Uzbekneftegaz
- 2006 (Aug.)
 - PSA signed by China National Petroleum Corporation (CNPC), Russia's LUKoil Overseas, Malaysia's Petronas Carigali Overseas, the Korean National Oil Aral Ltd and Uzbekneftegaz
 - exploration of the already environmentally threatened Aral Sea
 - first phase would involve US\$100 million in investment

- 2006 - Uzbekistan exported roughly 9 billion cubic meters (bcm) of natural gas to Russia in 2006
- a nearly 1 bcm increase over the previous year's export total
- 2007 (Feb.) -05-02-2007
- Uzbekneftegaz: new PSA with Soyuzneftegaz Vostok Ltd, a fully owned subsidiary of Russia's Soyuzneftegaz
- 5-year joint exploration period and a 36-year joint development program concerning the Central Ustyurt and South-Western Guissar hydrocarbon deposits
- Islam Karimov issued a special decree to validate the deal
- Soyuzneftegaz Vostok is committed to investing US\$466 million, including US\$370 million over the first three years of the contract
-replaces a 2001 PSA between Uzbekneftegaz and British-registered UzPEC (In 2004, Soyuzneftegaz, headed by Russia's former energy minister Yuri Shafranik, took over UzPEC)
- 2007 (May) -12-05-07 The presidents of Russia, Turkmenistan, and Kazakhstan have agreed to build a natural gas pipeline along the Caspian Sea coast.
-three-way talks in the coastal Turkmen city of Turkmenbashi
-leaders said they will sign a treaty by September on building the new pipeline
-carry natural gas from Turkmenistan to Europe via Kazakhstan and Russia
-an accompanying deal to upgrade existing Soviet-era infrastructure in Uzbekistan
- 2007 (May) - CNPC signed an accord with UNG in May 2007 to participate in a joint gas exploration project in the eastern Namangan province

Quantifying the Energy Chronologies

Azerbaijan

2000

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia					
US	i				

2001

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia		i (Putin's visit)		i	
US			i (MOU w Chevron for BTC) i (agmt ratified for BTE)		

2002

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				ii	
Russia		i (Transneft suggestions)			
US					

2003

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				ii	
Russia			i (plans to sign)		
US					

2004

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				i (plans to invest in project) i	
Russia		i (Alekperov's visit)		i i (talks to increase stake)	
US			i		i (USTDA institutional capacity building agmt)

2005

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China	i				
Russia					
US					
RUS/US				i	

2006

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia		i (propose long term agmt post BTC)			
US					

2007

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia					
US		i	i (MOU on energy coop/		

			strategic alliance)		
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Kazakhstan

2000

Country	PSA	Diplomacy	Cooperation in Oil/ Gas	Joint Ventures	Other forms of cooperation
China		i			
Russia			i		
US		i		i * (JV with a KZ company → a PSA?)	

2001

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i			i
Russia		i	i	i (KazTransGaz)	
US		ii			i
RUS/CH					
RUS/US				i	
CH/US					

2002

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i			
Russia	i	i (on CPC to increase tariffs)	ii		
US					

2003

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China			i	iii	
Russia	ii	i (CPC tariff dispute)	ii	ii	
US	i(TengizChevrOil expansion)		i		

2004

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i	ii	ii(complete buyout)i	
Russia		ii	ii	i	
US					

2005

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i (intent to purchase PetroKZ)		i (KazMunaiGaz) i	
Russia	ii	i (-) Rus goes to Swedish court		i (KazMunaiGaz) i	
US			i (commitment to BTC)		

2006

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				i (looking to bid)	i
Russia		i (+)i (continue talks)	i (discuss exploration agmt)	i i	
US		i (Bodman) i (Cheney)	i (feasibility study)i (commits to shipping oil via BTC)		i (strategic partnership)

2007

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i			i
Russia		i (-) (offensive against trans-Caspian pipeline) i (discuss energy corridor)	i (expansion of Novorossiysk) i (construction of Caspian pipeline)	i i	
US					

Turkmenistan

2000

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia				i (30 year agmt to buy gas)	
US					

2002

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia		i (promote coop communiqué)	i (agmt on gas shipments)		
US					

2003

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia		i (Miller Niyazov discuss long-term supplies)	i (gas import deal)	i	i (scientific and technical coop)
US					

2004

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia				i i	
US					

2005

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China			i (sell gas)		
Russia		i (-) price dispute i (RUS to increase gas price) i (negotiations) i (conference)		i	
US					

2006

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i (ready for pragmatic coop)	i (pipeline talks) i (framework on energy coop)		
Russia			i (gas agmt)		
US					

2007

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China		i (TUR official visit to china) i (interest in	i (to join KZ-CH pipeline)		

		enlarging energy coop)			
Russia			i (varia)		
US		i (Rice visit) i (Bodman)			

Uzbekistan

2002

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia	i		i (strategic energy coop w Gazprom)		
US					

2004

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China					
Russia	i (35 year agmt)				
US					

2005

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				i i	
Russia			i (midterm agmt on gas transmissions)		
US					

2006

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				i	
Russia			i (geological survey)	i	
US					
RUS/CH	i (Aral Sea)				

2007

Country	PSA	Diplomacy	Cooperation in Oil / Gas	JV	Other forms of cooperation
China				i	
Russia	i				
US					

